



Memberton
WELCOMING THE WORLD!



MAKING OUR MARK.

ANNUAL REPORT 2018-2019

**MI'KMAQ OWNED.
COMMUNITY DRIVEN.
MEMBERTOU PROUD.**





CANADA

**BEST
MANAGED
COMPANIES**

COUNCILORS IN PICTURE

Front Row Left: Johanna Laporte,
Gail Christmas, Chief Terry Paul,
Graham Marshall, Lee Gould,
Lawrence 'Quism' Paul,
Back Row Left: Dean Christmas,
Cary Paul, David Marshall.

Missing From Picture:
Craig Christmas, Robin Googoo,
Paul MacDonald,
Allister 'Buster' Matthews



A MESSAGE FROM CHIEF & COUNCIL

Community has always been at the heart of everything we do in Membertou. Community drives decision-making, thought, and most importantly, action.

As your elected council, we take on the role of representing you with great pride, and take the feedback that you provide on doorsteps, at community gatherings, each time we meet, and turn it into a compass that's used to steer the good will of our future.

In 2018-19, we are proud of the strides our community has made forward. Some exciting moments that we've shared over the past year include, opening the doors to our highly-anticipated Lanes at Membertou facility. This new business is a family space that employs nearly 60 people and is reviving the sport of bowling in our community.

We also watched as Senator Dan Christmas opened his senate office in Membertou, a milestone, we won't soon forget. Our Membertou Development Corporation was named as one of Canada's Best Managed Companies, and we welcomed youth athletes from across Canada to compete on our ice at the National Aboriginal Hockey Championships.

We've celebrated with our community members, and lent a hand wherever possible. We look forward to a bright year ahead in 2020.

Wela'lin,

Chief Terry Paul & Membertou Council

TABLE OF CONTENTS

04	MESSAGE FROM CHIEF & COUNCIL
06	EXECUTIVE SUMMARY
07	MEMBERTOU AT A GLANCE
08	LANES AT MEMBERTOU
09	LANDMARK FISHERIES DEAL
10	DAN CHRISTMAS OFFICE
11	BEST MANAGED COMPANY
12	MEMBERTOU GOVERNANCE LAND CODE
13	YOUTH CHIEF & COUNCIL
14	MEMBERTOU STATISTICS
15	FINANCIAL MESSAGE
16	INDEPENDENT AUDITORS REPORT



1960's Kabatay Dancers

EXECUTIVE SUMMARY

From the Old King’s Road Reserve to the growing community that Membertou is today, our people have always had a way of sharing their talents with the world.

That culture of leadership has translated into a multi-faceted community and organization. The spirit of Membertou was built upon both tradition and forward-thinking. Over the last twenty years, we’ve built our businesses and grown them significantly. Over the last one hundred years, our resilience has led us to a progressive position of stability.

Now, we’re sharing our talents with the world in a new capacity. We’re leading from within; always doing so with our traditional values beside us.

This is our time to continue executing on our vision; to move forward like never before.

We’re making our mark in Membertou.



POPULATION: 1695
(ON/OFF RESERVE)



1 OF 5 MI'KMAQ
COMMUNITIES IN UNAMA'KI
– CAPE BRETON ISLAND



GOVERNED BY ELECTED
CHIEF & 12 COUNCILORS



\$67 MILLION
IN REVENUE



CANADA BEST
MANAGED
COMPANIES

A 2019 BEST MANAGED
COMPANY IN CANADA



HOME TO 12 CORPORATE
ENTITIES VIA MEMBERTOU
DEVELOPMENT CORPORATION



260 GAMES OF
BINGO PLAYED

\$1.6 Million
IN EDUCATION AND
TRAINING FOR COMMUNITY



2,190 GAMES OF HOCKEY
PLAYED AT MSWC IN 2018



16 HOMES BUILT FOR
MEMBERTOU FAMILIES



\$3.6 MILLION
IN COMMUNITY AND
CHARITABLE SUPPORT

MEMBERTOU

LANES AT MEMBERTOU

Opening its doors on November 21, 2018, Lanes at Membertou is a state-of-the-art bowling and entertainment facility, which features 16 bowling lanes, 3 multi-sport simulators, a full restaurant and bar, The Eleventh Frame, and private party space for guests to enjoy.

Lanes at Membertou has welcomed thousands of bowlers, hundreds of corporate parties and events, as well as birthday celebrations.

Reviving the sport of bowling in the area, Lanes at Membertou offers something for everyone; family activity, late-night fun, delicious food and drink, and a social space for all.

Visit www.lanesmembertou.com to learn more.





LANDMARK FISHERIES DEAL WITH CLEARWATER

In March 2019, thirteen Mi'kmaq communities across Nova Scotia and Miawpukek in Newfoundland and Labrador announced a landmark fisheries agreement with Clearwater Seafoods.

The agreement forged a 50-year partnership that protects existing jobs in the Arctic Surf Clam fishery with a goal of creating significant economic, employment and capacity building for the First Nations communities, which are adjacent to the surf clam resource.

Chief Terry Paul, who sat at the helm of the negotiations on the deal with the Nova Scotia Assembly of Mi'kmaq Chiefs, said the intentions and outcomes of the landmark deal will be felt across the communities for years to come.

With a strong partnership with industry leader, Clearwater Seafoods, our communities chose our partner based on Clearwater's knowledge and experience in the industry.

The voluntary agreement was effective immediately in March 2019 and provides benefits to participating First Nations through revenue sharing, training, employment on land and at sea, procurement relationships with Indigenous suppliers and leadership development programs.

It will create meaningful employment opportunities for our community members without displacing others who have dedicated their lives to this industry.

BENEFITS OF THE LANDMARK FISHERIES DEAL:

- 100% Indigenous ownership of any new licence issued to the Coalition
- Immediate and long-term financial and capacity building benefits for our communities
- Broad distribution of benefits among all First Nations adjacent to the resource
- Training and employment benefits in seafood harvesting and land based operations within and outside of Clearwater
- Leadership development and bursary programs for Indigenous youth

DAN CHRISTMAS' OFFICE OPENS IN MEMBERTOU



After more than 30 years working in Membertou as a Council Member and Senior Advisor for Membertou Development Corporation, Dan Christmas traded his office at the Membertou Trade and Convention Centre in for a Senate office in the Nation's capital. In December 2016, Dan Christmas was appointed by Prime Minister Trudeau as an independent senator.

Senator Christmas' goal of opening a local Senate office in Membertou came true in 2018, as he worked alongside the Membertou team to open the very first Senate office in a Mi'kmaq community in Canada.

Christmas happily welcomed his community members and friends to the opening of his office in July 2018, where for the first time, the Canadian Senate and the community of Membertou merged. Traveling between Membertou and Ottawa, Senator Christmas represents the interests of his community and the island of Unama'ki. Through his work, Senator Christmas is an example for the island's youth. With hard work and dedication, you can do anything; including holding one of the highest government positions in Canada.

We're proud of you Dan!

Congratulations on your Senate office
in Membertou.



MEMBERTOU; A BEST MANAGED COMPANY.

On March 7, 2019, Chief Terry Paul announced that Membertou Development Corporation was awarded the designation of one of Canada's Best Managed Companies.

Canada's Best Managed Companies, a program hosted by Deloitte Inc., evaluates organizations on key areas of business operations. These key areas include: strategy, innovation, financial, and commitment to business and community.

Membertou Development Corporation underwent a thorough application process and were evaluated on two different levels; Atlantic and National. Membertou was named as one of Canada's Best Managed Companies for 2019, along with 48 other organizations on April 17, 2019 at an award's ceremony in Toronto.

MEMBERTOU GOVERNANCE COMMITTEE

Membertou's Governance team have been working diligently for the community to develop new policies and plans for future sustainability. Over the last five years, the Membertou Governance committee has been working on creating and approving a Land Code Plan.

The Land Code would allow Membertou to have jurisdiction over its own land, ensuring new projects could move forward through the decision-making of the community membership, and not through the federal government.

From January to June of 2019, the Governance Committee worked with various stakeholders, departments, and community members to create an extensive plan that would suit the needs of Membertou for many years to come. In June, the community stood behind the plan and the membership approved the Land Code Plan with an impressive 94% approval rate.



MEMBERTOU YOUTH CHIEF AND COUNCIL

On October 29th, 2018, Emily Bernard was elected as the 2018-19 Youth Chief for Membertou's Youth Chief and Council. Emily's election was followed by seven new Youth Council members elected and five members who held their position from the previous year.

Throughout the school year, the Membertou Youth Chief and Council was active in setting goals, hosting events, volunteering, and participating in youth mentorship from Chief Terry and Membertou Council.

In 2018-19, the youth volunteered at community events such as the Christmas parades, the senior's fair, community clean-ups, with the Membertou Men's Society, and hockey tournaments. They also hosted Youth Bowling Night, teaming up with the LOVE program.

In Winter/Spring 2019, the Youth Council planned and hosted the second annual Membertou Easter Egg Hunt for the community's children. Youth Council participated in the grand opening of the L'nuistenej conference in Membertou, and several members of the group attended the AFN conference in Fredericton in July.

An important piece of the Youth Chief and Council puzzle is their ability to learn from our leadership. This year, we initiated quarterly breakfast meetings with Membertou Chief and Council.

The mentorship that is provided by Chief and Council is a motivator for our youth to become and remain as involved and informed community members. The breakfast meetings have addressed issues such as language loss, school resources, attendance, mental health services, advice for the work place, and more.



MEMBERTOU STATISTICS



1,565

Total number of
population

**This includes on and
off-reserve, community
members.*



12

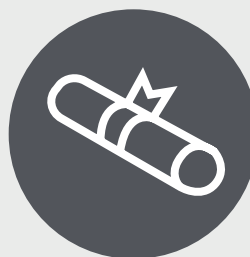
Total number
of births

** January 1st 2018 to
present day*



44

Total number of
graduates



20

HIGH SCHOOL

16 (2017) & 20 (2018)

9

UNIVERSITY

8 (2017) & 4 (2018)

15

TRADES

17 (2017) & 25 (2018)



FINANCIAL MESSAGE

Membertou experienced a successful fiscal year in 2018-19. In this time, we've seen the positive outcomes of strategic business decisions, as well as, the excitement and met projections of newly opened corporate entities, like Lanes at Membertou.

In 2019, Membertou was named as one of Canada's Best Managed Companies, and one key factor of that designation is focused on financials. I'm proud to lead our organization's financial team, where we work with integrity for the betterment of the community of Membertou.

In Membertou, we are in a strong financial position. We remain invested in growing our economic opportunities, and continuing partnerships with experts and community partners in development. As we move into 2020, we are committed to undertaking new projects, which will only continue to diversify Membertou's portfolio, and create prosperity for the future.

INDEPENDENT AUDITOR'S REPORT

To the Chief and Councillors of the Membertou Reserve Band Council

We have audited the accompanying consolidated statement of financial position of the Membertou Reserve Band Council (the "Band Council") as at March 31, 2019, and the consolidated statement of operations, changes in net financial liabilities, statement of fund balances, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Band Council's management is responsible for the preparation and fair presentation of these 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to

the Band Council's preparation and fair presentation of the consolidated financial statements 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 Council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Band Council's management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

BASIS FOR QUALIFIED OPINION

The statement of financial position includes intangible assets in the amount of \$2,064,336 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 \$2,064,336 as at March 31, 2019. 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 \$2,064,336.

QUALIFIED OPINION

In our opinion, except for the effects of the matter described in the Basis for qualified opinion paragraph, these consolidated financial statements present fairly, in all material respects, the financial position of the Membertou Reserve Band Council as at March 31, 2019, and the results of its operations, changes in its net financial liabilities, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



CONSOLIDATED STATEMENT OF OPERATIONS

MEMBERTOU RESERVE BAND COUNCIL - Year ended March 31

REVENUES	BUDGET	2019	2018
Fisheries	\$ 3,201,420	\$ 3,769,245	\$ 3,789,307
Rental	2,522,975	2,135,490	4,867,335
Commercial sales	40,273,415	40,614,067	39,065,890
(Loss) gain on disposal of property	-	-	(4,525)
Government transfers	12,874,896	19,330,533	18,456,729
Other revenues	546,237	1,268,351	911,049
	59,418,943	67,117,686	67,085,785
EXPENDITURES	BUDGET	2019	2018
Administrative	3,218,908	3,421,056	3,851,279
Community expenses	3,566,512	3,645,766	3,433,381
Core funding and benefits	1,006,200	1,014,278	926,317
Cost of sales – commercial	15,594,737	17,271,691	15,387,429
Education and training	1,184,125	1,595,739	1,372,794
Fishing	254,753	295,714	258,460
Health programs	855,722	954,738	1,226,042
Insurance	638,085	550,385	608,676
Interest	2,417,076	2,496,245	2,816,810
Other	2,654,443	2,642,337	3,204,383
Professional fees	259,810	265,724	276,905
Repairs and maintenance	4,111,403	6,266,707	7,521,684
Salaries and benefits	15,712,310	15,313,007	15,341,774
Security and policing	272,820	374,520	884,978
Social	3,942,938	3,728,020	3,718,839
	55,689,842	59,835,927	60,829,751
Less: transfer/recoveries	(2,042,216)	(1,908,957)	(1,782,922)
	53,647,626	57,926,970	59,046,829
Annual surplus before depreciation	5,771,317	9,190,716	8,038,956
Depreciation	5,074,139	5,635,243	5,992,809
Annual Surplus	697,178	3,555,473	2,046,147
Accumulated surplus, beginning of year	-	64,459,281	60,413,134
Accumulated surplus, end of year	-	66,014,754	62,459,281

*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	2019	2018
Cash	\$ 4,580,155	\$ 12,961,236
Receivables	5,393,593	3,894,121
Inventory	538,639	402,647
Band funds in trust	121,610	120,208
Restricted cash	2,378,839	2,363,159
Due from related party	5,200,762	-
Investments	2,700,206	2,740,821
Investment in government business enterprise	337,193	-
	21,250,998	22,482,192

FINANCIAL LIABILITIES		
Payables and accruals	5,908,394	5,295,678
Deferred revenue	1,070,024	3,345,960
Long term debt	71,087,652	84,270,262
Deferred trust contributions	6,480,207	6,226,207
Capital lease obligations	1,570,904	385,804
	86,117,181	99,523,911
Net financial liabilities	(64,866,183)	(77,041,719)

NON-FINANCIAL ASSETS		
Purchased fishing licenses and permits	2,064,336	2,064,336
Capital assets	128,349,656	136,715,931
Prepays	466,945	720,733
	130,880,937	139,501,000
Accumulated surplus	66,014,754	62,459,281

CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL LIABILITIES

MEMBERTOU RESERVE BAND COUNCIL - Year ended March 31			
	BUDGET	2019	2018
Net revenues	\$ 594,695	\$ 3,555,473	\$ 2,046,147
Loss (gain) on disposal of capital assets	-	-	4,525
Proceeds on sale of capital assets	-	320,000	144,095
Depreciation	5,074,139	5,634,963	5,992,809
Government business enterprise	-	17,325,107	-
Capital assets acquired	-	(14,916,958)	(13,165,698)
	5,074,139	11,918,585	(4,978,122)
Acquisition of prepaid expenses	-	256,951	(188,345)
Change in net financial liabilities	6,333,084	12,175,536	(5,166,467)
Net financial liabilities, beginning of year	(77,041,719)	(77,041,719)	(71,875,252)
Net financial liabilities, end of year	\$ (70,708,635)	\$ (64,866,183)	\$ (77,041,719)

CONSOLIDATED STATEMENT OF CASH FLOWS

MEMBERTOU RESERVE BAND COUNCIL - Year ended March 31		
Increase in cash and cash equivalents		
OPERATING	2019	2018
Excess (deficiency) of revenue over expenditures	\$ 3,555,473	\$ 2,046,147
Depreciation	5,634,963	5,992,809
Write off of investments	100,000	-
Loss (gain) on disposable of capital assets	-	4,525
Equity income from government business enterprise	(33,055)	-
Share of limited partnership income	(109,385)	(105,143)
	9,147,996	7,938,338

CONSOLIDATED STATEMENT OF CASH FLOWS CONTINUED

Change in non-cash operating working cpatials	-	-
Receivables	(4,610,201	3,236,202
Prepays	256,951	(188,345)
Inventory	(135,992)	(6,978)
Payables and accruals	613,590	(2,429,293)
Net change from government business entity	2,938,539	-
Deferred revenue	(2,275,936)	1,913,551
	5,321,357	10,463,475

INVESTING

Decrease in deficiency in government business enterprise	(337,139)	-
Partnership draws	100,000	100,000
Purchase of investments	(50,000)	(25,000)
	(287,139)	75,000

FINANCING

New deferred trust contributions	254,000	128,000
Repayment of long term capital lease obligation	(130,273)	(93,246)
Receipt of capital lease	1,315,382	89,990
Receipt of long term debt	3,595,055	15,281,323
Repayment of long term debt	(3,835,423)	(3,482,073)
	1,198,741	11,923,994

CAPITAL

Proceeds on disposal of assets	320,000	144,095
Capital assets acquired	(14,916,958)	(13,165,698)
	(14,596,958)	(13,021,603)
Net (decrease) increase in cash and cash equivalents	(8,363,999)	9,440,866
Cash and cash equivalents, beginning of year	15,444,603	6,003,737
Cash and cash equivalents, end of year	\$ 7,080,604	\$ 15,444,603

CASH AND CASH EQUIVALENTS CONSIST OF:

Cash	\$ 4,580,155	\$ 12,961,236
Funds in trust	121,610	120,208
Restricted cash	2,378,839	2,363,159
	\$ 7,080,604	\$ 15,444,603

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, 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.

Prior year also consolidated Membertou Properties Limited Partnership. 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 6).

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.

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 expenditures 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 2019 was \$12,930,926 (2018 -\$10,960,012). No write-down of inventories below their cost to their net realizable value was made in fiscal 2019. 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 so as 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



Memberton
WELCOMING THE WORLD!

MEMBERTOU BAND COUNCIL

111 Membertou Street
Membertou, Nova Scotia
B1S 2M9 Canada

Tel: 902-564-6466
Toll Free: 1-800-617-6466
Fax: 902-539-6645

WWW.MEMENTOU.CA



@DestinationMembertou