



Grant Thornton

Consolidated Financial Statements

Membertou Reserve Band Council

March 31, 2023

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Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of the **Membertou Reserve Band Council** and all the information in this annual report are the responsibility of management and have been approved by the Chief and Council.

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Consolidated financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the consolidated financial statements are presented fairly, in all material respects.

The Band maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable, and accurate, and the Band's assets are appropriately accounted for and adequately safeguarded.

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

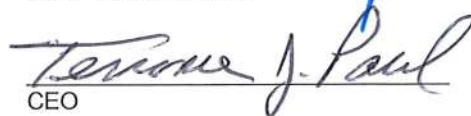
The Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the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

The consolidated financial statements have been audited by Grant Thornton LLP in accordance with Canadian generally accepted auditing standards on behalf of the members. Grant Thornton LLP has full and free access to the Council.



Michael M. Paul

Chief Financial Officer



Terence J. Paul

CEO

Independent Auditor's Report

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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, 2023, 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, 2023 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 opinion.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 responsibilities 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 scepticism 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.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.

Membertou, Canada
September 13, 2023

Grant Thornton LLP
Chartered Professional Accounts

Membertou Reserve Band Council

Consolidated Statement of Operations

| Year ended March 31 | Budget | 2023 | 2022 |
|---|---------------------|----------------------|----------------------|
| Revenues | | | |
| Fisheries | \$ 9,024,971 | \$ 10,592,047 | \$ 11,783,142 |
| Rental | 3,658,471 | 3,185,884 | 2,628,613 |
| Commercial sales | 37,287,461 | 40,796,459 | 30,055,264 |
| Gain on disposal of property | - | 1,540,433 | 442,138 |
| Government transfers (Note 23) | 17,924,072 | 22,112,462 | 24,519,379 |
| Income from government business partnership (Note 5) | 127,868 | 154,580 | 625,470 |
| Other revenues | <u>7,509,470</u> | <u>6,731,841</u> | <u>9,058,638</u> |
| | <u>75,532,313</u> | <u>85,113,706</u> | <u>79,112,644</u> |
| Expenditures | | | |
| Administrative | 4,562,653 | 5,103,644 | 3,418,123 |
| Community expenses | 3,593,203 | 3,412,091 | 2,862,492 |
| Core funding and benefits | 1,010,660 | 1,011,147 | 1,010,660 |
| Cost of sales – commercial | 16,734,728 | 18,828,459 | 15,057,354 |
| Education and training | 1,438,447 | 2,019,064 | 1,599,451 |
| Fishing | 2,890,243 | 3,301,752 | 2,899,977 |
| Health programs | 981,947 | 1,023,095 | 2,281,920 |
| Insurance | 864,511 | 786,863 | 838,511 |
| Interest | 4,781,826 | 5,450,985 | 4,777,187 |
| Other | 2,009,724 | 2,834,059 | 2,918,512 |
| Professional fees | 273,219 | 605,079 | 265,879 |
| Repairs and maintenance | 4,623,426 | 5,143,456 | 4,610,628 |
| Salaries and benefits | 17,725,585 | 19,326,117 | 17,415,288 |
| Security | 496,700 | 494,222 | 859,345 |
| Social | <u>4,299,022</u> | <u>4,933,575</u> | <u>4,679,841</u> |
| | 66,285,894 | 74,273,608 | 65,495,168 |
| Less: transfers/recoveries | <u>(2,060,920)</u> | <u>(1,898,245)</u> | <u>(2,628,771)</u> |
| | 64,224,974 | 72,375,363 | 62,866,397 |
| Annual surplus before depreciation | 11,307,339 | 12,738,343 | 16,246,247 |
| Depreciation | <u>5,277,250</u> | <u>6,477,194</u> | <u>5,990,840</u> |
| Annual surplus | <u>\$ 6,030,089</u> | <u>6,261,149</u> | <u>10,255,407</u> |
| Accumulated surplus, beginning of year | | <u>78,707,096</u> | <u>68,451,689</u> |
| Accumulated surplus, end of year | | <u>\$ 84,968,245</u> | <u>\$ 78,707,096</u> |

See accompanying notes to the consolidated financial statements.

Membertou Reserve Band Council

Consolidated Statement of Financial Position

March 31

2023

2022

Financial assets

| | | |
|---|-------------------|-------------------|
| Cash | \$ 6,432,256 | \$ 7,432,093 |
| Receivables (Note 2) | 20,025,196 | 14,937,841 |
| Inventory (Note 3) | 812,115 | 531,000 |
| Restricted cash | 10,530,359 | 10,051,166 |
| Due from related party (Note 18) | 3,864,740 | 3,918,286 |
| Investments (Note 4) | 12,024,562 | 11,745,382 |
| Investment in government business enterprise (Note 5) | 1,481,733 | 1,327,153 |
| | <u>55,170,961</u> | <u>49,942,921</u> |

Financial liabilities

| | | |
|--|--------------------|--------------------|
| Payables and accruals (Note 9) | 5,207,631 | 4,092,805 |
| Deferred revenue (Note 10) | 19,686,288 | 12,713,118 |
| Deferred trust contributions (Note 14) | 6,733,207 | 6,643,207 |
| Long term debt (Note 12) | 206,031,885 | 205,264,736 |
| Capital lease obligations (Note 13) | 1,090,838 | 1,350,618 |
| | <u>238,749,849</u> | <u>230,064,484</u> |

Net Financial liabilities (Page 6) (183,578,888) (180,121,563)

Non-Financial assets


| | | |
|--|--------------------|--------------------|
| Purchased fishing licenses and permits (Note 11) | 121,801,437 | 118,114,205 |
| Capital assets (Note 7) | 146,387,291 | 140,166,730 |
| Prepays (Note 6) | 358,405 | 547,724 |
| | <u>268,547,133</u> | <u>258,828,659</u> |

Accumulated surplus (Note 15) \$ 84,968,245 \$ 78,707,096

Contingencies (Note 19)

Commitments (Note 20)

On behalf of the Band Council

 Chief

 Councillor

See accompanying notes to the consolidated financial statements.

| Year ended March 31 | Budget | 2023 | 2022 |
|---------------------|--------|------|------|
|---------------------|--------|------|------|

See accompanying notes to the consolidated financial statements.

Membertou Reserve Band Council

Consolidated Statement of Cash Flows

Year ended March 31

2023

2022

Increase in cash and cash equivalents

| | | |
|--|----------------------|----------------------|
| Operating | | |
| Annual surplus | \$ 6,261,149 | \$ 10,255,407 |
| Depreciation | 6,477,194 | 5,990,840 |
| Gain on disposal of capital assets | (1,540,433) | (442,138) |
| | <u>11,197,910</u> | <u>15,804,109</u> |
| Change in non-cash operating working capital | | |
| Receivables | (5,087,355) | (7,982,333) |
| Prepays | 189,319 | 195,223 |
| Inventory | (281,115) | (31,816) |
| Payables and accruals | 1,114,826 | 101,824 |
| Deferred revenue | <u>6,973,170</u> | <u>6,603,395</u> |
| | <u>14,106,755</u> | <u>14,690,402</u> |
| Investing | | |
| Increase in investment in government business enterprise | (154,580) | (625,470) |
| Net change from government business entity | 53,546 | 205,678 |
| Purchase of investments | <u>(279,180)</u> | <u>(1,165,427)</u> |
| | <u>(380,214)</u> | <u>(1,585,219)</u> |
| Financing | | |
| Deferred trust contributions | 90,000 | 60,500 |
| Repayment of long-term capital lease obligation | (259,780) | (265,706) |
| Receipt of capital lease | - | 333,699 |
| Receipt of long-term debt | 7,453,653 | 5,093,292 |
| Repayment of long-term debt | <u>(6,686,504)</u> | <u>(5,873,043)</u> |
| | <u>597,369</u> | <u>(651,258)</u> |
| Capital | | |
| Licence and permit assets acquired | (3,687,232) | - |
| Proceeds from license and permit assets sold | 1,540,433 | - |
| Capital assets acquired | <u>(12,697,755)</u> | <u>(8,919,645)</u> |
| | <u>(14,844,554)</u> | <u>(8,919,645)</u> |
| Net increase in cash and cash equivalents | (520,644) | 3,534,280 |
| Cash and cash equivalents, beginning of year | <u>17,483,259</u> | <u>13,948,979</u> |
| Cash and cash equivalents, end of year | <u>\$ 16,962,615</u> | <u>\$ 17,483,259</u> |

Cash and cash equivalents consist of:

| | | |
|-----------------|----------------------|----------------------|
| Cash | \$ 6,432,256 | \$ 7,432,093 |
| Restricted cash | <u>10,530,359</u> | <u>10,051,166</u> |
| | <u>\$ 16,962,615</u> | <u>\$ 17,483,259</u> |

See accompanying notes to the consolidated financial statements.

Membertou Reserve Band Council

Notes to the Consolidated Financial Statements

March 31, 2023

1. 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, Membertou Lobster 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.

Membertou Reserve Band Council

Notes to the Consolidated Financial Statements

March 31, 2023

1. Summary of significant accounting policies (continued)

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.

Depreciation

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

| | |
|--------------------------------|--------------------------|
| 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 Reserve Band Council

Notes to the Consolidated Financial Statements

March 31, 2023

1. Summary of significant accounting policies (continued)

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.

Membertou Reserve Band Council

Notes to the Consolidated Financial Statements

March 31, 2023

1. Summary of significant accounting policies (continued)

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.

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 2023 was \$18,828,459 (2022 - \$15,075,354). No write-down of inventories below their cost to their net realizable value was made in fiscal 2023. 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.

Membertou Reserve Band Council

Notes to the Consolidated Financial Statements

March 31, 2023

1. Summary of significant accounting policies (continued)

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.

Financial instruments

All financial instruments are recorded at their cost or amortized cost except for portfolio investments in equity instruments quoted in an active market and derivatives which are recorded at their fair value with unrealized remeasurement gains and losses recorded in the statement of remeasurement gains and losses. Once realized, remeasurement gains and losses are transferred to the statement of operations. Changes in the fair value on restricted assets are recognized as a liability until the criterion attached to the restrictions has been met, upon which the gain or loss is recognized in the statement of operations.

Transaction costs related to financial instruments measured at cost or amortized cost are added to the carrying value of the financial instrument. Transaction costs related to financial instruments recorded at their fair values are expensed as incurred.

Financial liabilities (or part of a financial liability) are removed from the statement of financial position when, and only when, they are discharged or cancelled or expire.

Asset retirement obligations

A liability for an asset retirement obligation is recognized when all of the following criteria are met:

- there is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- the past transaction or event giving rise to the liability has occurred;
- it is expected that future economic benefits will be given up; and
- a reasonable estimate of the amount can be made.

The liability is measured at the Band's best estimate of the amount required to retire a tangible capital asset (or a component thereof) at the financial statement date. The estimate includes costs directly attributable to the asset retirement activities. The costs also include post-retirement operation, maintenance and monitoring that are an integral part of the retirement of the tangible capital asset and the costs of tangible capital assets acquired as part of asset retirement activities to the extent those assets have no alternative use.

Membertou Reserve Band Council

Notes to the Consolidated Financial Statements

March 31, 2023

1. Summary of significant accounting policies (continued)

Upon initial recognition of the liability for an asset retirement obligation, the carrying amount of the corresponding tangible capital asset (or component thereof) is increased by the same amount. The capitalized asset retirement cost is expensed in a rational and systematic manner over the useful life of the tangible capital asset (or a component thereof). For obligations for which there is no tangible capital asset recognized or for tangible capital assets that are no longer in productive use, the asset retirement costs are expensed immediately. Subsequently, the liability is reviewed at each financial statement reporting date and adjusted for (1) changes as a result of the passage of time with corresponding accretion expense and (2) adjusted for any revisions to the timing, amount of the original estimate of undiscounted cash flows, or the discount rate. Adjustments to the liability as a result of revisions to the timing, amount of the estimate of undiscounted cash flows or the discount rate are adjusted to the cost of the related tangible capital asset and the revised carrying amount of the related tangible capital asset is amortized except for adjustments related to tangible capital assets that are not recognized or no longer in productive use, which are expensed in the period they are incurred.

A recovery related to asset retirement obligation is recognized when the recovery can be appropriately measured; reasonably estimated and it is expected that future economic benefits will be obtained. The recovery is not netted against the liability.

The Band has estimated that any liability related to asset retirement obligations is insignificant to adjust.

Changes in accounting policies

Asset retirement obligation

Effective April 1, 2022, the Band adopted new Public Sector Accounting Standard Section PS 3280 *Asset Retirement Obligations* (ARO) which recognizes legal obligations associated with the retirement of tangible capital assets. As a result of this adoption, no adjustments were necessary to these financial statements.

Financial instruments

Effective April 1, 2022, the Band adopted new Public Sector Accounting Standards Sections PS 3450 Financial Instruments, PS 3041 Portfolio Investments, PS 2601 *Foreign Currency Translation* and Section 1201 *Financial Statement Presentation* along with the related amendments. New Section PS 3450 requires the fair value measurement of derivatives and portfolio investments in equities quoted in an active market. All other financial assets and liabilities are measured at cost or amortized cost (using the effective interest method), or, by policy choice, at fair value when the entity defines and implements a risk management or investment strategy to manage and evaluate the performance of a group of financial assets, financial liabilities or both on a fair value basis.

The measurement requirements were applied prospectively. The recognition, derecognition, and measurement policies followed in the comparative period were not reversed and the comparative figures have not been restated.

Membertou Reserve Band Council

Notes to the Consolidated Financial Statements

March 31, 2023

| 2. Receivables | <u>2023</u> | <u>2022</u> |
|---|-----------------------------|-----------------------------|
| Department of Indigenous Services Canada | \$ 6,517,695 | \$ 5,845,049 |
| Clearwater Seafoods Inc. | 5,838,773 | 3,393,047 |
| Mi'kmaq Employment Training Secretariat | 36,984 | 2,068 |
| Commodity sales tax | 236,088 | 235,081 |
| Department of Fisheries and Oceans | 337,336 | 96,050 |
| Atlantic Integrated Commercial Fisheries Initiative | 2,090 | 36,762 |
| Atlantic Canada Opportunities Agency | 5,900 | 1,358 |
| Mi'kmaw Kina'matnewey | - | 286,728 |
| Sundry | 525,684 | 1,290,427 |
| Health Canada | 1,768,463 | 766,266 |
| Canada Mortgage and Housing Corporation | 475,053 | 27,627 |
| Kwilmuk Maw-Klusuaqn | 20,013 | 68,101 |
| Trade less allowance for doubtful accounts | <u>4,261,117</u> | <u>2,889,277</u> |
| | <u>\$ 20,025,196</u> | <u>\$ 14,937,841</u> |

| 3. Inventory | <u>2023</u> | <u>2022</u> |
|--|--------------------------|--------------------------|
| Membertou Sports and Wellness | \$ 14,565 | \$ 10,211 |
| Membertou Trade and Convention Centre Limited | 62,300 | 50,181 |
| Membertou Entertainment Centre | 21,642 | 21,154 |
| Membertou Cultural and Heritage Centre Foundation Inc. | 123,999 | 102,926 |
| Membertou Market | 177,596 | 250,151 |
| Membertou Enterprise Fund | 290,687 | 994 |
| Membertou Public Works | 70,401 | 30,540 |
| Lanes at Membertou | <u>50,925</u> | <u>64,843</u> |
| | <u>\$ 812,115</u> | <u>\$ 531,000</u> |

Membertou Reserve Band Council

Notes to the Consolidated Financial Statements

March 31, 2023

| 4. Investments | <u>2023</u> | <u>2022</u> |
|---|-----------------------------|-----------------------------|
| Membertou Hotel Limited Partnership | \$ 3,021,354 | \$ 2,861,012 |
| Encyt Technologies Incorporated | 76,000 | 76,000 |
| Sydney Harbour Investment Partners Inc. | <u>8,927,208</u> | <u>8,808,370</u> |
| | <u>\$ 12,024,562</u> | <u>\$ 11,745,382</u> |

The Band, together with 12 other First Nation entities in the Province of Nova Scotia, has entered the following limited partnerships. No First Nation within the group controls the Partnerships, as such the investments are accounted for as portfolio investments and are carried at cost in these financial statements. Revenue is recorded only to the extent that distributions are received or receivable. During the year, the Band received \$nil (2022 - \$230,349) from E'sukitimkewey Limited Partnership which has been included in other revenue. The portfolio investments are as follows:

| | <u>2023</u> | <u>2022</u> |
|--|--------------------|--------------------|
| E'sukitimkewey Limited Partnership | \$ 1 | \$ 1 |
| Mi'kmaq Resource Development Partnership | <u>1</u> | <u>1</u> |
| | <u>\$ 2</u> | <u>\$ 2</u> |

5. Investment in government business enterprise

The commercial government business enterprise that is included in the Band's reporting entity, as described in Note 1 to these financial statements includes:

Membertou Properties Limited Partnership

The following table presents condensed financial information for the commercial enterprise:

| | <u>2023</u> | <u>2022</u> |
|-------------------------------------|--------------------------|--------------------------|
| Assets | | |
| Cash and cash equivalents | \$ 707,796 | \$ 656,285 |
| Accounts receivables | 135,741 | 52,033 |
| Derivative interest rate swap asset | 700,497 | 591,563 |
| Prepays | 29,504 | 98,765 |
| Capital assets | <u>14,855,441</u> | <u>15,528,447</u> |
| Total Assets | <u>16,428,979</u> | <u>16,927,093</u> |
| Liabilities | | |
| Payables and accruals | 154,060 | 161,706 |
| Deferred revenue | 21,636 | 43,150 |
| Due to related parties | <u>3,806,118</u> | <u>3,918,285</u> |
| | <u>3,981,814</u> | <u>4,123,141</u> |

Membertou Reserve Band Council

Notes to the Consolidated Financial Statements

March 31, 2023

5. Investment in government business enterprise (continued)

| | | |
|------------------------------|-------------------|-------------------|
| Long-term debt | 10,965,432 | 11,476,799 |
| Equity | <u>1,481,733</u> | <u>1,327,153</u> |
| Total liabilities and equity | 16,428,979 | 16,927,093 |
| Revenue | 3,072,356 | 3,011,246 |
| Expenditures | <u>2,917,776</u> | <u>2,385,776</u> |
| Net Income | <u>\$ 154,580</u> | <u>\$ 625,470</u> |

The Partnership has entered into a 3.495% fixed interest rate swap to mitigate the effect of changes in interest rates, on the Bank of Nova Scotia mortgage.

| | <u>2023</u> | | <u>2022</u> | |
|-------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| | <u>Carrying amount</u> | <u>Notional amount</u> | <u>Carrying amount</u> | <u>Notional amount</u> |
| Interest rate contracts | \$ 11,041,971 | \$ 10,341,474 | \$ 11,378,196 | \$ 10,786,633 |
| | <u>700,497</u> | | <u>591,563</u> | |

6. Prepaids

| | <u>2023</u> | <u>2022</u> |
|---------------|-------------------|-------------------|
| Core funding | \$ 96,414 | \$ 180,412 |
| Insurance | 231,312 | 146,402 |
| Miscellaneous | <u>30,679</u> | <u>220,910</u> |
| | <u>\$ 358,405</u> | <u>\$ 547,724</u> |

Membertou Reserve Band Council

Notes to the Consolidated Financial Statements

Year ended March 31, 2023

7. Capital assets

| | Cost, beginning of year | Additions | Transfers | Disposals | Cost, end of year | Accumulated depreciation, beginning of year | Depreciation | Depreciation on Disposal | Accumulated depreciation, end of year | 2023 Net book value | 2022 Net book value |
|------------------------------|----------------------------|-----------|-----------|-----------|----------------------|---|--------------|-----------------------------|---|------------------------|------------------------|
| Land | 13,470,248 | - | - | - | 13,470,248 | - | - | - | - | 13,470,248 | 13,470,248 |
| Buildings | 78,681,800 | 4,048,578 | - | - | 82,730,378 | 21,725,937 | 2,468,207 | - | 24,157,722 | 58,572,656 | 56,955,861 |
| Infrastructure | 36,492,753 | - | - | - | 36,492,753 | 10,511,565 | 768,153 | - | 11,279,718 | 25,213,035 | 25,981,188 |
| Housing Properties | 36,815,517 | 619,094 | - | - | 37,434,611 | 17,369,264 | 1,286,386 | - | 18,655,650 | 18,778,960 | 19,446,253 |
| Fishing vessels | 3,338,619 | 690,990 | - | - | 4,029,609 | 1,619,714 | 568,719 | - | 2,188,433 | 1,841,176 | 1,718,905 |
| Fishing equipment | 470,163 | 87,843 | - | - | 542,006 | 359,940 | 18,471 | (14,282) | 364,129 | 177,877 | 110,223 |
| Equipment | 10,244,002 | 243,667 | - | 16,000 | 10,487,669 | 6,512,978 | 605,766 | - | 7,118,744 | 3,368,925 | 3,731,024 |
| Motor Vehicles | 1,702,593 | 138,610 | - | - | 1,841,203 | 997,104 | 180,646 | - | 1,177,750 | 663,454 | 705,489 |
| Computer hardware & software | 1,839,974 | - | - | - | 1,839,974 | 1,972,736 | 80,886 | - | 2,053,622 | (213,649) | (132,762) |
| Office equipment | 1,001,564 | 913,829 | - | - | 1,915,393 | 851,909 | 8,399 | - | 860,308 | 1,055,085 | 149,655 |
| Parking lots | 1,416,963 | - | - | - | 1,416,963 | 512,597 | 46,505 | - | 559,102 | 857,861 | 904,366 |
| Leasehold improvements | 4,781,880 | 3,738,196 | - | - | 8,520,076 | 2,725,998 | 369,857 | - | 3,095,855 | 5,424,221 | 2,055,882 |
| Signage | 466,482 | - | - | - | 466,482 | 526,673 | 75,314 | - | 601,987 | (135,505) | (60,191) |
| Assets under construction | 15,130,589 | 7,682,251 | - | 5,499,895 | 17,312,945 | - | - | - | - | 17,312,945 | 15,130,589 |

| | | | | | | | | | | |
|-------------|------------|---|-----------|-------------|------------|-----------|----------|------------|-------------|-------------|
| 205,853,147 | 18,163,058 | - | 5,515,895 | 218,500,310 | 65,686,415 | 6,477,308 | (14,282) | 72,113,019 | 146,387,291 | 140,166,730 |
|-------------|------------|---|-----------|-------------|------------|-----------|----------|------------|-------------|-------------|

Membertou Reserve Band Council

Notes to the Consolidated Financial Statements

March 31, 2023

8. Bank indebtedness

The Band Council has an established line of credit of \$2,500,000. The line of credit bears interest at a rate of prime plus 1%. At the year end, the line of credit had a balance outstanding of \$425,000 (2022 - \$500,000).

| 9. Payables and accruals | <u>2023</u> | <u>2022</u> |
|---------------------------------|---------------------|---------------------|
| Trade | \$ 3,018,394 | \$ 1,611,229 |
| Accrued liabilities | 2,189,237 | 2,480,392 |
| Commodity tax | - | 1,184 |
| | <u>\$ 5,207,631</u> | <u>\$ 4,092,805</u> |

| 10. Deferred revenue | <u>2023</u> | <u>2022</u> |
|--|----------------------|----------------------|
| Department of Indigenous Services Canada | \$ 5,814,672 | \$ 5,978,423 |
| Health Canada | 9,162,924 | 4,750,000 |
| Province of Nova Scotia | 37,552 | 59,013 |
| Miscellaneous | <u>4,671,140</u> | <u>1,925,682</u> |
| | <u>\$ 19,686,288</u> | <u>\$ 12,713,118</u> |

| 11. Purchased fishing licenses and permits | <u>2023</u> | <u>2022</u> |
|---|-----------------------|-----------------------|
| Purchased fishing licenses and permits | <u>\$ 121,801,437</u> | <u>\$ 118,114,205</u> |

The Band records all purchased commercial fishing licenses and permits as intangible assets. All other permits and licenses owned by Membertou Reserve Band Council have been granted for a nil consideration and therefore have not been capitalized.

Membertou Reserve Band Council

Notes to the Consolidated Financial Statements

March 31, 2022

| 12. Long-term debt | <u>2023</u> | <u>2022</u> |
|---|--------------|--------------|
| Canada Mortgage and Housing Corporation | | |
| 0.64% - 4.23% mortgages, repayable under various terms by September 2042. | \$ 5,263,375 | \$ 5,363,205 |
| First Nation Finance Authority | | |
| 1.9% - 3.79% loans, repayable under various terms, maturing June 2030. | 150,497,724 | 154,367,958 |
| Royal Bank of Canada | | |
| 2.21% - 5.25% mortgages, repayable under various terms by September 20, 2032. | 498,989 | 579,622 |
| Ford Credit | | |
| 6.29% retail instalment contract repayable in monthly instalments of \$3,126 on account of principal and interest maturing in January 2025. | - | 3,876 |
| 2.99% loan repayable in monthly instalments of \$707 of principal and interest maturing in October 2023. | 4,903 | 13,111 |
| 2.99% loan repayable in monthly instalments of \$684 of principal and interest maturing in October 2023. | 4,739 | 12,675 |
| 2.99% loan repayable in monthly instalments of \$687 of principal and interest maturing in September 2022. | - | 4,828 |
| 2.49% loan repayable in monthly instalments of \$725 of principal and interest maturing in January 2026. | 21,480 | 30,235 |
| 2.49% loan repayable in monthly instalments of \$753 of principal and interest maturing in January 2026. | 22,423 | 31,402 |
| 2.49% loan repayable in monthly instalments of \$1,438 of principal and interest maturing in January 2026. | 52,610 | - |
| Bank of Montreal | | |
| Prime plus 1.25% mortgage, repayable in equal monthly instalments of \$5,378, including interest, matures July 2023. | 16,932 | 81,904 |

Membertou Reserve Band Council

Notes to the Consolidated Financial Statements

March 31, 2023

| 12. Long term debt (continued) | <u>2023</u> | <u>2022</u> |
|--|--------------------|--------------------|
| 2.79% term loan, due on demand, maturing in February 2037, repayable in monthly instalments of \$38,770 | 5,436,664 | 5,678,520 |
| Prime plus 1% term loan, due on demand, maturing May 2024, repayable in principal instalments of \$10,252 including interest. | 141,885 | 267,446 |
| 3.4% term loan, due on demand, repayable in monthly instalments of \$5,360, including interest, maturing May 2035 | 640,075 | 685,240 |
| Prime plus 0.75% term loan, due on demand, repayable in monthly instalments of \$2,115, including interest, maturing August 2024 | 39,075 | 61,657 |
| 2.97% mortgage repayable in monthly instalments of \$7,310 on account of principal and interest maturing on December 2038, secured by a Department of Indigenous Services Canada Ministerial Guarantee. | 1,103,392 | 1,152,997 |
| 3.59% mortgage repayable in monthly instalments of \$5,338 on account of principal and interest maturing on May 2020, secured by a Department of Indigenous Services Canada Ministerial Guarantee. Loan will be repayable over 25 years. | 780,775 | 816,414 |
| Prime plus 3.29% mortgage repayable in monthly instalments of \$15,988 on account of principal and interest maturing on July 2041, secured by a Department of Indigenous Services Canada Ministerial Guarantee. | 2,657,573 | 2,738,192 |
| 4.26% repayable in monthly instalments of \$18,593, maturing in November of 2038. | 2,541,704 | 2,654,242 |
| Prime plus 2.75% mortgage repayable in monthly instalments of \$15,198 on account of principal and interest maturing on May 2027, secured by a Department of Indigenous Services Canada Ministerial Guarantee. Loan will be repayable over 25 years. | 722,601 | 876,567 |
| Prime plus 0.75% term loan advance, repayable in monthly principal and interest instalments of \$6,666, matures in July 2023. | 1,006,567 | 1,026,935 |

Membertou Reserve Band Council

Notes to the Consolidated Financial Statements

March 31, 2023

| 12. Long term debt (continued) | <u>2023</u> | <u>2022</u> |
|---|--------------------|--------------------|
| 3.89% mortgage repayable in monthly instalments of \$8,137 of principal and interest maturing on October 2042, secured by a Department of Indigenous Services Canada Ministerial Guarantee. Fixed rate. Loan will be repayable over 25 years. | 1,333,007 | 1,377,842 |
| Prime plus 0.75% term loan advance, repayable in monthly principal and interest instalments of \$26,127, matures in November 2025. | 2,651,028 | 2,681,500 |
| 3.0% loan payable, repayable in monthly instalments of \$4,165, maturing March 2025. | 719,442 | 758,650 |
| 3.0% loan payable, repayable in monthly instalments of \$6,377, maturing March 2024. | 495,375 | 541,067 |
| 3.0% loan payable, repayable in monthly instalments of \$8,808, maturing March 2025. | 598,519 | 667,150 |
| 3.89% fixed term loan repayments commencing in April 2022 | 6,602,891 | 6,770,191 |
| Prime plus 0.75%, mortgage repayments commencing when construction is complete. | 3,444,018 | 1,504,942 |
| Prime plus 0.75%, mortgage repayments commencing when construction is complete. | 2,792,545 | 1,499,471 |
| Prime plus 0.75% demand loan, repayments commencing in Fiscal 2024. | 58,750 | 58,750 |
| Prime plus 0.75% demand loan, repayments commencing in Fiscal 2024. | 1,025,547 | - |
| Prime plus 0.75% demand loan, repayments commencing in Fiscal 2024. | 2,495,000 | - |
| Peace Hills Trust | | |
| 4.25% mortgage repayable in monthly instalments of \$17,162, maturing July 2028. | 940,451 | 1,103,757 |
| 4 % mortgage, repayable in monthly instalments of \$15,140, maturing May 2028. | 831,608 | 976,857 |
| 4.25% mortgage, repayable in monthly instalments of \$4,703, maturing September 2022. | - | 27,385 |

Membertou Reserve Band Council

Notes to the Consolidated Financial Statements

March 31, 2023

| 12. Long term debt (continued) | <u>2023</u> | <u>2022</u> |
|--|-----------------------|-----------------------|
| 4.0% loan, repayable in monthly instalments of \$6,104, maturing June 2034. | 703,875 | 736,807 |
| Bank of Nova Scotia | | |
| 4.62% repayable in monthly instalments of \$1,112, maturing in March 2023. | 26,586 | 37,463 |
| 1.49% loan, repayable in biweekly instalments of \$281, including interest, maturing October 2024. | 11,026 | 18,327 |
| 1.49% loan, repayable in biweekly instalments of \$281, including interest, maturing October 2024. | 11,567 | 18,795 |
| Atlantic Canada Opportunities Agency | | |
| Non-interest bearing, repayable in annual instalments of 30% gross annual lease income from the related property commencing one year after the project is complete | 712,500 | 750,000 |
| Nova Scotia Lands | | |
| Non-interest-bearing lease, repayable in annual instalments of \$74,000 plus HST, maturing March 2024. | 74,000 | 148,000 |
| Ulnooweg | | |
| Non-interest-bearing loan, repayable in monthly instalments of \$5,833, maturing August 2026. | 147,057 | 235,278 |
| 4% loan amortized over 10 years, repayable in monthly instalments of \$928, including interest | 95,346 | 97,217 |
| Bridging Finance Inc. | | |
| 12.5% loan, repayable in monthly instalments of interest only commencing January 2022. One-time payment of outstanding loan balance will be paid January 2025. | <u>8,808,261</u> | <u>8,808,261</u> |
| | 206,031,885 | 205,264,736 |
| Current portion of long-term debt | | |
| Principal payments due within one year. | <u>7,190,438</u> | <u>7,864,730</u> |
| | <u>\$ 198,841,447</u> | <u>\$ 197,400,006</u> |

Membertou Reserve Band Council

Notes to the Consolidated Financial Statements

March 31, 2023

12. Long-term debt (continued)

As security, the Bank of Montreal has been given a general security agreement constituting a first ranking security interest in all personal property of the Membertou Reserve Band Council, Membertou Gaming Commission and the Membertou Trade and Convention Centre, as well as guarantees in the amount of \$2,700,000 from each entity. As security, the Band has provided a Band Council Resolution providing an irrevocable authorization to the Department of Indigenous Services Canada to assign all funding until all loans are repaid to the bank and a floating charge on the assets of the Band Council.

As security, Peace Hills Trust has been given a first general security agreement on all fixed/floating assets and specific charge over Business and Professional Centres and assignment of all rents and leases.

Repayments in each of the next five (5) years are as follows:

| | |
|------------|----------------------|
| 2024 | \$ 7,190,438 |
| 2025 | 7,045,592 |
| 2026 | 7,014,640 |
| 2027 | 7,117,956 |
| 2028 | 7,049,088 |
| Thereafter | <u>170,614,171</u> |
| | <u>\$206,031,885</u> |

| 13. Capital lease obligations | <u>2023</u> | <u>2022</u> |
|---|--------------------------|----------------------------|
| John Deere | | |
| 4.17% capital lease, repayable in monthly instalments of \$1,690 including interest, maturing in June 2022. | \$ - | \$ 5,036 |
| 4.99% capital lease, repayable in monthly instalments of \$4,787 including interest, maturing in July 2024. | 74,026 | 126,293 |
| 4.35% capital lease, repayable in monthly instalments of \$6,176 including interest, maturing in November 2026. | 250,783 | 312,503 |
| Bank of Nova Scotia | | |
| 5.31% capital lease repayable in monthly instalments of \$3,050, including interest, maturing December 2023. | 26,849 | 61,027 |
| 5.45% capital lease repayable in monthly instalments of \$12,503, including interest, maturing December 2023. | <u>739,180</u> | <u>845,759</u> |
| | 1,090,838 | 1,350,618 |
| Less: current portion | <u>258,875</u> | <u>260,858</u> |
| | <u>\$ 831,963</u> | <u>\$ 1,089,760</u> |

Membertou Reserve Band Council

Notes to the Consolidated Financial Statements

March 31, 2023

13. Capital lease obligations (continued)

Repayments in each of the next five (5) years are as follows:

| | |
|------------|---------------------|
| 2024 | \$ 258,875 |
| 2025 | 205,116 |
| 2026 | 195,792 |
| 2027 | 181,086 |
| 2028 | 139,876 |
| Thereafter | <u>110,093</u> |
| | <u>\$ 1,090,838</u> |

| 14. Deferred trust contributions | <u>2023</u> | <u>2022</u> |
|-----------------------------------|---------------------|---------------------|
| Balance, beginning of year | \$ 6,643,207 | \$ 6,582,707 |
| Contributions during the year | (649,500) | (677,500) |
| Deferrals during the year | <u>739,500</u> | <u>738,000</u> |
| | 6,733,207 | 6,643,207 |
| Contributions due within one year | <u>(1,065,500)</u> | <u>(870,000)</u> |
| Deferred trust contributions | <u>\$ 5,667,707</u> | <u>\$ 5,773,207</u> |

The Membertou Reserve Band Council has setup a Children's Trust Fund for all children on the Membertou Reserve Band Council list. An annual contribution is made on each child's behalf to the trust fund.

15. Accumulated surplus

The Band segregates its accumulated surplus into the following categories:

| | <u>2023</u> | <u>2022</u> |
|--|----------------------|----------------------|
| Unallocated | \$ 84,346,368 | \$ 78,085,219 |
| Health Canada Moveable Capital Asset Reserve (Note 16) | 120,042 | 120,042 |
| Tangible Capital Asset Reserve (Note 17) | <u>501,835</u> | <u>501,835</u> |
| | <u>\$ 84,968,245</u> | <u>\$ 78,707,096</u> |

The funds on deposits have been set aside to be spent on specific projects.

Membertou Reserve Band Council

Notes to the Consolidated Financial Statements

March 31, 2023

16. Moveable Capital Asset Reserve

| | <u>2023</u> | <u>2022</u> |
|-----------------------------|-------------------|-------------------|
| Opening balance | \$ 120,042 | \$ 112,042 |
| Allocations during the year | <u>-</u> | <u>8,000</u> |
| | <u>\$ 120,042</u> | <u>\$ 120,042</u> |

17. Tangible Capital Asset Reserve

| | <u>2023</u> | <u>2022</u> |
|-----------------------------|-------------------|-------------------|
| Opening balance | \$ 501,835 | \$ 501,835 |
| Allocations during the year | <u>-</u> | <u>-</u> |
| | <u>\$ 501,835</u> | <u>\$ 501,835</u> |

18. Due from related party

| | <u>2023</u> | <u>2022</u> |
|------------------------------|---------------------|---------------------|
| Membertou Properties Limited | <u>\$ 3,864,740</u> | <u>\$ 3,918,286</u> |

The transactions between the band and Membertou Properties Limited are recorded as arms-length transaction at the exchange amount. There are no set terms of repayments and no interest on this related party receivable.

Membertou Reserve Band Council

Notes to the Consolidated Financial Statements

March 31, 2023

19. Contingencies

- a) The Band has entered into an alternative funding arrangement with the Department of Indigenous Services Canada, effective April 1, 2013. These funds may be repayable if any of the following conditions are not met:
- 1) minimum program requirements are not met,
 - 2) capital funds are not expended for capital purposes; and
 - 3) any mandatory capital projects are not completed.
- b) As at March 31, 2023, the Band has provided a guarantee for mortgages payable by Band members, totalling \$3,893,892 (2022 - \$2,451,829), which were obtained under Section 10 of the *Indian Act*. In the event that the individual is unable to meet its obligations at some future date and the Band is required to honour its guarantee, any payments will be accounted for as a charge to operations in the year such payments are made.
- c) The Band's pension plan contributions are funded by the Indigenous and Department of Indigenous Services Canada. Any unexpended portion of these funds is repayable by the band.
- d) The Band has entered into contribution agreements with various government departments. Funding received under these contribution agreements is subject to repayment if the band fails to comply with the terms and conditions of the agreements.
- e) Under an agreement with the Bank of Nova Scotia, the Band is jointly and severally liable for loans provided by the Bank of Nova Scotia to Membertou Properties Limited Partnership. The Band has provided the Bank of Nova Scotia with a General Security Agreement providing a 2nd security interest in all present and future personal property subject with appropriate insurance coverage, loss if any, payable to the Bank and including specific charges over equipment financed. At March 31, 2023, outstanding loan balances were \$10,965,432.

20. Commitments

- a) Membertou Entertainment Centre has entered into an agreement to lease handsets which expires in November 2025. The annual rent of the handsets consists of a minimum monthly payment. Minimum lease payments for the next three (3) years are as follows:

| | |
|------|------------|
| 2023 | \$ 290,304 |
| 2024 | \$ 290,304 |
| 2025 | \$ 193,536 |

- b) An entity that is part of the government reporting unit, First Nation Fisheries Interest Group "FNFIG" has made a commitment to purchase subordinated debt from a related party over a 30-year term. As a partner of FNFIG the Band's portion of this commitment is \$2,590,432 annually.

Membertou Reserve Band Council

Notes to the Consolidated Financial Statements

March 31, 2023

20. Commitments (continued)

- b) Membertou Entertainment Centre has entered into an agreement to lease handsets which expires in November 2025. The annual rent of the handsets consists of a minimum monthly payment. Minimum lease payments for the next three (3) years are as follows:

| | |
|------|------------|
| 2023 | \$ 290,304 |
| 2024 | \$ 290,304 |
| 2025 | \$ 193,536 |

- c) An entity that is part of the government reporting unit, First Nation Fisheries Interest Group "FNFIG" has made a commitment to purchase subordinated debt from a related party over a 30-year term. As a partner of FNFIG the Band's portion of this commitment is \$2,590,432 annually.

21. Replacement reserve fund

Under the terms of the agreement with the CMHC, the replacement reserve account is to be increased by annual charges to equity. The charge in the current year is \$108,667 (2022 - \$108,625). These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by the CMHC from time to time. The funds in the account may only be used as approved by the CMHC. Withdrawals are credited to interest first and then principal.

As of March 31, 2023, the reserve was fully funded.

22. Pension costs and obligations

The Band is required to match contributions to a group registered retirement savings plan for all full-time employees to a limit of 5.5% of the yearly maximum pensionable earnings for non-band members and 9% for band members. Total contributions during the year amounted to \$562,249 (2022 - \$467,786).

23. Government transfers

| | Operating | 2023 Capital | Total | Operating | 2022 Capital | Total |
|--|------------|-----------------|------------|------------|-----------------|------------|
| Department of Indigenous Services Canada | 10,513,892 | 1,570,822 | 12,084,714 | 9,252,316 | 5,570,881 | 14,823,197 |
| Department of Indigenous Services Canada - First Nations and Inuit Health Branch | 2,286,270 | - | 2,286,270 | 3,307,828 | 170,000 | 3,477,828 |
| Canada Mortgage and Housing Corporation | 345,728 | - | 345,728 | 358,751 | - | 358,751 |
| Mikmaw Kina'matnewey | 5,542,942 | - | 5,542,942 | 4,847,712 | - | 4,847,712 |
| Other | 1,852,808 | - | 1,852,808 | 998,249 | 15,642 | 1,013,891 |
| | 20,541,640 | 1,570,822 | 22,112,462 | 18,762,856 | 5,756,523 | 24,519,379 |

Membertou Reserve Band Council

Notes to the Consolidated Financial Statements

March 31, 2023

24. Comparative figures

Certain comparative figures have been reclassified to conform to the current year financials.

25. Classification of financial instruments

The following table provides the carrying amount information of the Public Sector Entity's financial instruments by category. The maximum exposure to credit risk for the financial assets would be the carrying values shown below.

The Investment in government business enterprise includes a derivative financial asset related to the interest rate swap, described in note 5, and is measured at fair market value. This derivative financial asset is a level 2 fair value measurement, which are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

| Financial Instrument | 2023 | 2022 |
|------------------------------|-----------------------|-----------------------|
| | Amortized Cost | Amortized Cost |
| Cash | 6,432,256 | 7,432,093 |
| Receivables | 20,025,196 | 14,937,841 |
| Restricted cash | 10,530,359 | 10,051,166 |
| Due from related party | 3,864,740 | 3,918,286 |
| Payables and accruals | 5,207,631 | 4,092,805 |
| Deferred revenue | 19,686,288 | 12,713,118 |
| Long term debt | 206,031,885 | 205,264,736 |
| Deferred trust contributions | 6,733,207 | 6,643,207 |
| Capital lease obligations | 1,090,838 | 1,350,618 |

26. Risk disclosures

Credit risk

Credit risk is the risk of financial loss to the Band if a debtor fails to discharge their obligation (e.g., pay the accounts receivable owing to the Band). The Band is exposed to this risk arising from its cash \$6,432,256 (2022 – \$7,42,093), investments \$12,024,562 (2022 – \$11,745,382), and accounts receivable \$20,025,196 (2022 – \$14,937,841).

Accounts receivable is primarily due from government, and corporations and individuals. Credit risk is mitigated by the highly diversified nature of the debtors and other customers. The Band measures its exposure to credit risk based on how long the amounts have been outstanding. An impairment allowance is set up based on the Band's historical experience regarding collections. In the current and prior years, all of the impairment allowance related to trade receivables. There were no changes in exposures to credit risk during the period. All amounts described in note 2 are considered to be current other than the amount outstanding with Clearwater Seafoods Inc.

The Band has also provided a loan guarantee as described in note 19.

Membertou Reserve Band Council

Notes to the Consolidated Financial Statements

March 31, 2023

26. Risk disclosures (continued)

Liquidity risk

Liquidity risk is the risk that the Band will not be able to meet all cash outflow obligations as they come due. The Band mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining investments that may be converted to cash in the near-term if unexpected cash outflows arise. The Band is exposed to this risk arising from its payables \$5,207,631 (2022 – \$4,092,805), and long-term debt \$206,031,885 (2022 – \$205,264,736).

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk. The expected maturities, representing undiscounted cash-flows of the Band's long-term debt is set out in note 12.

Interest rate risk

Interest rate risk is the potential for financial loss caused by fluctuations in the fair value or future cash flows of financial instruments because of changes in market interest rates. The Band is exposed to this risk through its interest-bearing investments and debt. There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

27. Segment disclosure

The Band provides a wide range of services to its members, including training, education, social, health care and housing. For management reporting purposes Membertou First Nation's operations and activities are organized and reported by divisions. The divisions were created for the purpose of recording activities to comply with specific regulations and requirements.

Divisions that have been separately disclosed in the consolidated schedules of revenues and expenditures on the following pages are:

- Social Development – social assistance provided to qualifying members.
- Band Government – all associated with the administration of the First Nation operations.
- Human Resources and Quality Management – associated with payroll, hiring, and HR
- Capital Projects – provides capital construction projects for the community.
- Operations and Maintenance – repairs and maintenance carried out during the year to the community buildings.
- Economic Development – specified development projects undertaken by the First Nation.
- Education – providing elementary, secondary, and post-secondary tuition for qualifying members along with related programs and support.
- Employment Development – activities related to job training and skills.
- Health Canada – activity of the Health Centre which provides a variety of health care programs and support.
- Department of Fisheries and Oceans – AFS Program – management of the DFO fisheries operations.
- Miscellaneous – all other items not reported in a specified division.
- Housing Fund – Section 95 and non-subsidized housing operation.

Membertou Reserve Band Council

Notes to the Consolidated Financial Statements

March 31, 2023

27. Segment disclosure (continued)

- Public Works – infrastructure, maintenance, and repairs
- Membertou Lands – land and waste management
- Commercial enterprises – Operating results from Membertou Development Corporation, Membertou Enterprise Fund, 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, the Membertou Business Centre, the Membertou Cultural and Heritage Centre Foundation Inc., Membertou Data Centre, Membertou Geomatics, Membertou Sport and Wellness Centre, and Lanes @ Membertou

See Schedule A – Schedule of Segment Disclosure for current year details.

Membertou Reserve Band Council Schedule A – Segment Disclosure

Year ended March 31, 2023

| | Social Development | | Band Government | | Human Resources/Quality Mgmt. | | Capital Projects | | Operations and Maintenance | |
|---|--------------------|-------------|-----------------|-------------|-------------------------------|-------------|------------------|-------------|----------------------------|-------------|
| | Budget 2023 | Actual 2023 | Budget 2023 | Actual 2022 | Budget 2023 | Actual 2022 | Budget 2023 | Actual 2022 | Budget 2023 | Actual 2022 |
| Revenues | | | | | | | | | | |
| Federal government operating transfers | 5,657,583 | 8,076,968 | 583,879 | 650,171 | - | - | - | - | 543,537 | 730,145 |
| Federal government capital transfers | - | - | - | - | - | - | - | - | - | - |
| Provincial government operating transfers | - | - | - | - | - | - | - | - | - | - |
| Provincial government capital transfers | - | - | - | - | - | - | - | - | - | - |
| Contributed assets | - | - | - | - | - | - | - | - | - | - |
| Economic activities | - | - | - | - | - | - | - | - | - | - |
| Income from investment in GBE's | - | - | - | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - | - | - |
| | 5,657,583 | 8,076,968 | 583,879 | 650,171 | - | - | 1,973,672 | 1,570,822 | 543,537 | 730,145 |

| | | | | | | | | | | |
|-----------------------|-----------|-----------|-------------|-------------|-------------|-----------|-----------|-----------|-----------|-----------|
| Expenses | | | | | | | | | | |
| Salaries and benefits | 790,893 | 854,327 | 1,841,417 | 1,821,840 | 1,697,084 | 444,518 | - | - | 718,334 | 851,695 |
| Amortization | - | - | 96,518 | 88,661 | 80,564 | - | - | - | - | 30,602 |
| Interest | - | - | - | - | - | - | - | - | - | - |
| Other | 4,326,778 | 5,000,542 | 1,578,492 | 2,481,321 | 1,578,822 | 337,687 | 120,000 | 75,000 | (405,500) | (222,482) |
| | 5,117,671 | 5,854,870 | 3,516,427 | 4,391,822 | 3,356,470 | 782,205 | 120,000 | 75,000 | 313,034 | 659,815 |
| | 539,912 | 2,222,099 | (2,932,548) | (3,111,122) | (2,706,299) | (776,927) | 1,853,672 | 1,495,822 | 230,503 | (187,159) |

Surplus (deficit) for the year

| | Economic Development | | Education | | Employment Development | | Health Canada | | Department of Fisheries and Oceans | |
|---|----------------------|-------------|-------------|-------------|------------------------|-------------|---------------|-------------|------------------------------------|-------------|
| | Budget 2023 | Actual 2023 | Budget 2023 | Actual 2022 | Budget 2023 | Actual 2022 | Budget 2023 | Actual 2022 | Budget 2023 | Actual 2022 |
| Revenues | | | | | | | | | | |
| Federal government operating transfers | 248,945 | 932,925 | 230,114 | 4,847,712 | 434,580 | 698,921 | 500,770 | 1,915,528 | 3,307,828 | 241,286 |
| Federal government capital transfers | - | - | - | - | - | - | - | - | - | - |
| Provincial government operating transfers | - | - | - | - | - | - | - | - | - | - |
| Provincial government capital transfers | - | - | - | - | - | - | - | - | - | - |
| Contributed assets | - | - | - | - | - | - | - | - | - | - |
| Economic activities | - | - | - | - | - | - | - | - | - | - |
| Income from investment in GBE's | - | - | - | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - | - | - |
| | 248,945 | 932,925 | 230,114 | 4,847,712 | 434,580 | 698,921 | 500,770 | 1,915,528 | 3,477,828 | 241,286 |

| | | | | | | | | | | |
|-----------------------|---------|---------|-----------|-----------|---------|-----------|-----------|-----------|-----------|---------|
| Expenses | | | | | | | | | | |
| Salaries and benefits | 48,337 | 51,242 | 2,640,922 | 2,494,538 | 53,383 | 59,861 | 45,197 | 781,877 | 796,709 | 73,218 |
| Amortization | - | - | 326,440 | 325,782 | - | - | - | 13,307 | - | 1,944 |
| Interest | - | - | - | - | - | - | - | - | - | - |
| Other | 94,800 | 110,048 | 2,223,905 | 2,578,703 | 381,197 | 744,476 | 587,169 | 1,211,555 | 2,457,759 | 42,114 |
| | 143,137 | 161,290 | 5,191,267 | 5,399,022 | 434,580 | 804,337 | 632,366 | 2,006,539 | 3,265,388 | 117,275 |
| | 105,758 | 771,635 | (358,953) | 143,920 | - | (105,416) | (131,596) | (91,011) | 209,430 | 124,011 |

Surplus (deficit) for the year

Membertou Reserve Band Council

Schedule A – Segment Disclosure (continued)

Year ended March 31, 2023

| | Miscellaneous | | Housing Fund | | Public Works | | Membertou Lands | | Enterprise | |
|---|---------------|-------------|--------------|-------------|--------------|-------------|-----------------|-------------|-------------|-------------|
| | Budget 2023 | Actual 2022 | Budget 2023 | Actual 2022 | Budget 2023 | Actual 2022 | Budget 2023 | Actual 2022 | Budget 2023 | Actual 2022 |
| Revenues | | | | | | | | | | |
| Federal government operating transfers | - | - | - | 345,728 | 355,751 | 306,564 | 280,227 | 174,484 | 236,914 | 39,311 |
| Federal government capital transfers | - | - | 470,000 | - | - | - | - | - | - | - |
| Provincial government operating transfers | - | - | - | - | - | - | - | - | - | - |
| Provincial government capital transfers | - | - | - | - | - | - | - | - | - | - |
| Contributed assets | - | - | - | - | - | - | - | - | - | - |
| Economic activities | - | - | - | - | - | - | - | - | - | - |
| Income from investment in GBE's | 7,399,970 | 6,401,995 | 1,544,136 | 1,208,950 | 1,363,309 | - | - | - | 7,084,400 | 6,996,878 |
| Other | 7,399,970 | 6,401,995 | 2,014,136 | 1,554,678 | 1,720,060 | 306,564 | 280,227 | 174,484 | 7,132,900 | 6,743,272 |
| | | | | | | | | | | |
| Expenses | | | | | | | | | | |
| Salaries and benefits | - | - | 350,967 | 310,498 | 280,945 | 1,089,581 | 1,013,856 | 168,518 | 201,206 | 107,207 |
| Amortization | - | - | - | 1,287,124 | 1,270,223 | 970,304 | 937,343 | - | - | - |
| Interest | 3,903,544 | 3,620,038 | - | 584,296 | 417,282 | 17,461 | 17,481 | - | - | - |
| Other | 2,287,500 | 2,350,500 | 3,534,131 | 2,896,443 | 2,232,276 | 500,116 | 377,163 | 72,400 | 90,845 | 5,910,589 |
| | 6,191,044 | 5,970,538 | 3,885,098 | 4,878,351 | 4,200,726 | 2,372,312 | 2,345,843 | 240,918 | 292,051 | 6,917,778 |
| | 1,207,926 | 431,457 | (1,870,962) | (3,323,673) | (2,480,668) | (1,767,712) | (2,085,616) | (66,434) | (55,137) | 784,807 |
| Surplus (deficit) for the year | | | | | | | | | | |

| | Commercial | | Totals | |
|---|-------------|-------------|-------------|-------------|
| | Budget 2023 | Actual 2022 | Budget 2023 | Actual 2022 |
| Revenues | | | | |
| Federal government operating transfers | 284,460 | 1,809,959 | 15,480,400 | 18,762,856 |
| Federal government capital transfers | - | 5,117,451 | 2,443,672 | 5,756,523 |
| Provincial government operating transfers | - | - | - | - |
| Provincial government capital transfers | - | - | - | - |
| Contributed assets | - | - | - | - |
| Economic activities | 127,863 | 625,470 | 127,863 | 625,470 |
| Income from investment in GBE's | 41,442,867 | 37,322,253 | 57,480,373 | 53,957,795 |
| Other | | | | |
| | 41,855,195 | 48,451,809 | 75,532,313 | 85,113,706 |
| | | | | |
| Expenses | | | | |
| Salaries and benefits | 8,484,616 | 8,545,189 | 17,725,585 | 17,415,288 |
| Amortization | 3,885,178 | 3,309,471 | 5,277,251 | 5,990,340 |
| Interest | 858,866 | 1,229,210 | 4,781,827 | 5,450,985 |
| Other | 19,108,504 | 22,865,164 | 41,717,581 | 47,598,260 |
| | | | | |
| Surplus (deficit) for the year | | | | |
| | 32,337,164 | 37,986,507 | 69,502,224 | 78,852,556 |
| | 9,516,031 | 10,465,302 | 6,030,089 | 6,261,149 |
| | | | | |