

QALIPU FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
MARCH 31, 2019

QALIPU FIRST NATION

MARCH 31, 2019

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QALIPU FIRST NATION

STATEMENT OF RESPONSIBILITY

The accompanying Consolidated Financial Statements of Qalipu First Nation are the responsibility of management and have been approved by Council.

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada and as such include amounts that are the best estimates and judgments of management.

Management is responsible for the integrity and objectivity of these statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and is ultimately responsible for reviewing and approving the consolidated financial statements.

The Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the consolidated financial statements and the external auditor's report.

The external auditors, Bonnell Cole Janes, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of Qalipu First Nation and meet when required.

On behalf of Qalipu First Nation:

 _____, Chief

 _____, Councilor

INDEPENDENT AUDITOR'S REPORT

To the Members of Council:
Qalipu First Nation

Qualified Opinion

We have audited the financial statements of Qalipu First Nation (the Organization), which comprise the statement of financial position as at March 31, 2019 and the statement of revenue, statement of expenses, changes in net assets (net debt) and cash flows for the year ended March 31, 2019, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for qualified opinion paragraph above, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Qalipu First Nation as at March 31, 2019, and the results of its consolidated operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Basis for qualified opinion

The consolidated statement of financial position includes intangible assets in the amount of \$2,831,512 for fishing licences purchased by Qalipu First Nation. Recording intangible assets is a departure from Canadian Public Sector Accounting Standards. Accordingly, both the fishing licenses and accumulated surplus are overstated by \$2,831,512 as at March 31, 2019. If intangible assets were not recorded in order to be in compliance with Canadian Public Sector Accounting Standards, intangible assets and accumulated surplus would both decrease by \$2,831,512.

We have audited the accompanying consolidated financial statements of Qalipu First Nation, which comprise the consolidated statement of financial position as at March 31, 2019 and the consolidated statements of operations and accumulated surplus, revenue, expenses, changes in net assets (net debt) and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Responsibilities of Council and Those Charged with Governance for the Financial Statements

Council is responsible for the preparation of the financial statements in accordance with the standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada, and for such internal control as Council determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Council is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Council either intends to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Council.
- Conclude on the appropriateness of Council's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Corner Brook
Newfoundland and Labrador
June 27, 2019


CHARTERED PROFESSIONAL ACCOUNTANTS

QALIPU FIRST NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2019

	<u>2019</u>	<u>2018</u>
Financial assets		
Cash and cash equivalents (Note: 2)	\$ 1,709,982	\$ 1,713,782
Accounts receivable (Note: 3)	474,890	616,449
Inventories for resale (Note: 4)	<u>6,111</u>	<u>5,015</u>
Total financial assets	<u>2,190,983</u>	<u>2,335,246</u>
Liabilities		
Accounts payable and accrued liabilities (Note: 5)	\$ 548,467	\$ 731,467
Income taxes payable	6,371	12
Deferred revenue (Note: 6)	424,350	514,836
Long term debt (Note: 7)	1,170,610	1,230,694
Future income taxes payable	4,769	5,624
Reserves (Note: 12)	<u>55,227</u>	<u>115,175</u>
Total liabilities	<u>2,209,794</u>	<u>2,597,808</u>
Net assets (net debt)	<u>(18,811)</u>	<u>(262,562)</u>
Non-financial assets		
Tangible capital assets (Note: 19)	3,396,740	3,533,966
Fishing licenses (Note: 13)	2,831,512	2,831,512
Prepaid expenses (Note: 8)	<u>115,622</u>	<u>94,880</u>
Total non-financial assets	<u>6,343,874</u>	<u>6,460,358</u>
Accumulated surplus	<u>\$ 6,325,063</u>	<u>\$ 6,197,796</u>
Contingencies (Note: 9)		
Contractual Obligations (Note: 11)		

On behalf of Qalipu First Nation:

 **Gordon Nutmecc, Chief**

 **T. B. Jones, Councillor**

The accompanying notes and supplementary schedules are an integral part of these financial statements

QALIPU FIRST NATION
CONSOLIDATED STATEMENT OF REVENUE AND EXPENSES
FOR THE YEAR ENDED MARCH 31, 2019

	<u>Budget</u>	<u>2019</u>	<u>2018</u>
Revenue	\$12,539,711	\$12,908,189	\$2,081,852
Expenses	<u>12,539,651</u>	<u>12,780,922</u>	<u>11,640,541</u>
Annual surplus	\$ <u>60</u>	127,267	441,311
Accumulated surplus at beginning of year		<u>6,197,796</u>	<u>5,756,485</u>
Accumulated surplus at end of year		<u>\$ 6,325,063</u>	<u>\$ 6,197,796</u>

Accumulated surplus at year end is comprised of

Non-financial non-liquid assets

Tangible capital assets	3,396,740
Fishing licenses	2,831,512
Prepaid expenses	<u>115,622</u>

Total non-financial assets 6,343,874

Net debt (18,811)

Accumulated surplus at end of year \$ 6,325,063

The accompanying notes and supplementary schedules are an integral part of these financial statements

QALIPU FIRST NATION
CONSOLIDATED STATEMENT OF REVENUE
FOR THE YEAR ENDED MARCH 31, 2019

	<u>Budget</u>	<u>2019</u>	<u>2018</u>
REVENUE			
Federal Government			
Indigenous Services Canada (Note: 17)	\$ 8,114,565	\$ 8,029,098	\$ 7,904,532
Health Canada	1,997,563	2,005,751	1,532,159
Employment and Social Development Canada	1,530,520	1,422,087	1,344,873
Atlantic Canada Opportunities Agency	263,848	232,366	27,531
Fisheries and Oceans Canada	215,000	215,000	445,000
Department of Canadian Heritage	10,113	10,113	23,526
Transport Canada	9,790	9,790	
Canadian Environmental Assessment Agency	23,963	2,791	13,728
Provincial Government			
Newfoundland and Labrador English School District	5,000	55,025	4,975
Department of Business, Tourism, Culture and Rural Development	101,480	47,509	26,676
Women's Policy Office	12,000	12,000	40,034
Department of Health and Community Services		7,006	1,409
Department of Advanced Education & Skills			23,154
Commerical Fishery		286,586	276,473
Rent		240,513	221,705
Emera	112,600	101,106	40,329
Transfer from Election Reserve	90,673	90,673	
Stantec Consulting Ltd.		52,053	4,927
Client recovery revenue		22,847	
Miscellaneous		21,588	32,143
Management and administration fees	45,096	27,311	34,673
Other Commercial Enterprises		9,476	37,905
First Nations Financial Management Board	7,500	7,500	
Flat Bay Band Inc.			22,400
Bay St. George Mi'kmaq Cultural Revival Committee			12,000
Congress of Aboriginal Peoples			11,700
	<u>\$12,539,711</u>	<u>\$12,908,189</u>	<u>\$12,081,852</u>

The accompanying notes and supplementary schedules are an integral part of these financial statements

QALIPU FIRST NATION
CONSOLIDATED STATEMENT OF EXPENSES
FOR THE YEAR ENDED MARCH 31, 2019

	<u>Budget</u>	<u>2019</u>	<u>2018</u>
EXPENSES			
Skills development - University	\$ 4,883,636	\$ 4,942,949	\$ 4,830,219
Wages and benefits	2,339,026	2,321,819	2,332,812
Health Benefits payments	1,660,570	1,668,758	1,166,024
Skills development - Community College	1,479,676	1,354,051	1,262,197
Travel and meetings	321,445	309,463	275,838
Consulting and research fees	380,204	302,195	92,854
Amortization of tangible capital assets		248,189	257,641
Maintenance and supplies	4,267	219,997	212,956
Wage subsidy	124,110	134,805	109,446
Honorariums and per diems	104,350	94,800	103,991
Election expenses	115,000	90,673	
Office and postage	85,016	89,865	124,873
Summer program	83,323	83,166	86,881
Rent	239,867	82,530	66,918
Telephone	61,657	79,375	64,807
RCMP youth program	72,497	68,079	57,839
Utilities		64,534	57,436
Boat fuel and bait		62,956	63,301
Advertising and promotion	60,551	60,853	9,233
Career Threads Program	44,067	56,620	11,132
Professional fees	41,514	54,390	54,285
Contribution to Qalipu programs	50,284	45,061	9,200
Insurance	37,532	44,914	54,991
Interest on long term debt		44,077	48,188
Self employment assistance	52,271	37,848	40,358
Staff skills development	41,170	34,435	55,621
Municipal tax		34,273	33,618
Reserve for election (Note: 12)	30,000	30,000	30,000
Bad debts		27,613	3,655
Licences and fees	16,000	19,689	23,022
Aboriginal health program	15,000	15,000	
Graduate incentive	20,000	13,345	13,271
Interest and bank charges	6,000	12,349	12,402
Cultural activities	10,000	9,975	12,600
Gifts and donations	8,000	7,190	30,598
Income taxes		5,813	(341)
Capacity building	5,619	4,517	6,780
Promotional items	1,600	2,381	5,665
Miscellaneous	2,143	1,728	636
Loss on disposal of tangible capital assets		647	
Contracted services			19,178
Communications			416
Targeted training program	38,265		
Equipment purchases	104,991		
	<u>\$12,539,651</u>	<u>\$12,780,922</u>	<u>\$1,640,541</u>

The accompanying notes and supplementary schedules are an integral part of these financial statements

QALIPU FIRST NATION
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS (NET DEBT)
FOR THE YEAR ENDED MARCH 31, 2019

	<u>Budget</u>	<u>2019</u>	<u>2018</u>
Annual surplus	\$ <u>60</u>	\$ <u>127,267</u>	\$ <u>441,311</u>
Tangible capital assets:			
Acquisition of tangible capital assets	(104,991)	(113,010)	(143,012)
Proceeds on disposal of tangible capital assets		1,400	
Loss on disposal of tangible capital assets		647	
Amortization of tangible capital assets	<u> </u>	<u>248,189</u>	<u>257,641</u>
Total Tangible Capital Assets:	(104,991)	137,226	114,629
 Acquisition of prepaid expenses		(20,742)	9,400
Acquisition of fishing licences	<u> </u>	<u> </u>	<u>(230,000)</u>
		<u>116,484</u>	<u>(105,971)</u>
Increase in net assets (net debt)	\$ <u>(104,931)</u>	243,751	335,340
Net assets (net debt) at beginning of year		<u>(262,562)</u>	<u>(597,902)</u>
Net assets (net debt) at end of year		\$ <u>(18,811)</u>	\$ <u>(262,562)</u>

The accompanying notes and supplementary schedules are an integral part of these financial statements

QALIPU FIRST NATION
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2019

	<u>2019</u>	<u>2018</u>
Operating Transactions		
Annual surplus	\$ 127,267	\$ 441,311
Items not affecting cash:		
Amortization of tangible capital assets	248,189	257,641
Loss on disposal of tangible capital assets	647	
Future income taxes	<u>(855)</u>	<u>(353)</u>
	375,248	698,599
Changes in non-cash items on Statement of Financial Position		
Decrease in accounts receivable	141,559	27,093
Increase in reserve for future election	(59,948)	30,000
Decrease (increase) in prepaid expenses	(17,643)	9,400
Increase in income taxes payable	6,359	12
Decrease in accounts payable	(186,099)	(638,379)
Decrease (increase) in inventory	(1,096)	2,713
Increase in deferred revenue	<u>(90,486)</u>	<u>147,735</u>
Cash provided by (applied to) operating transactions	<u>167,894</u>	<u>277,173</u>
Capital Transactions		
Proceeds from disposal of tangible capital assets	1,400	
Purchase of intangible assets		(230,000)
Purchase of tangible capital assets	<u>(113,010)</u>	<u>(143,012)</u>
Cash provided by (applied to) capital transactions	<u>(111,610)</u>	<u>(373,012)</u>
Financing Transactions		
Payment of debt	<u>(60,084)</u>	<u>(57,180)</u>
Increase (decrease) in cash and cash equivalents	(3,800)	(153,019)
Cash and cash equivalents, beginning of the year (Note 2)	<u>1,713,782</u>	<u>1,866,801</u>
Cash and cash equivalents, end of the year (Note 2)	<u>\$ 1,709,982</u>	<u>\$ 1,713,782</u>

The accompanying notes and supplementary schedules are an integral part of these financial statements

QALIPU FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

These financial statements have been prepared in accordance with Canadian public sector accounting standards as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. In addition, Qalipu First Nation includes certain financial information that is not required by the Canadian public sector accounting standards. This information is presented in order to satisfy Indigenous Services Canada and is presented on pages 64 to 65.

(b) Reporting Entity

The Qalipu First Nation reporting entity includes the Qalipu First Nation government and all related entities that are controlled by the First Nation.

(c) Principles of Consolidation

All controlled entities are fully consolidated on a line-by-line basis except for the commercial enterprises which meet the definition of government business enterprise, which are included in the Consolidated Financial Statements on a modified equity basis. Inter-organizational balances and transactions are eliminated upon consolidation.

Organizations consolidated in Qalipu First Nation's financial statements include:

- Qalipu Development Corporation
- Mi'kmaq Commercial Fisheries Inc.
- Qalipu Management Services Inc.
- Qalipu Marine Holdings Ltd.
- Qalipu Project Support Services Ltd.

(d) Asset Classification

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations. Non-financial assets are acquired, constructed or developed assets that do not provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale. Non-financial assets include tangible capital assets, prepaid expenses and inventories of supplies.

(e) Cash

Cash includes cash on hand and balances with banks net of bank overdraft.

(Cont'd)

QALIPU FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(f) Tangible Capital Assets

Tangible capital assets include acquired, built, developed and improved tangible capital assets, whose useful life extends beyond one year and which are intended to be used on an ongoing basis for producing goods or delivering services.

Tangible capital assets are reported at net book value. Contributions received to assist in the acquisition of tangible capital assets are reported as deferred revenue and amortized to income at the same rate as the related asset.

Certain assets which have historical or cultural value, including works of art, historical documents and historical and cultural artifacts, are not recognized as tangible capital assets. Assets under construction are not amortized until the asset is available to be put into service.

Amortization is provided on a declining balance basis in the table that follows, except for leasehold improvements which are recorded on a straight-line basis, over the expected useful life of the assets. Amortization rates are as follows:

Fishing vessel	10%
Machinery, equipment and furniture	20%
Motor vehicle	20%
Buildings	4%
Leasehold improvements	variable

(g) Net Assets

The First Nation's financial statements are presented so as to highlight net assets as the measurement of financial position. The net assets of the First Nation is determined by its financial assets less its liabilities.

(h) Revenue recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Contributions from other sources are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purpose.

Revenue related to fees or services received in advance of the fee being earned or the service is performed is deferred and recognized when the fee is earned or service performed.

(Cont'd)

QALIPU FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(i) Measurement Uncertainty

In preparing the consolidated financial statements for Qalipu First Nation, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the consolidated financial statements and reported amounts of revenue and expenses during the period. The main estimates used in preparing these financial statements include the amortization of the capital assets. Actual results could differ from these estimates.

(j) Fishing licenses

Fishing licences represent intangible assets acquired and which are recorded at their fair value at the date of acquisition. Licenses have indefinite lives, are not amortized and are tested for impairment annually, or more frequently, if events or changes in circumstances indicate that the asset might be impaired. The impairment test compares the carrying amount of the licences with their fair value. When an impairment loss exists, it is recognized and disclosed in the statement of operations. The capitalization of intangible assets is a departure from Canadian Public Sector Accounting Standards

2. CASH AND CASH EQUIVALENTS

Cash is comprised of the following

	<u>2019</u>	<u>2018</u>
Unrestricted		
Operating	\$ 549,812	\$ 963,274
Investment Savings (surplus funds)	904,919	750,209
Investment Savings (excess operating)	255,251	
Petty Cash	<u> </u>	<u>299</u>
Total cash	<u><u>\$ 1,709,982</u></u>	<u><u>\$ 1,713,782</u></u>

3. ACCOUNTS RECEIVABLE

	<u>2019</u>	<u>2018</u>
Atlantic Canada Opportunities Agency	\$ 155,988	\$ 46,841
Department of Fisheries and Oceans	89,500	319,500
Canadian Environmental Assessment Agency	44,746	
HST refunds	36,801	53,537
Health Canada	36,367	
Mi'kmaq Alsumk Mowimsikik Koqoey Association Inc.	20,462	87,609
Small amounts owing (Net of doubtful accounts)	18,847	80,652
Student receivables.	17,859	
Federation of Newfoundland Indians	17,367	18,310
Tourism, Culture and Industry	10,848	
Indigenous Tourism Association of Canada	10,000	
Transport Canada	9,790	
Indigenous Services Canada	<u>6,315</u>	<u>10,000</u>
Total Accounts receivable	<u><u>\$ 474,890</u></u>	<u><u>\$ 616,449</u></u>

QALIPU FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

4. INVENTORIES FOR RESALE

	<u>2019</u>	<u>2018</u>
Promotional items inventory	\$ <u>6,111</u>	\$ <u>5,015</u>

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2019</u>	<u>2018</u>
Trade payables	\$ 321,900	\$ 389,998
Health Canada	95,804	209,701
Employee benefits payable	86,897	75,348
Other accrued liabilities	44,110	51,890
Qalipu Cultural Foundation Incorporated	<u>(244)</u>	<u>4,530</u>
Total Accounts Payable	\$ <u>548,467</u>	\$ <u>731,467</u>

6. DEFERRED REVENUE

The First Nation has received the following advances from funding agencies. These advances are recorded as deferred revenue and will be recorded as current revenue in the year the expenses are incurred.

	<u>2019</u>	<u>2018</u>
Indigenous Services Canada		
Climate Monitoring Program (NN4Q)	\$ 2,431	\$
Land Support Services (NT7D)	16,200	
Professional & Institutional Development (NG1F)	47,327	15,815
Post Secondary Student Support Program (NP5A)		6,516
Community Infrastructure Program (NTQB)		38,160
Community Opportunity Readiness Program (NT90)		13,232
Employment and Social Development Canada	124,728	98,198
Emera - Socio-Economic Agreement	89,572	190,678
Newfoundland and Labrador English School District		55,025
Provincial Department of Business, Trade, Culture and Rural Development	53,971	
Stantec Consulting Ltd.		50,233
Canadian Environmental Assessment Agency	46,334	18,963
Atlantic Canada Opportunities Agency	33,787	2,918
Post Secondary Client Recovery Revenue		740
Indigenous Tourism Association of Canada	10,000	
Department of Health and Community Services		7,006
Department of Advanced Education & Skills		10,461
Congress of Aboriginal Peoples		3,778
Department of Canadian Heritage	<u> </u>	<u>3,113</u>
	\$ <u>424,350</u>	\$ <u>514,836</u>

QALIPU FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

7. LONG TERM DEBT

	<u>2019</u>	<u>2018</u>
3.39% bank loan repayable in blended monthly installments of \$2,639 to 2032, secured by land and building located at 1 Church Street, with a carrying value of \$711,171.	\$ 344,285	\$ 363,889
3.6% bank loan repayable in blended monthly installments of \$3,276 to 2032, secured by land and building located at 3 Church Street, with a carrying value of \$863,857.	414,466	438,322
3.61% bank loan repayable in blended monthly installments of \$2,657 to 2036, secured by land and building located at 90 Main Street, Stephenville, with a carrying value of \$583,827	<u>411,859</u>	<u>428,483</u>
	<u><u>\$ 1,170,610</u></u>	<u><u>\$ 1,230,694</u></u>

Long term debt repayments required to meet retirement provisions in each of the next five years are:

2020	\$ 62,419
2021	64,661
2022	66,983
2023	69,391
2024	71,884
Subsequent	<u>835,272</u>
	<u><u>\$1,170,610</u></u>

	<u>2019</u>	<u>2018</u>
Interest expense for the year on long term debt	\$ <u>44,077</u>	\$ <u>48,188</u>

8. PREPAID EXPENSES

	<u>2019</u>	<u>2018</u>
Employee benefits	\$ 31,360	\$ 32,400
Municipal taxes	28,612	25,248
Insurance	<u>55,650</u>	<u>37,232</u>
Total Prepaid Expenses	<u><u>\$ 115,622</u></u>	<u><u>\$ 94,880</u></u>

QALIPU FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

9. CONTINGENCIES

Qalipu First Nation has entered into contribution agreements with various federal government departments. Funding received under these contribution agreements is subject to repayment if the First Nation fails to comply with the terms and conditions of the agreements.

In addition, in the normal course of its operations, Qalipu First Nation becomes involved in legal actions. Some of these potential liabilities may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded on Qalipu First Nation's financial statements.

10. ECONOMIC DEPENDENCE

The government of Qalipu First Nation receives a major portion of its revenue from Indigenous Services Canada and Employment and Social Development Canada. The nature and extent of this revenue is of such significance that the First Nation is economically dependent on this source of revenue.

11. CONTRACTUAL OBLIGATIONS

The nature of Qalipu First Nation's activities can result in some multi-year contracts whereby it will be obligated to make future payments when the goods or services are received. At March 31, 2019 there were no significant contractual obligations that can be reasonably estimated.

12. RESERVES

Qalipu First Nation has established a reserve to fund future election expenses. Amounts added to the reserve in the fiscal year will be recorded as a current expenditure in the year of addition.

13. FISHING LICENSES

The Qalipu First Nation has ownership of thirteen commercial fishing licences for the use and benefit of its membership. These assets have been recorded at a cost of \$1,535,100.

Mi'kmaq Commercial Fishery Inc. has ownership of three commercial fishing licences which have been recorded at a cost of \$1,296,412.

14. PENSION PLAN

Qalipu First Nation provides a defined contribution pension plan for eligible members of its staff. Contributions made to the plan accumulate in member accounts established under the plan. The funding policy includes 9% of earnings for the Band Manager and three directors, 8% of earnings for management employees, and 7% of earnings for non-management employees, which is matched by Qalipu First Nation. The amount of retirement benefit to be received by the employees will be based on the member's share of the pension plan at the time of withdrawal.

Qalipu First Nation contributed during the year \$105,568 (2018 - \$95,297).

QALIPU FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

15. RELATED PARTY TRANSACTIONS

During the year, the First Nation provided rental services to The Federation of Newfoundland Indians for \$2,500. (2018 - \$9,600)

During the year, the First Nation provided services to Mi'kmaq Alsumk Mowimsikik Koqoey Association Inc. for \$12,600. (2018 - \$12,600)

The related parties are Organizations that are controlled by First Nations people.

These purchases are in the normal course of business and are measured at the exchange rate, which is the amount of consideration established and agreed to by the related parties.

16. BUDGET FIGURES

Annual operating budgets were not prepared for the controlled entities as listed in Note 1 (c) which have been included in these consolidated financial statements. Therefore, the budget amounts as disclosed on the Consolidated Statement of Revenue and Consolidated Statement of Expenses are significantly different from the actual results.

17. INDIGENOUS SERVICES CANADA FUNDING RECONCILIATION

	<u>2019</u>	<u>2018</u>
Funding per financial statements	\$ 8,029,098	\$ 7,904,532
Add: Current year deferred revenue		
Professional & Institutional Development (NG1F)	47,327	15,815
Climate Monitoring Program (NN4Q)	2,431	
Land Support Services (NT7D)	16,200	
Post Secondary Student Support Program (NP5A)		6,516
Community Infrastructure Program (NTQB)		38,160
Community Opportunity Readiness Program (NT90)	<u> </u>	<u>13,232</u>
	8,095,056	7,978,255
Less: Prior year deferred revenue		
Professional & Institutional Development (NG1F)	15,815	
Community Economic Development Program (NT90)	13,232	
Post Secondary Student Support Program (NP5A)	44,928	
Community Infrastructure Program (NTQB)	<u>38,160</u>	<u> </u>
Funding per funding confirmation report	<u><u>\$ 7,982,921</u></u>	<u><u>\$ 7,978,255</u></u>

QALIPU FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

18. SEGMENT DISCLOSURE

Qalipu First Nation provides a range of services to its members. For management reporting purposes, operations and activities are organized and reported by department. These are as follows:

Education – The Education department works to help Aboriginal students acquire the skills they need to enter the labour market. Support is provided primarily for post-secondary education.

Health – The Health department is focused on improving the health of Aboriginal communities. Its mandate is to educate and assist members in accessing Non-Insured Health Benefits.

Economic Development – The Economic Development department is dedicated to encouraging Aboriginal entrepreneurship, enhancing workforce skills of members, and facilitating community economic development projects.

Band Government – Band Government is accountable for administration of the First Nation.

Other - Other funding includes support for the Band Registry; Secure Card Program and other fisheries support programs.

For each segment separately reported, the segment revenue and expenses represent amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The presentation by segment is based on the same accounting policies as described in the summary of Significant Accounting Policies as described in Note 1. The segment results for the periods are reported on the following pages.

QALIPU FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

18. SEGMENT DISCLOSURE (Continued)

	EDUCATION			HEALTH			ECONOMIC DEVELOPMENT		
	BUDGET 2019	2019	2018	BUDGET 2019	2019	2018	BUDGET 2019	2019	2018
REVENUE									
Federal government operating transfers	\$ 7,761,404	\$ 7,648,193	\$ 7,344,344	\$ 1,997,563	\$ 2,005,751	\$ 1,532,159	\$ 951,547	\$ 935,347	\$ 887,595
Federal government capital transfers									
Provincial government operating transfers					7,006	1,409			
Provincial government capital transfers									
Contributed assets									
Economic activities								818,645	826,975
Income from investments in government business enterprises									
Other revenue		22,847	11,700					52,053	
Total Revenue	7,761,404	7,671,040	7,356,044	1,997,563	2,012,757	1,533,568	951,547	1,806,045	1,714,570
EXPENSES									
Salaries and benefits	633,179	658,210	669,197	225,207	227,935	238,649	588,708	681,389	628,988
Debt Servicing								44,077	48,188
Amortization								122,033	129,955
Other Expenses	7,128,225	6,996,649	6,686,848	1,772,356	1,777,987	1,294,919	362,779	836,633	891,682
Total Expenses	7,761,404	7,654,859	7,356,045	1,997,563	2,005,922	1,533,568	951,487	1,684,132	1,698,813
Annual Surplus (Deficit)	\$	\$ 16,181	\$ (1)	\$	\$ 6,835	\$	\$ 60	\$ 121,913	\$ 15,757

QALIPU FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

18. SEGMENT DISCLOSURE (Continued)

	BAND GOVERNMENT			OTHER			TOTAL		
	BUDGET 2019	2019	2018	BUDGET 2019	2019	2018	BUDGET 2019	2019	2018
REVENUE									
Federal government operating transfers	\$ 560,146	\$ 560,146	\$ 548,538	\$ 894,702	\$ 777,559	\$ 978,713	\$12,165,362	\$11,926,996	\$11,291,349
Federal government capital transfers									
Provincial government operating transfers				118,480	114,534	94,839	118,480	121,540	96,248
Provincial government capital transfers									
Contributed assets									
Economic activities								818,645	826,975
Income from investments in government business enterprises									
Other revenue	295,901	309,669	405,496	112,600	101,107	79,656	408,501	485,676	496,852
Total Revenue	856,047	869,815	954,034	1,125,782	993,200	1,153,208	12,692,343	13,352,857	12,711,424
EXPENSES									
Salaries and Benefits	399,564	356,887	309,698	492,368	397,398	486,280	2,339,026	2,321,819	2,332,812
Debt Servicing								44,077	48,188
Amortization								122,033	129,955
Other Expenses	456,483	443,769	312,370	633,414	541,708	497,780	10,353,257	10,596,746	9,683,599
Total Expenses	856,047	800,656	622,068	1,125,782	939,106	984,060	12,692,283	13,084,675	12,194,554
Annual Surplus (Deficit)	\$	\$ 69,159	\$ 331,966	\$	\$ 54,094	\$ 169,148	\$ 60	\$ 268,182	\$ 516,870

QALIPU FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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18. SEGMENT DISCLOSURE (Continued)

	Consolidation Adjustments			Consolidated Totals		
	BUDGET 2019	2019	2018	BUDGET 2019	2019	2018
REVENUE						
Federal government operating transfers	\$	\$	\$	\$12,165,362	\$11,926,996	\$11,291,349
Federal government capital transfers						
Provincial government operating transfers				118,480	121,540	96,248
Provincial government capital transfers						
Contributed assets						
Economic activities		(283,055)	(294,447)		535,590	532,528
Income from investments in government business enterprises						
Other revenue	(152,632)	(161,613)	(335,125)	255,869	324,063	161,727
Total Revenue	(152,632)	(444,668)	(629,572)	12,539,711	12,908,189	12,081,852
EXPENSES						
Salaries and Benefits				2,339,026	2,321,819	2,332,812
Debt Servicing					44,077	48,188
Amortization		126,156	127,686		248,189	257,641
Other Expenses	(152,632)	(429,909)	(681,699)	10,200,625	10,166,837	9,001,900
Total Expenses	(152,632)	(303,753)	(554,013)	12,539,651	12,780,922	11,640,541
Annual Surplus (Deficit)	\$	\$ (140,915)	\$ (75,559)	\$ 60	\$ 127,267	\$ 441,311

QALIPU FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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19. TANGIBLE CAPITAL ASSETS

	Land and Land Improvements	Buildings and Leasehold Improvements	Equipment	Fishing Vessel	ATP Equipment	River guardian equipment	Motor Vehicle	Total 2019	Total 2018
Opening Costs	\$ 313,400	\$2,759,806	\$ 859,822	\$ 713,466	\$ 10,010	\$ 131,471	\$ 33,569	\$4,821,544	\$4,678,532
Additions during the year		900	112,110					113,010	143,012
Disposals and write downs			(5,552)					(5,552)	
Closing costs	<u>313,400</u>	<u>2,760,706</u>	<u>966,380</u>	<u>713,466</u>	<u>10,010</u>	<u>131,471</u>	<u>33,569</u>	<u>4,929,002</u>	<u>4,821,544</u>
Opening Accumulated Amortization		416,347	453,839	350,806	8,289	40,197	18,100	1,287,578	1,029,937
Amortization		93,756	92,407	40,505	172	18,255	3,094	248,189	257,641
Disposals and write downs			(3,505)					(3,505)	
Closing accumulated amortization		<u>510,103</u>	<u>542,741</u>	<u>391,311</u>	<u>8,461</u>	<u>58,452</u>	<u>21,194</u>	<u>1,532,262</u>	<u>1,287,578</u>
Net Book Value of Tangible Capital Assets	<u>\$ 313,400</u>	<u>\$2,250,603</u>	<u>\$ 423,639</u>	<u>\$ 322,155</u>	<u>\$ 1,549</u>	<u>\$ 73,019</u>	<u>\$ 12,375</u>	<u>\$3,396,740</u>	<u>\$3,533,966</u>

QALIPU FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

20. GOVERNMENT TRANSFERS

		<u>2019</u>			<u>2018</u>	
	Operating	Capital	Total	Operating	Capital	Total
Federal government operating transfers:						
Indigenous Services Canada	\$ 8,029,098	\$	\$ 8,029,098	\$ 7,904,532	\$	\$ 7,904,532
Health Canada	2,005,751		2,005,751	1,532,159		1,532,159
Employment and Social Development Canada	1,422,087		1,422,087	1,344,873		1,344,873
Other	470,060		470,060	509,785		509,785
Total	11,926,996		11,926,996	11,291,349		11,291,349
Provincial government transfers	121,540		121,540	96,248		96,248
Other						
Total	<u>\$12,048,536</u>	<u>\$</u>	<u>\$12,048,536</u>	<u>\$11,387,597</u>	<u>\$</u>	<u>\$11,387,597</u>

21. EXPENSES BY OBJECT

The following is a summary of expenses by object.

	<u>2019</u>	<u>2018</u>
Salaries and benefits	\$ 2,321,819	\$ 2,332,812
Staff development	34,435	55,621
Supplies and services	219,997	212,956
Interest and bank charges	12,349	12,402
Professional services	54,390	54,285
Rental expenditures	82,530	66,918
Fees and contract services	302,195	112,032
Other	9,505,018	8,535,874
Amortization	248,189	257,641
Total	<u>\$12,780,922</u>	<u>\$11,640,541</u>

Indigenous Services Canada provides the above categories of expenses. For a detailed disclosure of the expenses classified as Other refer to the Consolidated Statement of Expenses on page 6.