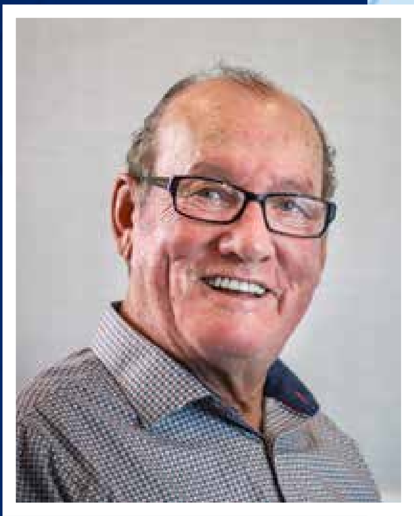
Membertou
WELCOMING THE WORLD

MEMBERTOU ANNUAL REPORT 2020 - 2021

PULLING TOGETHER:
Supporting Our Community in Unprecedented Times



A MESSAGE FROM CHIEF & COUNCIL

The anticipation of a new decade quickly turned to the unknown, in March 2020, as the COVID-19 pandemic reached Canada. Like the rest of the world, Membertou was deeply impacted by the spread of the virus, which caused major challenges for health systems, communities and economies.

As Membertou's Council, we are the community's representatives and it was our duty to take quick action. Our first priority was the health and safety of our community members and employees. We worked to set up systems that would support our community during this time of need.

The Council, Membertou Executive Team, and COVID response team worked together, to assess both community health and commercial operations, which fund the majority of our programs and services in the community. With health, always being the first priority, quick action was also taken to preserve the viability of our band and ensure that we as a whole community were not affected long-term by this pandemic.

Our elders, our youth, our essential services workers, and anyone struggling, we did our best to provide the best outcomes for Membertou community members and staff. As we close 2021, we are in a much better place due to action, precautionary measures, and vaccinations.

We would like to thank each of you in our community, who took the social and physical distancing precautions seriously, and to all who did everything they could to slow the virus in Membertou. Let's continue to stay strong as a community.

Wela'lin.
Sincerely,

Chief Terry Paul & Membertou Council

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EXECUTIVE SUMMARY

Due to the ongoing pandemic, Nova Scotia declared a State of Emergency in March 2020. Many of Membertou's operations were closed for periods of time in 2020 and 2021. Following the health guidelines and opening in phases due to the safety our community members, employees and patrons, we were able to slowly recover from the pandemic. Through community spirit and the perseverance of our team, we are rising and returning to bustling activity.

MEMBERTOU COMMUNITY

Best Managed Company:
2019 & 2020

Population: 1,593
(This includes on/off reserve members)

Governed by Elected Chief & 12 Councilors

$68, 451, 689
in revenue

Total number of births: **24**

$2,706,604
in community & charitable support

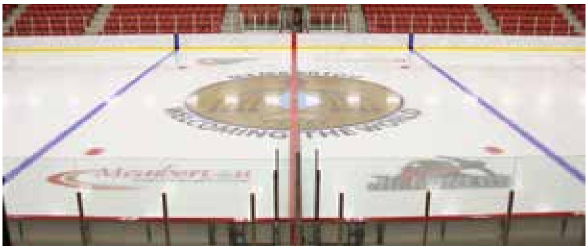
24 homes were built for Membertou families -
12 completed &
12 in progress

Graduates:
- High School – 24
- Post secondary – 4
- Trades – 8 STAIRS, 8 METS

Total graduates: 44

MEMBERTOU BUSINESSES

Membertou Welcomes the World to Experience all it has to Offer



MEMBERTOU SPORT & WELLNESS CENTRE

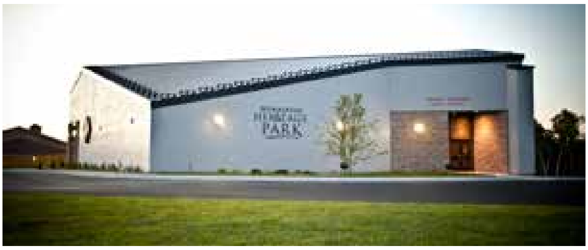
- Opened in 2016
- 2 NHL-Size Ice Pads
- YMCA & Collaborative Health Clinic
- Host to NAHC 2018 & 2022 & Telus Cup 2022

MEMBERTOU TRADE & CONVENTION CENTRE

- Opened in 2004
- 20,000 square feet of meeting and convention space
- Host to hundreds of gatherings, conferences, meetings, weddings and annual events
- Attached by pedway to Hampton Inn Hotel & Suites

MEMBERTOU MARKET

- Opened in 2005
- Market, Shell Gas Stop
- Home to Membertou Chicken & Deli



MEMBERTOU HERITAGE PARK

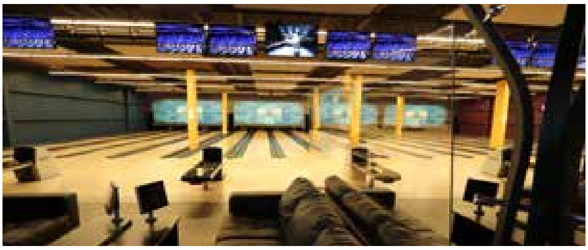
- Mi’kmaq Cultural Centre & Exhibit
- Home to Petroglyphs Gift Shop
- Community Space for Elders and Artisans

KIJU’S RESTAURANT

- Fresh and local cuisine, served with friendly service
- Located within the Membertou Trade & Convention Centre
- Specialty Mi’kmaw Inspired Menu & local favorites
- Named by a Membertou community member

MEMBERTOU GAMING COMMISSION

- Key Revenue Generator for Membertou since 2001
- New Gaming Building Opened in 2017
- Key Community Employer



LANES AT MEMBERTOU

- 16-lane Bowling and Entertainment Centre
- Home to Eleventh Frame, a full-service restaurant & lounge
- Multi-sport Simulators

MEMBERTOU ENTERTAINMENT CENTRE

- Membertou Bingo Hall and concessions
- Hosts Bingo 5 nights a week (In-person and online)
- Charitable Community Partner
- Gaming Commissions located on upper level

MEMBERTOU BAND OFFICE, ASSOCIATED FACILITIES & ENTITIES REOPEN TO THE PUBLIC

For most of 2020, Membertou's Band Office & Associated Facilities remained closed, and remote work took place. In September 2020, Membertou moved into Phase Two of pandemic recovery, and saw staff return to their offices.

CHIEF & COUNCIL 2020 ELECTIONS

On October 22nd, 2020, community members headed to the polls for the first time in four years to elect Membertou's Chief and Council positions.

There were 65 candidates who put their names forward for council positions and two candidates for the position for Chief. Some of the topics that surfaced throughout the election period included youth, education, mental health and addictions support, community matters, development, growth, housing and employment.

Twelve council members were elected and re-elected: *(Left to Right)*
Storm Sack, Gail Christmas,
Graham Marshall, Lee Gould,
Paul MacDonald, Lawrence "Quism" Paul,
Allister "Buster" Matthews, Johanna Laporte,
Dean Christmas, Craig Christmas,
Ike Paul, Chief Terry Paul,
David Marshall *(Missing from photos).*

Chief Terry Paul was re-elected as Chief in his 18th term serving the community.

CLEARWATER SEAFOODS AQUISITION

November 9th, 2020 was a monumental and historic day. Membertou led a major commercial acquisition that will have lasting positive impacts on our community for the next seven generations.

A coalition of Mi'kmaq communities from across Nova Scotia and Newfoundland (Membertou, Waycobah, Potlotek, Paqtnkek, Pictou Landing, Sipekne'katik, Miawpukek, and We'koqma'q) now own 50% of Clearwater Seafoods (in partnership with Premium Brands) and own 100% of all Canadian Clearwater licenses.

This deal is a truly transformational moment for all participating Mi'kmaq communities. For 13,000 years, the Mi'kmaq have sustainably fished the waters of Atlantic Canada and today, we are a global leader, proudly participating in all sectors of the fishery.

This is strictly a commercial acquisition and our investment in the commercial offshore fishery is completely separate from our inshore and moderate livelihood fisheries.

All benefits of this ownership will flow back to the community, and with a seat at the table comes the ability to influence the role of our people in the commercial fishery.

The deal with Clearwater was made official in January 2021. To date, Clearwater Seafoods has worked in partnership with Membertou and the Mi'kmaq Coalition to indigenize the company, and embracing the new Mi'kmaq 50% ownership. More Mi'kmaw workers have been employed than ever before, and a new position was created, the Indigenous Employment Officer, to recruit Indigenous workers.

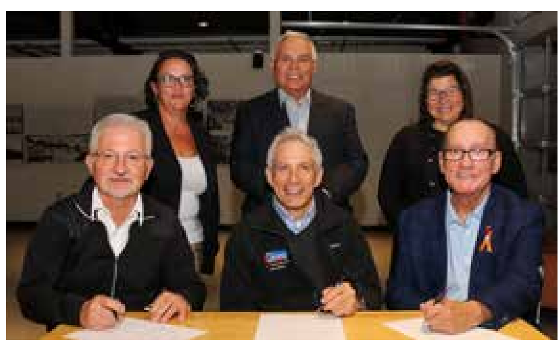


Photo: Mi'kmaq Coalition (50%) & Premium Brands (50%) sign historic deal on purchase of Clearwater Seafoods. Pictured here: (L-R) George Paleologou (PB), Ian Smith (Clearwater), Chief Terry Paul, Back Row: Chief Annie Daisley, Chief Misel Joe & Chief Andrea Paul.

FIRST ROUND OF COVID-19 VACCINES COME TO MEMBERTOU

On March 2nd 2021, the Membertou Health team welcomed community members who were 55+ years old to participate in the first round of the COVID-19 vaccine clinic.

The clinic took place at the Membertou Entertainment Centre. Each person came for their vaccine at a scheduled appointment time, to ensure safety protocols were met. Almost exactly one year into the pandemic in Canada, the first round of vaccinations was administered.

Elders, Chief Terry, Council members who met the age limit, and seniors 55 years and older were recipients of the vaccine. This was a first step in the process to ensuring safety and immunity for the Membertou community.

Those who received their shots had to do a follow-up vaccination a few weeks later to receive the full effects that the Pfizer vaccine offers. The Membertou Health Department were given their shots in advance of vaccinating others. Following the first clinic, the health team worked diligently to vaccinate the entire community with both doses of the COVID-19 vaccine.

MEMBERTOU HOUSING

Membertou Housing is responsible for maintenance and care for both residential and commercial buildings. The department is also responsible for the construction of new homes within the community and works closely with other departments to accomplish such tasks.

In 2020-21, the Membertou Housing team constructed 24 new homes for families within the community with 12 complete, to date. There were six homes sold under the Home Purchase Program and an additional home was sold privately between two community members.

Four families are now settled in Membertou and have the opportunity to contribute to the community in new ways. As construction of additional homes continues, the Membertou Council is committed to providing safe, efficient housing for our ever-growing community.

MEMBERTOU HOUSING PROGRAMS:

COMMUNITY-BASED HOUSING PROGRAM

The housing programs that fall under the community-based housing program were designed to assist band members who are unable to pay a market-based rent. These programs do not use the First Nations Market Housing Fund's Credit Enhancement Facility.

MARKET-BASED HOUSING PROGRAM

The housing programs that fall under the market-based program were signed to assist band members who are willing and able to pay a market-based rent. These programs use the First Nations Market Housing Fund's Credit Enhancement Facility and cannot receive assistance from the Social Department at any time for their renting or housing costs. Mortgages obtained under this program require a guarantee from Membertou. However, Membertou is not obligated to provide a mortgage guarantee.

ONLINE BINGO BROADENS MEMBERTOU ENTERTAINMENT CENTRE'S AUDIENCE

Photo: MEC Manager, Sheri Trask sells Bingo cards across CBRM.

Photo: Membertou Bingo players enjoying online Bingo.

In early June 2020, the Membertou Entertainment Centre launched its first online bingo game during its Phase One recovery plan from COVID-19.

Unable to safely host games in our facility, shifting to a new-age online game made bingo both accessible to our patrons, but also allowed us to reach new audiences. Online bingo was a success, and still takes place every Thursday and Sunday at 7:00 pm. Bingo books were made accessible throughout the Membertou community and the Cape Breton Regional Municipality. Games are livestreamed on the MEC website.

As the Membertou Entertainment Centre opens back up safely, our online games will continue.

FOOD FOR THOUGHT:
FOOD SECURITY DURING THE PANDEMIC

With lockdowns in place, and little movement in our community, many were left wondering how and when they would get to the grocery store for meals. Creative ways to access food and meals became a focus in March and April of 2020.

In late April 2020, Kiju's Restaurant developed a program, offering Essential Grocery Boxes and Protein Boxes, which was available to order online and have it delivered straight to your door. Many took advantage of this program, and stayed safe at home.

The Membertou Men's Society put together food and goods boxes to share with elders, and those in need in the community in Spring 2020. They packaged and delivered these boxes to ensure the community's most vulnerable did not have to put themselves at risk of the virus.

Ruth's Pantry, a project started and sustained by Membertou Council Member, Gail Christmas, also provided a safe place for community members to turn if they were short on food or resources. Gail's generosity, named in honour of her grandmother, helped many and was greatly appreciated by the whole community.

ESSENTIAL WORKERS AND BEYOND:
HEALTHCARE AND FRONTLINE HEROES

Membertou Health Department and the Wellness Home staff worked tirelessly during the pandemic by keeping up-to-date with Covid-19 cases amongst other information. Learning in real time, the factors of the virus, the health team sprang into action.

Working with various departments to coordinate health protocols, and working with national health organizations to ensure Membertou was well-informed with COVID-19 related resources.

The Membertou health team developed close contact cases for those who were exposed to the virus. They dedicated their time to help our community get through these difficult months.

Membertou's other essential departments worked tirelessly in their respective roles to fight back against COVID-19, including,

ENVIRONMENTAL SERVICES - providing extreme cleaning services as needed;

PUBLIC WORKS - maintaining the community, Membertou;

MARKET – providing essential goods for the community;

COMMUNICATIONS – working to prepare and coordinate necessary information about the pandemic and recovery plans;

HEALTH & SAFETY – coordinating safety plans, materials, and testing for the community;

FINANCE – going to the office to ensure our financial systems remained secure and payroll services.

These are just some of the departments who stepped up to provide extraordinary services in unprecedented times.

FINANCIALS

“In 2020-2021, the COVID-19 pandemic impacted Membertou significantly. Through quick fiscal action, we were able to secure our financial future, while supporting our people in hard times.”

– Mike McIntyre, CFO.

In early April 2020, Chief Terry Paul and Membertou Council made the decision to implement an essential services-only model in response to the COVID-19 pandemic.

This includes creating an emergency pandemic budget for Membertou.

In Membertou, quick action was taken to proactively and temporarily close majority of our commercial operations, which included: Membertou Trade & Convention Centre, Kiju’s Restaurant, Lanes at Membertou, Membertou Gaming Commission, Membertou Entertainment Centre, Membertou Sport and Wellness Centre, and Membertou Heritage Park.

This greatly impacted our financial position of the year.

The Membertou Band Office and associated facilities, closed to the public, while offering essential services to the community and employees remotely.

Social clients, and Post-secondary students were offered additional funds during this stage of the pandemic. While Membertou experienced financial hardship due to the pandemic, it remained crucial to continue to support community members during this challenging time.

Chief, Council and the Membertou Executive Team created an action plan that set out how to best preserve the viability of the band, ensuring that the community, Membertou businesses and employees would not be affected long-term by the financial implications of the Covid-19 pandemic.

Coming to the end of 2020-2021 fiscal, we’re beginning our financial recovery and are proud of the work done to ensure we can move ahead and support our community coming out of the pandemic.

INDEPENDENT AUDITOR'S REPORT

To the Chief and Councillors of the Membertou Reserve Band Council

OPINION

We have audited the consolidated financial statements of the Membertou Reserve Band Council (the "Band"), which comprise the consolidated statement of financial position as at March 31, 2021, and the consolidated statements of operations, changes in net financial liabilities and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Band as at March 31, 2021 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BASIS FOR OPINION

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Band in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

RESPONSIBILITIES FOR MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management 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, management is responsible for assessing the Band'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 management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

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

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated 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 generally accepted 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 consolidated 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 Band's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management'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 Band'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 consolidated 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 Band to cease to continue as a going concern.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Band to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

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.

Sydney, Canada
July 30, 2021

Grant Thornton LLP
Chartered Professional Accountants

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CONSOLIDATED STATEMENT OF

OPERATIONS

MEMBERTOU RESERVE BAND COUNCIL - *Year ended March 31*

REVENUES	BUDGET	2021	2020
Fisheries	$ 4,341,705	$ 5,619,944	$ 4,075,384
Rental	2,517,525	2,240,674	2,201,787
Commercial sales	32,343,373	27,486,015	40,403,753
(Loss) gain on disposal of property	-	2,515	169,014
Government transfers	12,659,424	17,396,165	16,489,969
Income (loss) from Government Business Partnership	-	344,767	(159,984)
Other revenues	268,500	2,318,932	758,126
	52,130,527	**55,409,012**	**63,938,049**

EXPENDITURES	BUDGET	2021	2020
Administrative	3,140,248	2,949,406	3,565,363
Community expenses	3,248,371	2,706,604	3,821,960
Core funding and benefits	1,012,800	974,458	1,010,903
Cost of sales – commercial	13,920,021	11,714,012	17,424,951
Education and training	1,295,162	1,144,234	1,434,708
Fishing	403,235	1,414,699	400,543
Health programs	800,833	973,319	1,023,545
Insurance	613,108	821,675	611,324
Interest	2,151,218	2,067,382	2,639,777
Other	1,788,496	1,665,909	2,612,769
Professional fees	319,350	449,558	369,630
Repairs and maintenance	3,599,681	3,800,187	5,084,164
Salaries and benefits	15,090,636	13,005,035	16,650,856
Security and policing	262,100	727,302	397,175
Social	3,894,768	4,142,622	3,692,536
	51,540,027	**48,556,402**	**60,740,204**
Less: transfer/recoveries	(1,627,836)	(2,035,107)	(2,146,222)
	49,912,191	**46,521,295**	**58,593,982**

Annual surplus before depreciation	**2,218,336**	**8,887,717**	**5,344,067**
Depreciation	4,503,419	6,023,752	5,771,097
Annual Surplus	**$ (2,285,083)**	**2,863,965**	**(427,030)**
Accumulated surplus, beginning of year	-	65,587,724	66,014,754
Accumulated surplus, end of year	-	**68,451,689**	**65,587,724**

*Please see membertou community website for a complete set of band's consolidated financial statements

CONSOLIDATED STATEMENT OF

FINANCIAL POSITION

MEMBERTOU RESERVE BAND COUNCIL - *March 31*

FINANCIAL ASSETS	2021	2020
Cash	$ 3,971,045	$ 2,869,736
Receivables	6,920,745	5,412,803
Inventory	499,184	470,744
Restricted cash	9,977,934	2,915,317
Due from related party	4,158,727	5,063,487
Investments	10,579,955	9,977,033
Investment in government business enterprise	701,683	356,916
	36,809,273	**27,066,036**

FINANCIAL LIABILITIES		
Payables and accruals	3,990,981	4,702,710
Deferred revenue	6,109,723	2,792,449
Long term debt	206,044,487	81,470,784
Deferred trust contributions	6,582,707	6,513,207
Capital lease obligations	1,282,625	1,572,698
	224,010,523	**97,051,848**
Net financial liabilities	**(187,201,250)**	**(69,985,812)**

NON-FINANCIAL ASSETS		
Purchased fishing licenses and permits	118,114,205	3,447,743
Capital assets	136,795,787	131,448,999
Prepaids	742,947	676,794
	255,652,939	**135,573,536**
Accumulated surplus	**68,451,689**	**65,587,724**

CONSOLIDATED STATEMENT OF
CHANGES IN NET FINANCIAL LIABILITIES

MEMBERTOU RESERVE BAND COUNCIL - *Year ended March 31*			
	BUDGET	2021	2020
Net revenues	$ (2,285,083)	$2,863,965	(427,030)
Gain on disposal of capital assets	-	(2,515)	(169,014)
Proceeds on sale of capital assets	-	-	196,599
Depreciation	4,574,109	6,023,752	5,771,097
Licence and permit assets acquired	-	(114,666,462)	(1,383,407)
Capital assets acquired	-	(11,368,025)	(8,898,025)
	2,289,026	**(117,149,285)**	**(4,909,780)**
Acquisitional use of prepaid expenses	-	(66,153)	(209,822)
Change in net financial liabilities	**2,289,026**	**(117,215,438)**	**(5,119,602)**
Net financial liabilities, beginning of year	(69,985,812)	(69,985,812)	(64,866,210)
Net financial liabilities, end of year	**$ (67,696,786)**	**$ (187,201,250)**	**$ (69,985,812)**

CONSOLIDATED STATEMENT OF
CASH FLOWS

MEMBERTOU RESERVE BAND COUNCIL - *Year ended March 31*		
Increase in cash and cash equivalents		
OPERATING	2021	2020
Excess (deficiency) of revenue over expenditures	$ 2,863,965	$ (427,030)
Depreciation	6,023,752	5,771,097
Gain on disposable of capital assets	(2,515)	(169,014)
Share of limited partnership income	-	(120,827)
	8,885,202	**5,054,226**

CONSOLIDATED STATEMENT OF

CASH FLOWS *continued*

Change in non-cash operating working capital	2021	2020
Receivables	(1,507,942)	(19,210)
Prepaids	(66,153)	(188,833)
Inventory	(28,440)	67,895
Payables and accruals	(711,729)	(1,205,689)
Net change from government business entity	904,760	137,275
Deferred revenue	3,317,274	1,722,425
	10,792,972	**5,568,089**
INVESTING		
Decrease in deficiency in government business enterprise	(344,767)	(19,723)
Purchase of investments	(603,032)	(7,156,000)
	(947,689)	**(7,175,723)**
FINANCING		
New deferred trust contributions	69,500	33,000
Repayment of long term capital lease obligation	(290,073)	(251,207)
Receipt of capital lease	-	253,000
Receipt of long term debt	132,796,832	15,664,302
Repayment of long term debt	(8,223,129)	(5,302,186)
	124,353,130	**10,396,909**
CAPITAL		
Proceeds on disposal of assets	-	196,599
Licence and permit assets acquired	(114,666,462)	(1,383,406)
Capital assets acquired	(11,368,025)	(8,898,019)
	(126,034,487)	**(10,084,826)**
Net increase (decrease) in cash and cash equivalents	**8,163,926**	**(1,295,551)**
Cash and cash equivalents, beginning of year	5,785,053	7,080,604
Cash and cash equivalents, end of year	**$ 13,948,979**	**$ 5,785,053**
CASH AND CASH EQIVALENTS CONSIST OF:		
Cash	$3,971,045	$ 2,869,736
Restricted cash	9,977,934	2,915,317
	$ 13,948,979	**$ 5,785,053**

SUMMARY OF

SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY AND PRINCIPLES OF FINANCIAL REPORTING

These financial statements have been prepared in accordance with Public Sector Accounting Standards (PSAS), which encompass the principles common with First Nations.

The consolidated financial statements of the Membertou Reserve Band Council are the representations of management prepared in accordance with Canadian generally accepted accounting principles for local governments, as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

The focus of PSAB financial statements is on the financial position of the Band and the changes thereto. The consolidated statement of financial position includes all the assets and liabilities of the Band.

Significant aspects of the accounting policies adopted by the Band are as follows:

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of all funds and operations in which the Band has a controlling interest, after the elimination of inter-fund transactions and balances. The entities include the following Membertou Reserve Band Council Funds - Operating Fund, Housing Fund, Public Works Fund, Capital Fund, Economic Development Fund, Enterprise Fund, Employment Development Fund, Health Fund, AFS Program Fund, Social Fund, Enterprise Fund, and Education Fund, as well as, the Membertou Development Corporation, 3306129 Nova Scotia Limited (operating as the Membertou Market), the Membertou Trade & Convention Centre Limited, the Membertou Gaming Commission Inc., 3237395 Nova Scotia Limited (Operating as Membertou Insurance Brokers), Membertou Commercial Fisheries, Membertou Entertainment Centre, the Membertou Business Centre, the Membertou Cultural and Heritage Centre Foundation Inc., Membertou Data Centre, Membertou Geomatics, Membertou Sport and Wellness Centre, Lanes @ Membertou and 35.71% of First Nations Fisheries Interest Group in the current year.

Membertou Properties Limited Partnership has met the definition of a government business enterprise, which is included in the consolidated financial statements on a modified equity basis (Note 5).

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, balances with banks, and term deposits net of bank overdraft.

REVENUE RECOGNITION

Membertou Reserve Band Council follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses or capital expenditures are incurred. Unrestricted contributions are recognized as revenue when recovered or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Unrestricted revenue is recognized when received or receivable if the amount to be received can be reasonably estimated and ultimate collection is reasonably assured.

Rental revenue is recognized when received or receivable and collection is reasonably assured.

Gaming revenue from video lottery net of corresponding direct expenses are recognized at the time of play and are recorded net of commissions and credits paid out. Other gaming revenues are recognized as earned when received or receivable as long as collection is reasonably assured.

TANGIBLE CAPITAL ASSETS

Tangible capital assets are recorded at cost less accumulated depreciation and impairment.

PURCHASED FISHING LICENSES AND PERMITS

Purchased fishing licenses and permits assets are intangible capital assets. These indefinite-lived fishing licenses and permits are recognized at cost and are not amortized.

The Band evaluates the carrying value of its licenses and permits annually for impairment. Should a permanent impairment be identified, the impairment will be recognized as a reduction in the carrying value and as a charge against income on the statement of operations in the period the impairment occurred.

The Band also owns other communal fishing licenses and permits which were not purchased by the Band but were given to or granted to the Band.

INVESTMENTS

Investments are valued at the lower of cost and net realizable value.

USE OF ESTIMATES

In preparing the Band's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenditures during the period. Actual results could differ from these estimates.

INCOME TAXES

The Band Council is exempt from income taxes under Section 149(l) (c) of the Canadian Income Tax Act.

GOVERNMENT TRANSFERS

Government transfers received are recognized in the financial statements as revenue when the transfers are authorized, and all eligibility criteria have been met except when there is a stipulation that gives rise to an obligation that meets the definition of a liability. In that case, the transfer is recorded as a liability and recognized as revenue as the stipulations are met.

Government transfers to individuals and other entities are recognized as an expenditure when the transfers are authorized and all eligibility criteria have been met.

MOVEABLE CAPITAL ASSET RESERVE

The Band is required to maintain a Moveable Capital Asset Reserve in accordance with the consolidated contribution agreement with the Department of Indigenous Services Canada – First Nations and Inuit Health Branch. The reserve is for the maintenance or replacement of capital assets transferred to the Band by the Department of Indigenous Services Canada – First Nations and Inuit Health Branch. Expenditures of capital funds under the reserve are restricted to expenditures on these assets only and there can be no transfer of these funds to the operating budget.

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SUMMARY OF

SIGNIFICANT ACCOUNTING POLICIES

continued

INVENTORY

The cost of inventories is comprised of directly attributable costs and includes the purchase price plus other costs incurred in bringing the inventories to their present location and condition, such as freight. The cost is reduced by the value of rebates and allowances received from vendors. The Band estimates net realizable value as the amount that inventories are expected to be sold. Inventories are written down to net realizable value when the cost of inventories is not estimated to be recoverable due to obsolescence, damage, or declining selling prices. When circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in selling price, the amount of the write-down previously recorded is reversed. Costs that do not contribute to bringing inventories to their present location and condition, such as storage and administrative overheads, are specifically excluded from the cost of inventories and are expensed in the period incurred.

The cost of inventory recognized as an expense during fiscal 2021 was $11,714,012 (2020 - $12,956,225). No write-down of inventories below their cost to their net realizable value was made in fiscal 2021. There were no reversals of inventories written down previously that are no longer estimated to sell below cost.

LEASES

Leases are classified as either capital or operating in nature. Capital leases are those which transfer substantially all the benefits and risks of ownership to the lessee. If the lease contains a term that allows ownership to pass to the Band or there is a bargain purchase option, the capitalized value is depreciated over the estimated useful life of the related asset. Otherwise, the capitalized value is depreciated on a straight-line basis over the lesser of the lease term and its estimated useful life. Obligations recorded under capital leases are reduced by the principal portion of lease payments as incurred and the imputed interest portion of capital lease payments is charged to expenditures and amortized straight-line over the life of the lease. Operating lease payments are charged to expenditures.

NET DEBT

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

HEDGE ACCOUNTING

The Band uses derivative instruments to manage the Band's exposure to interest rate risks. When derivative instruments are used, the Band determines whether hedge accounting can be applied. Where hedge accounting can and will be applied, the hedge is documented at inception, detailing the hedging relationship, identifying the hedged item, the related hedging item, the nature of the specific risks being hedged and the intended term of the hedging relationship. Both at the inception of the hedging relationship, and throughout the term, the Band has reasonable assurance that the critical terms of the hedging item and the hedged item are, and will remain, the same. For all hedged items which are anticipated transactions, the Band has determined that it is probable that the transaction will occur at the time and in the amount documented at the inception of the hedging relationship.

The Band has elected to use hedge accounting for the following qualifying hedging relationships:

A prime plus 1.5% mortgage has been hedged with a 3.495% fixed interest rate swap to mitigate the effect of changes in interest rates.

DEPRECIATION

Rates and bases of depreciation applied to write off the cost of property and equipment over their estimated lives are as follows:

DEPRECIATION	PERCENTAGE
Buildings	4% declining balance
Housing properties	25 year, straight line
Infrastructure	4% declining balance
Fishing vessels	15% declining balance
Fishing equipment	20% declining balance
Equipment	20% declining balance
Motor vehicles	20% declining balance
Moveable equipment	20% declining balance
School buses	20% declining balance
Computer hardware and software	20% declining balance
Office equipment and furniture	20% declining balance
Parking lots	4-20% declining balance
Equipment under capital lease	20% declining balance

Membertou
WELCOMING THE WORLD

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