

MEMBERTOU

ROOTED
in Values



ANNUAL REPORT 2019-2020



Membertou
WELCOMING THE WORLD!

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A MESSAGE FROM CHIEF & COUNCIL

Leading our community is an honour that we carry in all aspects of representing you, as Membertou's Chief and Council.

Our roles are made possible through the support of our members, and enable us to dig deep into every facet of the community. From our schools and youth, to housing and economic development, we work to always make decisions in the interest of our community. In using this lens, we are able to better lead with intention; to lead with a people-centric model.

As Membertou's Council, we are the community's representatives, but we are also ambassadors everywhere the job takes us. Sharing our story, carrying the pride of our people, and welcoming the world to experience the community that made us who we are.

As we move forward, our community can remain confident that we are focused on creating a stronger Membertou for our families, and the next seven generations.

Sincerely,

Wela'lin,

A handwritten signature in cursive script that reads "Terry Paul".

Chief Terry Paul & Membertou Council



Chief Ben Christmas

EXECUTIVE SUMMARY

Thirteen thousand years strong, the Mi'kmaw remain resilient, and thriving. The community of Membertou, a small east coast town on Cape Breton Island, has certainly been an example of how Indigenous communities can use learned resiliency to grow, adapt, and lead.

Membertou has become a leader across Canada in Indigenous Business. The success has been built upon the community's ability to combine traditional values with modern commerce. Never for one moment does Membertou lose its sense of self; rooted in community values. The ability to marry effective partnership, and fiscal sustainability with business practices infused with Mi'kmaq values, has resulted in a recipe for success for Membertou.

MEMBERTOU COMMUNITY



**GOVERNED BY ELECTED
CHIEF & 12 COUNCILORS**



**POPULATION: 1582
(ON/OFF RESERVE)**



**A 2019 BEST MANAGED
COMPANY IN CANADA**



20 HIGH SCHOOL

14 POST SECONDARY

1 TRADES

TOTAL GRADES: 35



**19
TOTAL NUMBER
OF BIRTHS**

*January 1st 2019 to
August 25th 2019*



**\$65 MILLION
IN REVENUE**



**20 HOMES BUILT FOR
MEMBERTOU FAMILIES**



**\$3.8 MILLION
IN COMMUNITY AND
CHARITABLE SUPPORT**

OPEN FOR BUSINESS

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 & Telus Cup 2022



MEMBERTOU TRADE & CONVENTION CENTRE

- 20,000 square feet of meeting and convention space
- Opened in 2004
- Host to hundreds of gatherings, conferences, meetings, weddings and events annually
- 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 in the Membertou Trade & Convention Centre
- Specialty Mi'kmaw Inspired Menu & local favorites



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
- Hosts Bingo 5 nights a Week
- Charitable Community Partner

A HOME FOR HOSPICE

MEMBERTOU CONTRIBUTES \$1.2 MILLION IN SITE DEVELOPMENT FOR HOSPICE CAPE BRETON RESIDENCE

The Hospice Society of Cape Breton is a long-time friend of Membertou, and when the opportunity to support the Hospice Residence project arose, it was an easy decision. In 2019, Membertou announced at a Hospice Cape Breton event at the Membertou Trade & Convention Centre, that the community of Membertou would not only be home to the new site of the Hospice Residence, but Membertou would also provide a donation of site development for the project, for a total contribution of \$1.2 million.

The Hospice Residence, which began construction in 2020, will be a 10-bed home-like hospice for Cape Bretoners. In helping to see the Hospice Society’s vision become a reality, Chief Terry Paul said, “Membertou understands the importance of family and community. The new Hospice Residence will provide both to those most in need.”

Construction is underway now, and Membertou looks forward to the official opening of this new space in 2021.



MEMBERTOU FISHERIES: RISING UP

Membertou Fisheries, First Fisherman Seafoods, is a prominent source of revenue and employment for the community of Membertou. Highly skilled fishers work seasonally, and contribute greatly to Membertou's success; supporting their families, community elders, and participating in Nova Scotia's in-shore fishery.

On a Fall morning in 2019, the community of Membertou awoke to learn one of its fishing vessels had been vandalized and set ablaze while docked at the wharf. The loss of the vessel threatened the livelihoods of fishers, and the overall future of the upcoming fishing season for Membertou. With resilience at the forefront of Membertou's business model, Membertou Fisheries was able to come back from the tragic loss of its fishing boat to see through the 2020 season.

Membertou's fishery continues to be an area of growth. With strong partnerships, skilled workers, and a long tradition of days spent on the water, Membertou is focused on opportunity to ensure sustainability of the fishery for the future.





GRAYSON GIVES BACK

THE KIDNEY FOUNDATION BENEFITS FROM GRAYSON GOOGOO'S FUNDRAISING EFFORTS

Grayson Googoo is a well-known community member in Membertou. He is the son of Dorothy Daix and Calvin Googoo. At the age of 12, he was hospitalized and suffered from kidney and congestive heart failure, and spent his teenage years in and out of the hospital.

In recent years, Grayson was diagnosed with glomerulonephritis, an inflammation of tiny filters within the kidneys, and hidradenitis suppurative, a chronic skin condition. He also had a below the knee leg amputation and partial amputation on his foot. After a failed kidney transplant, Grayson attends dialysis for four hours a day, four times a week.

Despite his difficult medical conditions, Grayson has focused his efforts into helping others with the support of his family, friends and his community – Membertou. At the age of 25, he spends his time raising money for kidney health and awareness.

Businesses such as Belly Busters Pizza and Donair and the help of community members have helped raise money for his cause – the Kidney Foundation of Canada. In 2018, Grayson noticed a pamphlet about raising awareness for the Kidney Walk. In that moment, he knew he wanted to help with this cause. Grayson and his supporters raised \$3,000 and was also named as the Honorary Chair Person for the Kidney Foundation's Kidney Walk event. In 2019, he and his supporters raised \$6,000. His goal for 2020 is to raise \$5,000.

Despite the Covid-19 pandemic, Grayson has been raising money through virtual draws and is planning a social-distancing walk with all of his supporters at the Membertou Sport & Wellness Centre in September 2020.

In his spare time, he enjoys gaming, watching sports and enjoys biking around Membertou, thanks to an attachment on his wheelchair. He is currently waiting for another kidney transplant.

Congratulations on your hard work, Grayson.





MEMBERTOU NAMED AS CANADA'S BEST MANAGED COMPANY IN 2019 & 2020

In April 2019, Chief Terry Paul proudly accepted the designation of Canada's Best Managed Company from Deloitte Inc., on behalf of the community and employees of Membertou.

In being named as a Best Managed Company, Membertou Development Corporation was thoroughly audited and reviewed by national advisors. Membertou's proven leadership in Indigenous Business and economic development were just two of the key areas that made Membertou an ideal candidate to receive the Best Managed Company designation.

In January 2020, Membertou once again was recognized as a Best Managed Company in Canada for the second year. As a Best Managed Company, Membertou joins a national community of organizations and businesses who strive to be the best in their sectors; demonstrating leadership in ethics, employee satisfaction, economic growth, corporate social responsibility, and community-focused values.





STEWARDS OF THE LAND: MEMBERTOU PASSES LAND CODE

Membertou is the first community in Nova Scotia to have passed a Land Code and the 84th across Canada. On June 7th and June 8th 2019, 31% of Eligible Voters cast their ballot in this historic vote and with a strong 94% approval. The members voted YES on the Membertou Land Code. The membership sent a clear message that Membertou are the true stewards of the land and can now manage its land and resources in accordance with its own cultures and traditions.

The Membertou Governance Committee worked diligently over the last six years to develop the Land Code, which was developed at a grassroots level through collaboration with both on and off-reserve community members and has seen over 20 revisions. The Land Code is now the basic Land Law of Membertou, replacing the paternalistic Indian Act. Chief and Council and its community members now have the clear role in decision making and approvals in relation to land management moving forward.

“The Membertou Land Code, is a true assertion of self-government,” he said, “It replaces 44 land management sections of the Indian Act. The Government of Canada will no longer control Membertou lands and Membertou reassumes its inherent right to manage its own reserve lands and resources under its own Land Code.”

The purpose of the Membertou Land Code is to set out the rules by which Membertou will exercise control over reserve lands, waters and resources. The Land Code has been developed by the community for the community. Membertou now has the right to govern in matters integral to its Mi'kmaq culture, identity, traditions, language and with the respect to the relationship to the lands.

Certain land laws and other important land matters must be approved by the community before they come into effect. The Land Code and Framework Agreement protect against loss of reserve lands by surrender for sale and expropriation. Any interest or license in Membertou land that existed when the Land Code took effect will continue in force.

“Since time immemorial,
we have always governed
and protected our lands.”

- Chief Terry Paul stated.



A PLACE TO CALL HOME: 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 many community members and contractors to accomplish such tasks.

In 2019-20, the Membertou Housing team constructed 20 new homes for families within the community. In 2019, two houses were sold independently to Membertou families. In 2020, a total of five houses were sold.

Twenty-seven families are now settled in Membertou, and will 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. Mortgages obtained under this program require a guarantee from Membertou. However, Membertou is not obligated to provide a mortgage guarantee.



REMEMBERING DOZAY

A LASTING LEGACY OF LOVE

Arlene “Dozay” Christmas spent much of her life dedicated to her passion for art.

She was the middle child of a large family and grew up in Tobique, First Nation, New Brunswick. At the age of 18, she left to pursue her education at the Nova Scotia College of Art and Design with the intention of pursuing a career in education. In her third year of school, Dozay switched to the fine arts program to pursue a full-time career as an artist.

She was one of a few professional native artists in Atlantic Canada, and also constructed her creative career around traditional native artwork. She created and displayed her artwork at galleries and exhibits across the Maritimes, Ontario and the United States.



Her artwork can be seen at many of Membertou’s buildings such as the Membertou Wellness Home, Membertou Police Department, Membertou Trade & Convention Centre and the Membertou Veterans Building. Her recent work in collaboration with her nephew, Jean Michael Jacobson, is displayed at the Membertou Sport & Wellness Centre, in dedication of the community’s sport heroes.

Dozay was one-of-a-kind. She loved nature and everything that belonged to it. She loved all peoples, especially her own – the Wolastoqiyik (the Maliseet) and her adopted people, the Mi’kmaq from Unama’ki (Cape Breton). She loved illustrating their stories into books, paintings and murals, and enjoyed telling the stories about Kluskap (Glooscap).

In November 2019, Dozay joined the spirit world. Her legacy will continue with her husband of 37 years, Senator Dan Christmas, her dear children, Peter, Lacey and Gail; and her two precious grandchildren, Rawlin and Arya.





FINANCIAL MESSAGE

Membertou stands strong in its financial position for 2019-2020. Our focus continues to be on economic growth and sustainability. With the community of Membertou being our greatest stakeholder, our financial decisions are always rooted in what poses the best opportunities for long-term prosperity.

Over the last year, our fiscal focus has been on several key areas, including, fisheries, commercial development and leasing, and our gaming commission. In 2020-2021, our community investments will be a new commercial property, Membertou Place, and new Health Centre facility, and a new community hall.

Mike McIntyre is a Membertou community member and has been working with Membertou for nearly 19 years, and now serves as Chief Financial Officer for Membertou Band and Membertou Development Corporation.

“ Membertou’s financial model considers both economic growth and community well-being. As our greatest stakeholders, fiscal decisions are weighted in what is best for the sustainability of community. ”

– Mike McIntyre, CFO.

INDEPENDENT AUDITOR'S REPORT

To the Chief and Councillors of the Membertou Reserve Band Council

QUALIFIED OPINION

We have audited the consolidated financial statements of the Membertou Reserve Band Council (the “First Nation”), which comprise the consolidated statement of financial position as at March 31, 2020, 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, except as noted in the following paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of the company as at March 31, 2020 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 QUALIFIED OPINION

The consolidated statement of financial position includes intangible assets in the amount of \$3,447,743 for fishing licenses and permits purchased by the Band. Recording intangible assets is a departure from Canadian public sector accounting standards. Accordingly, both the purchased licenses and permits and accumulated surplus are overstated by \$3,447,743 as at March 31, 2020. If intangible assets were not recorded in order to be in compliance with Canadian public sector accounting standards, purchased licenses and permits and accumulated surplus would both decrease by \$3,447,743.

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 First Nation 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.

MANAGEMENT'S RESPONSIBILITY FOR THE 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 First Nation'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 First Nation's financial reporting process.

AUDITOR'S RESPONSIBILITY

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

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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 First Nation'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 First Nation'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 First Nation 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 company 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, Nova Scotia
July 30, 2020

Grant Thornton LLP
Chartered Professional Accountants
Licensed Public Accountants

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CONSOLIDATED STATEMENT OF OPERATIONS

MEMBERTOU RESERVE BAND COUNCIL - Year ended March 31

REVENUES	BUDGET	2020	2019
Fisheries	\$ 3,615,917	\$ 4,075,384	\$ 3,769,245
Rental	2,174,571	2,201,787	2,135,490
Commercial sales	41,891,660	40,403,753	40,614,067
(Loss) gain on disposal of property	-	169,014	-
Government transfers	13,030,353	16,489,969	19,330,533
Income (loss) from Government Business Partnerships	417,781	(159,984)	33,055
Other revenues	417,220	758,126	1,268,351
	61,547,502	63,938,049	67,117,686

EXPENDITURES	BUDGET	2020	2019
Administrative	3,480,702	3,565,363	3,421,056
Community expenses	3,544,972	3,821,960	3,645,766
Core funding and benefits	1,009,400	1,010,903	1,014,278
Cost of sales – commercial	17,255,719	17,424,951	17,271,691
Education and training	1,220,058	1,434,708	1,595,739
Fishing	292,219	400,543	295,714
Health programs	854,650	1,023,545	954,738
Insurance	572,553	611,324	550,385
Interest	2,487,238	2,639,777	2,496,245
Other	2,275,884	2,612,769	2,642,337
Professional fees	175,800	369,630	265,724
Repairs and maintenance	4,533,996	5,084,164	6,266,707
Salaries and benefits	16,396,884	16,650,856	15,313,007
Security and policing	344,500	397,175	374,520
Social	3,575,576	3,692,536	3,728,020
	58,020,151	60,740,204	59,835,927
Less: transfer/recoveries	(1,830,198)	(2,146,222)	(1,908,957)
	56,189,953	58,593,982	57,926,970

Annual surplus before depreciation	5,357,549	5,344,067	9,190,716
Depreciation	5,021,630	5,771,097	5,635,243
Annual Surplus	335,919	(427,030)	3,555,473
Accumulated surplus, beginning of year	-	66,014,754	64,459,281
Accumulated surplus, end of year	-	65,587,724	66,014,754

*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	2020	2019
Cash	\$ 2,869,736	\$ 4,580,155
Receivables	5,412,803	5,393,593
Inventory	470,744	538,639
Band funds in trust	-	121,610
Restricted cash	2,915,317	2,378,839
Due from related party	5,063,487	5,200,762
Investments	9,977,033	2,700,206
Investment in government business enterprise	356,916	337,193
	27,066,036	21,250,998

FINANCIAL LIABILITIES		
Payables and accruals	4,702,710	5,908,394
Deferred revenue	2,792,449	1,070,024
Long term debt	81,470,784	71,087,652
Deferred trust contributions	6,513,207	6,480,207
Capital lease obligations	1,572,698	1,570,904
	97,051,848	86,117,181
Net financial liabilities	(69,985,812)	(64,866,183)

NON-FINANCIAL ASSETS		
Purchased fishing licenses and permits	3,447,743	2,064,336
Capital assets	131,448,999	128,349,656
Prepays	676,794	466,945
	135,573,536	130,880,937
Accumulated surplus	65,587,724	66,014,754

CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL LIABILITIES

MEMBERTOU RESERVE BAND COUNCIL - Year ended March 31

	BUDGET	2020	2019
Net revenues	\$ 335,919	(427,030)	\$ 3,555,473
Loss (gain) on disposal of capital assets	-	(169,014)	-
Proceeds on sale of capital assets	-	196,599	320,000
Depreciation	5,021,630	5,771,097	5,634,963
Government business enterprise	-	-	17,325,107
Licence and permit assets acquired		(1,383,407)	
Capital assets acquired	-	(8,898,025)	(14,916,958)
	5,357,549	(4,909,780)	11,918,585
Acquisition of prepaid expenses	-	(209,822)	256,951
Change in net financial liabilities	5,357,549	(5,119,602)	12,175,536
Net financial liabilities, beginning of year	(64,866,183)	(64,866,210)	(77,041,719)
Net financial liabilities, end of year	\$ (59,508,634)	\$ (69,985,812)	\$ (64,866,183)

CONSOLIDATED STATEMENT OF CASH FLOWS

MEMBERTOU RESERVE BAND COUNCIL - Year ended March 31

Increase in cash and cash equivalents		
OPERATING	2020	2019
Excess (deficiency) of revenue over expenditures	\$ (427,030)	\$ 3,555,473
Depreciation	5,771,097	5,634,963
Write off of investments	-	100,000
Loss (gain) on disposible of capital assets	(169,014)	-
Equity income from government business enterprise	-	(33,055)
Share of limited partnership income	(120,827)	(109,385)
	5,054,226	9,147,996

CONSOLIDATED STATEMENT OF CASH FLOWS CONTINUED

Change in non-cash operating working cpatials	-	-
Receivables	(19,210)	(4,610,201)
Prepays	(188,833)	256,951
Inventory	67,895	(135,992)
Payables and accruals	(1,205,684)	613,590
Net change from government business entity	137,275	2,938,539
Deferred revenue	1,722,425	(2,275,936)
	5,568,089	5,321,357

INVESTING

Decrease in deficiency in government business enterprise	(19,723)	(337,139)
Partnership draws	-	100,000
Purchase of investments	(7,156,000)	(50,000)
	(7,175,723)	(287,139)

FINANCING

New deferred trust contributions	33,000	254,000
Repayment of long term capital lease obligation	(251,207)	(130,273)
Receipt of capital lease	253,000	1,315,382
Receipt of long term debt	15,664,302	3,595,055
Repayment of long term debt	(5,302,186)	(3,835,423)
	10,396,909	1,198,741

CAPITAL

Proceeds on disposal of assets	196,599	320,000
Licence and permit assets acquired	(1,383,406)	-
Capital assets acquired	(8,898,019)	(14,916,958)
	(10,084,826)	(14,596,958)

Net (decrease) increase in cash and cash equivalents	(1,295,551)	(8,363,999)
Cash and cash equivalents, beginning of year	7,080,604	15,444,603
Cash and cash equivalents, end of year	\$ 5,785,053	\$ 7,080,604

CASH AND CASH EQUIVALENTS CONSIST OF:

Cash	\$ 2,869,736	\$ 4,580,155
Funds in trust	-	121,610
Restricted cash	2,915,317	2,378,839
	\$ 5,785,053	\$ 7,080,604

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 First Nation and the changes thereto. The consolidated statement of financial position includes all the assets and liabilities of the First Nation.

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

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of all funds and operations in which the First Nation 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, and Lanes @ Membertou 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.

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.

continued...

SUMMARY OF

SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 capitalization of intangible assets is a departure from Canadian public sector accounting standards.

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.

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 2020 was \$12,956,225 (2019 -\$12,930,926). No write-down of inventories below their cost to their net realizable value was made in fiscal 2020. 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



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WELCOMING THE WORLD!

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