

GLOOSCAP FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

Glooscap First Nation
Financial Statements
For the year ended March 31, 2018

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GLOOSCAP FIRST NATION

Management's Responsibility for the Consolidated Financial Statements March 31, 2018

The accompanying consolidated financial statements of Glooscap First Nation are the responsibility of management and have been approved by the Council.

These consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board. Management is responsible 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.


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

The external auditors, BDO Canada LLP, conduct an audit, in accordance with Canadian generally accepted auditing standards, and express their opinion on the consolidated financial statements. The external auditors have access to financial management of Glooscap First Nation and meet when required.

On behalf of Glooscap First Nation:


Chief


Date


Councillor *LYNWOOD J. PETERS*


Date


Councillor


Date


Councillor


Date



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Dartmouth, Nova Scotia B3B 0G5

INDEPENDENT AUDITORS' REPORT

To the Members of Glooscap First Nation

We have audited the accompanying consolidated financial statements of Glooscap First Nation, which comprise the consolidated statement of financial position as at March 31, 2018, and the consolidated statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Band management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the 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 of 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 entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Glooscap First Nation
Independent Auditor's Report
For the year ended March 31, 2018**

Opinion

In our opinion these consolidated financial statements present fairly, in all material respects, the financial position of Glooscap First Nation as at March 31, 2018, and its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matters

Without modifying our opinion, we draw attention to Note 2 of the financial statements, which explains that certain comparative information for the year ended March 31, 2017 has been restated.

The financial statements of a significant component of Glooscap First Nation for the year ended March 31, 2018 were audited by another auditor who expressed a qualified opinion as they were not able to observe the counting of physical inventories at the beginning of the year to satisfy themselves concerning inventory quantities by alternative means. The opinion on these financial statements was expressed on June 11, 2018.

CHARTERED PROFESSIONAL ACCOUNTANTS, LICENSED PUBLIC ACCOUNTANTS

Dartmouth, Nova Scotia
July 29, 2018

**GLOOSCAP FIRST NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2018**

	2018	2017 (Restated - Note 2)
	\$	\$
FINANCIAL ASSETS		
Cash (Note 3)	4,837,450	1,643,785
Restricted cash (Note 3)	81,907	81,707
Investments	201,966	301,847
Accounts receivable (Note 4)	329,773	166,044
Inventory	77,694	66,525
Investments in government business enterprises (Note 5)	14,503,398	5,683,176
	<u>20,032,188</u>	<u>7,943,084</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	1,204,254	315,684
Deferred revenue (Note 7)	10,941	9,942
Long-term debt (Note 9)	13,125,300	1,204,900
	<u>14,340,495</u>	<u>1,530,526</u>
NET FINANCIAL ASSETS	<u>5,691,693</u>	<u>6,412,558</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 10)	10,762,832	7,636,576
Prepays	8,646	30,138
	<u>10,771,478</u>	<u>7,666,714</u>
ACCUMULATED CONSOLIDATED SURPLUS (Note 11)	<u>16,463,171</u>	<u>14,079,272</u>

The accompanying notes are an integral part of these financial statements.

**GLOOSCAP FIRST NATION
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2018**

	Budget 2018	2018	2017 (Restated - Note 2)
	\$	\$	\$
REVENUE			
Atlantic Integrated Commercial Fisheries Initiative	90,000	40,000	93,519
Canadian Mortgage and Housing Corporation	49,139	102,755	144,134
Confederacy of Mainland Mi'kmaq	-	5,300	13,500
Department of Fisheries and Oceans	75,000	89,400	76,251
Health Canada	321,086	375,005	354,226
Indigenous Services Canada	762,350	1,964,081	1,154,239
Mi'kmaq Employment Training Secretariat	59,040	47,310	99,240
Mi'kmaw Kinamatnewey	89,649	452,199	138,412
Province of Nova Scotia	-	55,582	59,255
Rent - Housing	132,000	132,000	136,568
Amounts earned and held in trust by federal government (Note 13)	-	200	346
Other revenue (Note 20)	5,911,864	5,379,846	5,406,156
	7,490,128	8,643,678	7,675,846
EXPENSES			
Administration	1,447,449	1,685,196	1,301,369
Community Health	310,668	361,257	354,186
Courses and summer students	61,866	148,108	186,566
Education	94,777	165,142	110,655
Commercial Fisheries	910,993	906,101	312,875
Community Fisheries	75,000	91,111	75,106
Gaming	296,900	359,957	324,516
Operations, Capital & Maintenance	-	370,294	283,358
Social Housing	445,920	233,343	302,563
Social Services	365,656	396,635	388,039
Variety Store & Gas Bar	4,347,086	2,459,809	2,417,689
	8,356,315	7,176,953	6,056,922
NET SURPLUS FROM OPERATIONS	(866,187)	1,466,725	1,618,924
INCOME FROM GOVERNMENT BUSINESS ENTERPRISES (Note 5)	-	369,250	3,709,079
ANNUAL FUND SURPLUS	(866,187)	1,835,975	5,328,003
ACCUMULATED SURPLUS - beginning of year	14,222,424	14,222,424	8,894,421
ACCUMULATED SURPLUS - end of year	13,356,237	16,058,399	14,222,424

The accompanying notes are an integral part of these financial statements.

**GLOOSCAP FIRST NATION
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED MARCH 31, 2018**

	Budget 2018	2018	2017 (Restated - Note 2)
	\$	\$	\$
ANNUAL FUND SURPLUS	(866,187)	1,835,975	5,328,003
Increase in replacement reserve	-	27,584	16,391
Acquisition of tangible capital assets	-	(3,606,962)	(442,281)
Equity in government business enterprises	-	531,311	-
Amortization of tangible capital assets	-	480,704	393,680
Increase (decrease) in trust held by federal government	-	200	346
	-	(2,567,163)	(31,864)
Consumption (acquisition) of prepaid expense	-	21,492	(6,723)
Decrease in supplies inventories	-	(11,169)	(1,855)
CHANGE IN NET FINANCIAL ASSETS	(866,187)	(720,865)	5,287,561
NET FINANCIAL ASSETS - beginning of year	6,412,558	6,412,558	1,124,997
NET FINANCIAL ASSETS - end of year	5,546,371	5,691,693	6,412,558

The accompanying notes are an integral part of these financial statements.

**GLOOSCAP FIRST NATION
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2018**

	2018	2017 (Restated - Note 2)
	\$	\$
CASH FLOWS FROM:		
OPERATING ACTIVITIES		
Annual surplus	1,835,975	5,328,003
Items in earnings not involving cash		
Amortization	480,704	393,680
Investment in government business enterprises	(8,572,212)	(4,565,003)
Equity in government business enterprises	283,301	-
	<u>(5,972,232)</u>	<u>1,156,680</u>
Net changes in working capital balances		
Accounts receivable	(163,729)	(80,034)
Inventory	(11,169)	(1,855)
Deferred revenue	999	(3,067)
Accounts payable	889,175	75,178
Prepays	21,492	(6,723)
	<u>(5,235,464)</u>	<u>1,140,179</u>
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(3,606,962)	(442,281)
INVESTING ACTIVITIES		
Investment in capital fund	(200)	(346)
Redemption (purchase) of short term investments	99,881	(301,847)
Investment in housing reserve	16,010	16,620
	<u>115,691</u>	<u>(285,573)</u>
FINANCING ACTIVITIES		
Repayments of long-term debt	(96,398)	(91,983)
Advances of long-term debt	12,016,798	-
	<u>11,920,400</u>	<u>(91,983)</u>
INCREASE IN CASH DURING THE YEAR	3,193,665	320,342
CASH - UNRESTRICTED - beginning of year	1,643,785	1,323,443
CASH - UNRESTRICTED - end of year	4,837,450	1,643,785

The accompanying notes are an integral part of these financial statements.

**GLOOSCAP FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018**

1. SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Accounting

These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards and include all organizations, operations and activities that are:

- accountable for the administration of their financial affairs and resources directly related to Glooscap First Nation ("First Nation"); or
- are owned or controlled by the First Nation

b. Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues, expenses and accumulated surplus of the reporting entity. The reporting entity is comprised of all organizations which are owned or controlled by the First Nation. These financial statements include:

- Glooscap First Nation Admin
- Glooscap Mi'kmaq Gaming Commission
- Glooscap Variety Store & Gas Bar
- Glooscap Commercial Fisheries

c. Principles of Consolidation

All controlled entities are fully consolidated on a line-by-line basis except for commercial enterprises which meet the definition of a government business enterprise, which are included in the consolidated financial statements on a modified equity basis. Inter-organizational balances and transactions are not eliminated.

Organizations accounted for on a modified equity basis included:

- Glooscap Mi'kmaq Economic Development Corporation Limited - development of band-owned business opportunities
- Glooscap Landing #1 Limited Partnership - owns land and building for the Landing variety store and gas bar
- Glooscap Landing #2 Limited Partnership - runs operations for the Landing variety and gas bar
- Glooscap Landing #1 General Partnership Ltd. - owns the shares of both limited partnerships
- Glooscap Iliia Gourmet Feta Cheese - feta cheese processor and exporter
- Yarmouth Bar Fisheries Limited - seafood processor
- Seekist Lobster Limited - seafood processor

d. Income Taxes

Income taxes are not reflected on these financial statements as the First Nation's operations are conducted entirely on reserve lands and are therefore not taxable.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018**

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

e. Pension Plan

The First Nation provides a defined contribution plan for its employees. The pension costs are charged to operations as contributions are due. Contributions are a defined amount based on a set percentage of salary.

f. Tangible Capital Assets

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the assets.

Amortization is provided for on a straight-line basis over their estimated useful lives as follows:

CMHC Housing	25 years
Band Housing	25 years
Brick Buildings	40 years
Wooden Buildings	25 years
Computer Equipment	5 years
Land & Improvements	30 years
Road Equipment	15 years
Road Grade	40 years
Road Surface	20 years
Underground Networks	50 years
Vehicles & Equipment	10 years
Vessels	10 years
Fishing Equipment	5 years

g. Revenue Recognition

Revenues are recognized in the period in which the transactions or events occur that give rise to the revenues. All revenues are recorded on an accrual basis.

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018**

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

h. Restricted Revenue

Contributions, other than government transfers, are deferred when restrictions are placed on their use by the external contributor, and are recognized as revenue when used for the purpose specified.

i. Inventory for Resale

Inventories of supplies and goods available for resale are recorded at the lower of cost and net realizable value.

2. PRIOR PERIOD ADJUSTMENTS

During the year, the First Nation determined that some of the consolidated components were not using consistent amortization methods. As a result, tangible capital assets in the prior year were overstated. The result of this correction to the prior year is as follows:

	<u>March 31, 2017</u>
Decrease in tangible capital assets	\$ (113,126)
Increase in amortization	\$ 58,427
Decrease in accumulated surplus, beginning of the year	\$ 54,699

During the course of the audit, it was determined that there were unrecorded liabilities. As a result, expenses and payables were understated. The result of this correction to the prior year is as follows:

	<u>March 31, 2017</u>
Increase in expenses	\$ 120,599
Increase in accounts payable	\$ (120,599)
Decrease in accumulated surplus, end of the year	\$ 120,599

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018**

3. CASH

Under the terms of an agreement with Canada Mortgage and Housing Corporation ("CMHC"), the First Nation must set aside funds annually for the repair, maintenance and replacement of worn out assets. These funds are to be held in a separate bank account and invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as otherwise approved by CMHC with any interest earned to be credited as revenue to the Replacement Reserve.

The First Nation is also required to have trust funds in Ottawa in a separate bank account. These funds increase annually by the interest earned. They can be withdrawn for their intended purposes if requested.

At March 31, 2018 cash consisted of:

	2018 \$	2017 \$
<u>Unrestricted</u>		
Operating	4,771,285	1,619,743
Housing	66,165	24,042
	4,837,450	1,643,785
 <u>Externally Restricted</u>		
Replacement Reserve (Note 12)	62,704	62,704
Ottawa Trust Funds (Note 13)	19,203	19,003
	81,907	81,707

4. ACCOUNTS RECEIVABLE

	2018 \$	2017 \$
Indigenous Services Canada	131,552	5,142
Annapolis Valley First Nation	-	10,000
Atlantic Integrated Commercial Fisheries Initiative ("AICFI")	-	62,824
Mi'kmaq Employment Training Secretariat	-	23,537
Mi'kmaw Kina'matnewey	59,521	16,346
Other	138,700	48,195
	329,773	166,044

**GLOOSCAP FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018**

5. INVESTMENTS IN GOVERNMENT BUSINESS ENTERPRISES

The First Nation owns 100% of Glooscap Mi'kmaq Economic Development Corporation Limited ("Glooscap Economic Development"), 100% of Glooscap Ilia Gourmet Feta Cheese, 52% of Yarmouth Bar Fisheries Limited, and 100% of Seakist Lobster Limited. Glooscap Economic Development owns 100% of Glooscap Landing #1 General Partnership which owns 100% of Glooscap Landing #1 Limited Partnership and Glooscap Landing #2 Limited Partnership.

Acquisition of Government Business Enterprises

On September 30, 2017, the First Nation acquired 52% of the shares of Yarmouth Bar Fisheries Limited ("YBF") and 100% of the shares of Seakist Lobster Limited ("Seakist"). These companies operate as fish processors on Nova Scotia's South Shore. The results of the acquired government business enterprises have been included in these financial statements from the date of acquisition using the modified equity basis. Under the acquisition of YBF, 52% of net assets were acquired for total consideration of \$2,188,042. Additionally, 100% of net assets of Seakist were acquired for total consideration of \$1,461,958.

The following net assets have been acquired:

	Yarmouth Bar Fisheries		Seakist Lobster	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	\$	\$	\$	\$
Land	27,437	58,912	37,110	54,317
Buildings	119,085	235,420	451,911	929,660
Equipment	125,113	140,560	64,164	86,918
Licenses	-	156,000	-	-
Working capital	100,613	100,613	132,989	132,989
Acquisition costs	(135,567)	(135,567)	(23,417)	(23,417)
Purchase premium	-	1,632,104	-	281,491
	<u>236,681</u>	<u>2,188,042</u>	<u>662,757</u>	<u>1,461,958</u>

The above purchase premium will be amortized straight-line over 20 years.

Related Party Transactions

During the year, the following transactions occurred between the government business enterprises and the First Nation. These transactions are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties:

Glooscap Economic Development Corporation Limited:

- The First Nation paid \$747,408 (2017 - \$917,220) in grants to Glooscap Economic Development.

Yarmouth Bar Fisheries Limited:

- The First Nation received \$351,466 in fish sales from YBF.

Seakist Lobster Limited

- The First Nation paid \$6,465 in legal expenses to Seakist.

GLOOSCAP FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

5. INVESTMENTS IN GOVERNMENT BUSINESS ENTERPRISES (continued)	2018	2017
	\$	\$
Glooscap Economic Development		
Accumulated surplus (deficit)	(2,722,625)	(902,295)
Due to Glooscap First Nation	3,517,116	96,146
Investment in Glooscap Economic Development	<u>794,491</u>	<u>(806,149)</u>
Glooscap Landing #1 Limited Partnership		
Accumulated surplus (deficit)	14,406	-
140,000 LP units of Glooscap Landing #1 Limited Partnership	-	140,000
Transfer of assets to Glooscap Landing #1 Limited Partnership	9,315,326	6,349,325
Due to Glooscap First Nation	74,692	-
Investment in Glooscap Landing #1 Limited Partnership	<u>9,404,424</u>	<u>6,489,325</u>
Ilia Gourmet Feta Cheese		
Accumulated surplus (deficit)	(35,935)	-
Due to Glooscap First Nation	333,721	-
Investment in Ilia Gourmet Feta Cheese	<u>297,786</u>	<u>-</u>
Glooscap Landing #2 Limited Partnership		
Accumulated surplus (deficit)	14,907	-
Transfer of assets from Glooscap Landing #1 Limited Partnership	19,559	-
Due to Glooscap First Nation	6,078	-
Investment in Glooscap Landing #2 Limited Partnership	<u>40,544</u>	<u>-</u>
Yarmouth Bar Fisheries Limited		
Purchase price of shares	2,188,042	-
Income earned subsequent to acquisition	377,043	-
Due to Glooscap First Nation	10,584	-
Amortization of purchase premium	(40,803)	-
Investment in Yarmouth Bar Fisheries Limited	<u>2,534,866</u>	<u>-</u>
Seakist Lobster Limited		
Purchase price of shares	1,461,958	-
Loss incurred subsequent to acquisition	(30,970)	-
Due to Glooscap First Nation	7,336	-
Amortization of purchase premium	(7,037)	-
Investment in Seakist Lobster Limited	<u>1,431,287</u>	<u>-</u>
Total investments in Government Business Enterprises	<u>14,503,398</u>	<u>5,683,176</u>
Total income from Government Business Enterprises	<u>369,250</u>	<u>3,709,079</u>

**GLOOSCAP FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018**

5. INVESTMENTS IN GOVERNMENT BUSINESS ENTERPRISES (continued)

The following table presents condensed financial information for the commercial enterprises.

	2018 \$	2017 \$
<u>Glooscap Economic Development</u>		
Assets		
Cash	362,954	-
Accounts Receivable	413,929	1,281,961
Prepays	156,301	156,675
Tangible Capital Assets	7,831	6,840
Total Assets	<u>941,015</u>	<u>1,445,476</u>
Liabilities		
Bank Indebtedness	-	1,559,189
Accounts Payable	146,424	692,336
Due to Glooscap First Nation	3,517,116	96,146
Total Liabilities	<u>3,663,540</u>	<u>2,347,671</u>
Capital	100	100
Retained Earnings	(2,722,625)	(902,295)
Total Liabilities and Equity	<u>941,015</u>	<u>1,445,476</u>
Results of Operations		
Revenue	72,716	46,030
Expenses	802,046	626,149
Net Income	<u>(729,331)</u>	<u>(580,119)</u>
<u>Glooscap Landing #1 Limited Partnership</u>		
Assets		
Cash	1,336	248,011
Accounts receivable	154,703	-
Prepays	165,892	-
Tangible capital assets	10,255,324	6,739,325
Total Assets	<u>10,577,255</u>	<u>6,987,336</u>
Liabilities		
Accounts payable	1,172,820	-
Long-term debt	-	250,000
Due to Glooscap First Nation	74,692	-
Total Liabilities	<u>1,247,512</u>	<u>250,000</u>
Capital	11	11
Retained Earnings	14,406	248,000
Capital Contributions	9,315,326	6,489,325
Total Liabilities and Equity	<u>10,577,255</u>	<u>6,987,336</u>

**GLOOSCAP FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018**

5. INVESTMENTS IN GOVERNMENT BUSINESS ENTERPRISES (continued)	2018	2017
	\$	\$
Results of Operations		
Expenses	233,594	-
Net Income	<u>(233,594)</u>	<u>-</u>
 <u>Glooscap Landing #2 Limited Partnership</u>		
Assets		
Cash	16,231	-
Accounts receivable	1,445	11
Tangible capital assets	45,573	-
Total Assets	<u>63,249</u>	<u>-</u>
Liabilities		
Accounts payable	22,695	-
Due to Glooscap First Nation	6,078	-
Total Liabilities	<u>28,773</u>	<u>-</u>
Capital	11	11
Capital contributions	19,559	-
Retained Earnings	14,906	-
Total Liabilities and Equity	<u>63,249</u>	<u>11</u>
Results of Operations		
Revenue	20,000	-
Expenses	5,094	-
Net Income	<u>14,906</u>	<u>-</u>
 <u>Glooscap Ilia Gourmet Feta Cheese</u>		
Assets		
Prepays	297,786	-
Total Assets	<u>297,786</u>	<u>-</u>
Liabilities		
Due to Glooscap First Nation	333,721	-
Total Liabilities	<u>333,721</u>	<u>-</u>
Retained Earnings	<u>(35,935)</u>	<u>-</u>
Total Liabilities and Equity	<u>297,786</u>	<u>-</u>
Results of Operations		
Expenses	35,935	-
Net Income	<u>35,935</u>	<u>-</u>

GLOOSCAP FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

5. INVESTMENTS IN GOVERNMENT BUSINESS ENTERPRISES (continued)	2018	2017
	\$	\$
<u>Yarmouth Bar Fisheries</u>		
Assets		
Cash	16,056	-
Accounts receivable	1,278,720	-
Inventory	439,261	-
Prepays	36,614	-
Future tax asset	3,521	-
Mortgage receivable	7,498	-
Tangible capital assets	369,545	-
Total Assets	<u>2,151,215</u>	-
Liabilities		
Bank indebtedness	810,014	-
Accounts payable	43,337	-
Corporate taxes payable	37,398	-
Long-term debt	16,667	-
Due to external related party	10,584	-
Total Liabilities	<u>1,307,700</u>	-
Capital	121	-
Retained Earnings	843,394	-
Total Liabilities and Equity	<u>2,151,215</u>	-
Results of Operations		
Revenue	3,978,680	-
Expenses	3,601,637	-
Net Income	<u>377,043</u>	-
<u>Seakist Lobster Limited</u>		
Assets		
Accounts receivable	254,616	-
Income taxes receivable	13,029	-
Prepays	2,698	-
Future tax asset	22,821	-
Tangible capital assets	1,195,582	-
Total Assets	<u>1,488,746</u>	-
Liabilities		
Bank indebtedness	59,015	-
Accounts payable	58,443	-
Long-term debt	479,167	-
Due to external related parties	223,415	-
Total Liabilities	<u>820,040</u>	-

**GLOOSCAP FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018**

5. INVESTMENTS IN GOVERNMENT BUSINESS ENTERPRISES (continued)

	2018	2017
	\$	\$
Capital	200	-
Retained Earnings	668,506	-
Total Liabilities and Equity	1,488,746	-
Results of Operations		
Revenue	59,910	-
Expenses	90,880	-
Net Income	(30,970)	-

The following presents important notes for the commercial enterprises.

Glooscap Economic Development

Contingent Liability

The Company has an agreement with the Royal Bank of Canada to issue Standby Letters of Credit as security for certain construction contracts. As at March 31, 2018 there was \$388,271 (2017 - NIL) outstanding.

Yarmouth Bar Fisheries

Scheduled repayments on long-term debt are as follows:

2019	\$16,667
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Seakist Lobster Limited

Scheduled repayments on long-term debt are as follows:

2019	\$50,000
2020	\$50,000
2021	\$50,000
2022	\$50,000
2023	\$50,000

**GLOOSCAP FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018**

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2018	2017
	\$	\$
Trade payables	1,192,912	304,147
Accrued salaries and benefits payable	11,342	11,537
	1,204,254	315,684

7. DEFERRED REVENUE

	Balance March 31, 2017	Funding Received 2018	Revenue Recognized 2018	Balance March 31, 2018
	\$	\$	\$	\$
Federal Government Projects	9,942	999	-	10,941
				10,941

8. EMPLOYEE BENEFIT OBLIGATIONS

	2018	2017
	\$	\$
Vacation payable included in trade payables above	2,770	2,331
	2,770	2,331

Vacation and Overtime

The vacation liability is comprised of the vacation that employees are deferring to future years. Employees have either earned the benefits or are entitled to these benefits within the next budgetary year.

Pension Plan

The First Nation contributed \$81,561 (2017 - \$45,668) for retirement benefits. The First Nation does not have any other obligations with regards to the pension plan as at March 31, 2018.

**GLOOSCAP FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018**

9. LONG-TERM DEBT

	2018	2017
	\$	\$
1.97% first mortgage payable to CMHC, secured by two housing units acquired in 2017/18 fiscal year and by Ministerial guarantee to lending institution. This mortgage is for a 5 year term maturing April 2023 and amortized to 2043. Repayable in blended monthly payments of \$1,013.	238,518	-
2.99% first mortgage payable to Scotiabank, secured by two housing units constructed in 1992/93 and by Ministerial guarantee to lending institution. This mortgage is for a 5 year term maturing April 2018 and amortized to 2018. Repayable in blended monthly payments of \$622.	560	6,749
1.92% first mortgage payable to CMHC, secured by a duplex constructed in 1993/94 and by Ministerial guarantee to lending institution. This mortgage is for a 5 year term maturing April 2019 and amortized to 2019. Repayable in blended monthly payments of \$581.	7,472	14,256
1.16% first mortgage payable to CMHC, secured by one housing unit constructed in 1993/94 and by Ministerial guarantee to lending institution. This mortgage is for a 5 year term maturing April 2019 and amortized to 2019. Repayable in blended monthly payments of \$417.	5,380	10,304
1.35% first mortgage payable to CMHC, secured by one housing unit constructed in 1994/95 and by Ministerial guarantee to lending institution. This mortgage is for a 5 year term maturing May 2019 and amortized to 2020. Repayable in blended monthly payments of \$482.	6,688	12,353
2.34% first mortgage payable to CMHC, secured by two housing units constructed in 1995/96 and by Ministerial guarantee to lending institution. This mortgage matures in February 2021. Repayable in blended monthly payments of \$831.	37,178	46,992

**GLOOSCAP FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018**

9. LONG-TERM DEBT (continued)

	2018	2017
	\$	\$
3.11% first mortgage payable to CMHC, secured by a single family housing unit constructed in 1996/97 and by Ministerial guarantee to lending institution. This mortgage matures in June 2022. Repayable in blended monthly payments of \$427.	19,884	24,418
4.99% first mortgage payable to Scotiabank, secured by a single family housing unit constructed in 1997/98 and by Ministerial guarantee to lending institution. This mortgage is for a 5 year term maturing December 2022. Repayable in blended monthly payments of \$483.	25,037	29,019
1.05% first mortgage payable to CMHC, secured by a single family housing unit constructed in 2004/2005 and by Ministerial guarantee to lending institution. This mortgage is for a 5 year term maturing April 2020 and amortized to 2030. Repayable in blended monthly payments of \$298.	40,136	43,235
1.44% first mortgage payable to CMHC, secured by two - 2 unit housing units acquired in 2006/2007 on Glooscap Reserve and by Ministerial guarantee to lending institution. This mortgage is for a 5 year term maturing February 2022 and amortized to 2032. Repayable in blended monthly payments of \$1,258.	189,235	201,759
1.43% first mortgage payable to CMHC, secured by one housing unit acquired in 2010/2011 on Glooscap Reserve and by Ministerial guarantee to lending institution. This mortgage is for a 5 year term maturing April 2022 and amortized to 2037. Repayable in blended monthly payments of \$361.	72,276	75,657
1.80% first mortgage payable to CMHC, secured by one housing unit acquired in 2011/2012 on Glooscap Reserve and by Ministerial guarantee to lending institution. This mortgage is for a 5 year term maturing May 2022 and amortized to 2037. Repayable in blended monthly payments of \$357.	72,359	79,696

**GLOOSCAP FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018**

9. LONG-TERM DEBT (continued)

	2018	2017
	\$	\$
2.11% first mortgage payable to CMHC, secured by one housing unit acquired in 2013/2014 on Glooscap Reserve and by Ministerial guarantee to lending institution. This mortgage is for a 5 year term maturing December 2019 and amortized to 2038. Repayable in blended monthly payments of \$564.	113,665	114,249
2.01% first mortgage payable to CMHC, secured by one housing unit acquired in 2014/2015 on Glooscap Reserve and by Ministerial guarantee to lending institution. This mortgage is for a 5 year term maturing October 2019 and amortized until 2039. Repayable in blended monthly payments of \$353.	74,102	76,951
1.17% first mortgage payable to CMHC, secured by two housing unit acquired in 2015/2016 on Glooscap Reserve and by Ministerial guarantee to lending institution. This mortgage is for a 5 year term maturing January 2021 and amortized to 2041. Repayable in blended monthly payments of \$408.	98,217	101,949
3.99% mortgage payable to Bank of Nova Scotia, secured by one housing unit. This mortgage is for a 5 year term maturing August 2022 and amortized to 2037. Repayable in monthly payments of \$1,751.	284,584	293,911
3.50% fixed rate term loan payable to the Royal Bank of Canada, secured by accounts receivable and specific equipment. This loan is for a 5 year term maturing January 2022. Repayable in blended monthly payments of \$1,010.	63,697	73,402

**GLOOSCAP FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018**

9. LONG-TERM DEBT (continued)

	2018	2017
	\$	\$
First Nations Finance Authority 30 year loan, repayable in blended annual payments of \$688,991, bearing interest at an annual rate of 3.41%. The loan is a 5 year term maturing August 2022 and amortized to 2047.	<u>11,776,312</u>	-
	<u>13,125,300</u>	<u>1,204,900</u>

Approximate principal payments for the next 5 years are as follows:

2019	358,784		
2020	344,850		
2021	344,839		
2022	346,839		
2023	334,237		
		<u>2018</u>	<u>2017</u>
		\$	\$
Interest expense for the year on long-term debt		<u>250,266</u>	<u>12,206</u>

**GLOOSCAP FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018**

10. TANGIBLE CAPITAL ASSETS

	Cost				Accumulated Amortization			Net Book Value			
	Opening Balance	Additions	Disposals	Transfers of Assets	Closing Balance	Opening Balance	Disposals, W/O & Other Adj.	Closing Balance	2018	2017	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
CMHC Housing	2,268,826	371,461	-	-	2,640,287	754,551	77,368	-	831,919	1,808,368	1,514,275
Band Owned Housing	489,319	611,584	-	-	1,100,903	56,461	23,674	-	80,135	1,020,768	432,859
Commercial Buildings	1,933,683	2,304,598	-	-	4,238,281	957,157	74,619	-	1,031,776	3,206,505	976,526
Computer Equipment	71,653	44,498	-	-	116,151	71,272	1,663	-	72,935	43,216	382
Land & Improvements	989,401	116,237	-	-	1,105,638	257,774	34,129	-	291,903	813,735	731,627
Roads	1,215,875	3,635	-	-	1,219,510	387,901	36,431	-	424,332	795,178	827,974
Underground Networks	3,386,021	-	-	-	3,386,021	735,867	67,720	-	803,587	2,582,434	2,650,154
Vehicles & Equipment	1,843,771	154,949	-	-	1,998,720	1,340,992	165,100	-	1,506,092	492,628	502,779
	9,929,723	3,235,501	-	-	3,165,224	3,807,424	403,336	-	4,210,760	8,954,464	6,122,301
Total	12,198,549	3,606,962	-	-	15,805,511	4,561,975	480,704	-	5,042,679	10,762,832	7,636,576

**GLOOSCAP FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018**

11. ACCUMULATED CONSOLIDATED SURPLUS

	2018	2017
	\$	\$
Replacement Reserve (Note 12)	95,308	79,097
Accumulated Surplus	16,058,399	14,222,424
Equity in Ottawa Trust Funds (Note 13)	19,203	19,003
Equity in Government Business Enterprise	290,261	6,758
	16,463,171	14,327,282

12. REPLACEMENT RESERVE

	2018	2017
	\$	\$
Balance - beginning of year	79,097	62,706
Current year allocation	16,211	16,366
Interest earned	-	25
	95,308	79,097

ACCUMULATED INTEREST

Balance - beginning of year	556	531
Interest earned	-	25
	556	556

The First Nation operates 15 CMHC subsidized housing projects as at March 31, 2018. These funds, plus accumulated interest, must be held in a separate bank account and used for future repairs or other expenditures only as approved by CMHC.

As at March 31, 2018, the First Nation has provided funding of reserves as follows:

	Amount of Reserve \$	Amount Funded \$
Replacement Reserve	95,308	62,704

**GLOOSCAP FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018**

13. TRUST FUNDS HELD BY FEDERAL GOVERNMENT

	March 31, 2017 \$	Additions 2018 \$	Withdrawals 2018 \$	March 31, 2018 \$
Revenue	18,499	200	-	18,699
Capital	504	-	-	504
Total	19,003	200	-	19,203

The trust funds arise from monies derived from capital or revenue sources as outlined in Section 62 of the Indian Act. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada. The management of these funds is primarily governed by Section 63 to 69 of the Indian Act.

14. FUNDING - ECONOMIC DEPENDENCE

The First Nation receives its principal source of funding under a funding arrangement with Indigenous Services Canada. The present agreement is for a five year term ending March 31, 2019.

15. CONTINGENCIES

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

16. CONTAMINATED SITES

The First Nation has not recognized a liability for remediation of a gas station that rests on Band Land. The contamination results from these sources of fuel coming into contact with the soil surrounding the tanks that are currently in place. A potential liability has not been assessed or recorded because a reliable estimate as to the value of this liability cannot be reasonably estimated as no assessment has been completed to date as the gas station closed subsequent to year-end. A plan is going to be developed to begin the site assessment.

**GLOOSCAP FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018**

17. GOVERNMENT TRANSFERS

	2018			2017		
	Operating	Capital	Total	Operating	Capital	Total
	\$	\$	\$	\$	\$	\$
Federal government transfers:						
Indigenous Services Canada	1,964,081	-	1,964,081	1,086,822	67,417	1,154,239
Health Canada	375,005	-	375,005	354,226	-	354,226
Canada Mortgage and Housing Corporation	102,755	-	102,755	144,134	-	144,134
Department of Fisheries and Oceans	89,400	-	89,400	76,251	-	76,251
AICFI	40,000	-	40,000	93,519	-	93,519
Total	2,571,241	-	2,571,241	1,754,952	67,417	1,822,369

GLOOSCAP FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

18. SEGMENT DISCLOSURE

The First Nation is a diversified community that provides a wide range of services to its members. For management reporting purposes the First Nation's operations and activities are organized and reported by program. Programs were created for the purpose of recording specific activities to attain certain objectives in accordance with specific regulations, restrictions or limitations. The activities can also be categorized into segments. The following segments have been identified and as such are separately disclosed.

Administration

The administration department oversees the delivery of all government services that are needed to run the First Nation.

Social Services

The social assistance department is responsible for administering assistance payments as well as providing services directed towards members.

Community Health

The community health department provides medical services to band members.

Education

The education department contains activities that provide education to band members for primary, secondary schooling, and sponsorship to attend post secondary institutions.

Operations and Maintenance

The operations and maintenance department provides public services that contribute to community development and sustainability through the provision of operating services such as roads, water and sanitation, fire protection, electrical and community buildings.

Capital

This department is responsible for all capital asset activities occurring in the First Nation during the year, including housing construction and renovations.

Other Projects

The First Nation provides a wide array of other services, including youth employment projects, economic development, housing activities, and others.

Variety Store & Gas Bar

The Glooscap Variety Store and Gas Bar operates a convenience store, gaming facility and gas bar on the First Nation.

Gaming Commission

The Gaming Commission was set up to enter into an agreement with Atlantic Lottery Corporation for the operation of video lottery terminals on the First Nation.

Glooscap Commercial Fisheries

The Commercial Fisheries operates two lobster fishing boats and receive occasional funding from the Aboriginal Fisheries Strategy Agreement with the Department of Fisheries and Oceans.

GLOOSCAP FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

18. SEGMENT DISCLOSURE (continued)

For the year ended March 31, 2018	Administration	Social Services	Community Health	Education	Capital, Operations & Maintenance	Other Projects	Variety Store, Gaming & Gas	Gaming Commission	Fisheries	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue										
Indigenous Services Canada	503,612	392,839	-	-	268,524	19,184	-	-	779,922	1,964,081
AICFI	-	-	-	-	-	-	-	-	40,000	40,000
CMHC	-	-	-	-	-	102,755	-	-	-	102,755
Confederacy of Mainland Mi'kmaq	-	-	-	-	-	5,300	-	-	-	5,300
Dept. of Fisheries & Oceans Health Canada	-	-	375,005	-	-	-	-	-	89,400	375,005
Mi'kmaq Employment Training	-	-	-	-	-	47,310	-	-	-	47,310
Mi'kmaw Kina'matnewey	-	-	-	452,199	-	-	-	-	-	452,199
Rent	-	-	-	-	-	132,000	-	-	-	132,000
Other revenue	247,394	-	-	-	-	7,188	4,331,631	55,582	793,833	5,435,628
	751,006	392,839	375,005	452,199	268,524	313,737	4,331,631	55,582	1,703,155	8,643,678
Amortization	234,548	-	-	-	-	77,368	67,719	18,317	65,716	463,668
Bank charges and interest	238,558	-	-	-	-	-	10,764	224	695	250,241
Debt servicing	13,764	-	-	-	-	-	-	-	-	13,764
Employee benefits	57,558	-	-	-	-	-	-	-	-	57,558
Professional fees	95,802	-	-	-	-	3,000	19,570	2,800	43,912	165,084
Repairs and maintenance	272,520	-	-	-	49,850	184,044	39,650	-	38,574	584,638
Salaries and wages	726,588	48,679	207,166	11,283	34,823	34,070	468,440	-	538,481	2,069,530
Supplies and services	127,497	-	143,520	13,207	-	447,759	1,789,127	338,615	145,442	3,005,167
Other	3,584	347,956	10,572	140,652	-	-	64,539	-	-	567,303
	1,770,419	396,635	361,257	165,142	84,672	746,241	2,459,809	359,957	832,820	7,176,953
Total	(1,019,413)	(3,796)	13,748	287,057	183,852	(432,504)	1,871,822	(304,375)	870,335	1,466,725

**GLOOSCAP FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018**

18. SEGMENT DISCLOSURE (continued)

For the year ended March 31, 2017	Administration	Social Services	Community Health	Education	Capital, Operations & Maintenance	Other Projects	Variety Store, Gaming & Gas	Gaming Commission	Fisheries	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue										
Indigenous Services Canada	465,043	385,452	-	-	284,545	19,200	-	-	-	1,154,239
AICFI	-	-	-	-	-	-	-	-	93,519	93,519
CMHC	-	-	-	-	26,531	117,603	-	-	-	144,134
Confederacy of Mainland Mi'kmaq	-	-	-	-	-	13,500	-	-	-	13,500
Dept. of Fisheries & Oceans	-	-	-	-	-	-	-	-	76,251	76,251
Health Canada	-	-	354,226	-	-	-	-	-	-	354,226
Mi'kmaq Employment Training Secretariat	-	-	-	-	-	99,240	-	-	-	99,240
Mi'kmaw Kina'matnewey	-	-	-	138,412	-	-	-	-	-	138,412
Rent	4,568	-	-	-	-	132,000	-	-	-	136,568
Other revenue	174,857	-	-	1,740	-	80,336	4,490,713	59,255	659,170	5,465,757
	644,468	385,452	354,226	140,152	311,076	461,879	4,490,713	59,255	828,940	7,675,846
Amortization	233,255	-	-	-	-	56,721	21,201	19,393	63,109	393,679
Bank charges and interest	3,515	-	-	-	-	-	9,438	205	1,375	14,533
Debt servicing	-	-	-	-	-	12,207	-	-	-	12,207
Employee benefits	70,907	-	-	-	-	-	-	-	-	70,907
Professional fees	88,815	-	-	-	-	3,000	21,162	2,800	20,782	136,559
Repairs and maintenance	318,371	-	-	-	154,814	-	39,160	-	11,516	523,861
Salaries and wages	550,868	47,277	187,534	20,600	7,945	192,002	477,806	-	127,250	1,611,282
Supplies and services	35,638	340,762	130,683	90,055	120,599	-	1,785,269	302,118	57,132	2,861,445
Other	-	-	35,969	-	-	224,451	65,212	-	106,816	432,448
	1,301,369	388,039	354,186	110,655	283,358	488,381	2,419,248	324,516	387,980	6,056,922
Total	(656,901)	(2,587)	40	29,497	27,718	(26,502)	2,071,465	(265,261)	440,960	1,618,924

**GLOOSCAP FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018**

19. EXPENSES BY OBJECT

The following is a summary of expenses by object.

	2018 \$	2017 \$
Administration	215,878	104,037
Advertising	10,849	9,453
Amortization	463,668	393,679
Amortization on purchase premium	47,838	-
Bank charges and interest	250,241	14,533
Debt servicing	13,764	12,207
Employee benefits	57,558	70,907
Fees	44,297	55,412
Insurance	25,862	51,160
Professional services	165,084	136,559
Repairs and maintenance	584,638	523,861
Salaries and wages	2,069,530	1,611,282
Supplies and services	3,005,167	2,861,445
Telephone	33,665	30,242
Training, travel and meetings	165,560	159,668
Utilities	23,354	22,477
	7,176,953	6,056,922

20. OTHER REVENUE

	2018 \$	2017 \$
Interest revenue	1,865	3,534
Commercial Fisheries sales	793,833	659,170
Mi'kmaq Confederacy of PEI	-	71,000
Service Canada	7,188	9,336
Town of Berwick	-	1,740
Video Lottery Terminal sales	2,253,362	2,290,750
Variety Store & Gas Bar sales	2,075,756	2,197,771
Other	247,842	172,855
	5,379,846	5,406,156