



Consolidated Financial Statements

We'koqma'q First Nation

March 31, 2019

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Management's responsibility for financial reporting

The accompanying consolidated financial statements of the We'koqma'q First Nation and all the information in this annual report are the responsibility of management and have been approved by the Chief and Council.

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

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

The First Nation is responsible for ensuring that management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements.

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

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


Chief Executive Officer


Chief Financial Officer

Independent auditor's report

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To the Chief and Councillors of the
We'koqma'q First Nation

Opinion

We have audited the accompanying consolidated financial statements of the We'koqma'q First Nation (the "First Nation"), which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statements of operations, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the We'koqma'q First Nation as at March 31, 2019, and the results of its operations, changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for opinion

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

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the First Nation's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the First Nation or to cease operations, or has no realistic alternative to do so.

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the First Nation and the organizations it controls 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 31, 2019


Chartered Professional Accountants
Licensed Public Accountants

We'koqma'q First Nation

Consolidated statement of operations

Year ended March 31	Budget	2019	2018
Revenues			
Fisheries	\$ 10,000,000	\$ 9,002,671	\$ 5,861,572
Rental	40,000	38,066	104,201
Commercial sales	12,750,000	13,421,143	11,990,790
Government transfers (Note 17)	13,000,000	16,475,059	16,730,800
Insurance proceeds	-	1,199,798	-
Other revenues	-	158,867	464,837
	<u>35,790,000</u>	<u>40,295,604</u>	<u>35,152,200</u>
Expenditures			
Administration	355,000	405,000	336,269
Advertising	9,000	7,878	14,551
Community	600,000	670,288	440,559
Core funding and benefits	660,000	660,867	616,361
Economic and employment development	300,000	352,465	214,046
Education and training	1,750,000	1,597,681	1,749,945
Energy efficiency project	-	-	252,469
Fisheries	4,250,000	4,461,802	2,356,454
Health programs	1,565,000	1,368,064	1,404,135
Insurance	290,000	292,783	298,469
Interest	725,000	969,010	885,846
Municipal services	450,000	226,999	339,840
Office	165,000	207,028	210,506
Professional fees	475,000	911,862	926,643
Purchases	10,237,500	9,914,004	8,219,740
Repairs and maintenance	1,750,000	2,360,251	1,356,341
Salaries and benefits	8,500,000	8,821,008	8,103,284
Security	45,000	81,831	177,077
Social	2,200,000	2,009,576	1,896,073
Training and travel	175,000	355,101	303,063
Telephone and utilities	125,000	574,642	431,142
Amortization	-	2,536,170	2,311,308
Intangible assets acquired on business purchase (Note 15)	-	-	586,511
Loss on disposition of assets	-	283,745	-
	<u>34,626,500</u>	<u>39,068,055</u>	<u>33,430,632</u>
Annual surplus	<u>\$ 1,163,500</u>	<u>\$ 1,227,549</u>	<u>\$ 1,721,568</u>
Accumulated surplus, beginning of year		<u>17,004,867</u>	<u>15,283,299</u>
Accumulated surplus, end of year		<u>\$ 18,232,416</u>	<u>\$ 17,004,867</u>

See accompanying notes to the consolidated financial statements.

We'koqma'q First Nation**Consolidated statement of financial position**

March 31

2019

2018

Financial assets

Cash	\$ -	\$ 412,383
Receivables (Note 2)	4,183,990	2,015,728
Restricted cash (Note 3)	134,888	84,889
Inventory (Note 4)	2,360,352	1,984,515
	<u>6,679,230</u>	<u>4,497,515</u>

Financial liabilities

Bank indebtedness (Note 5)	732,431	-
Payables and accruals (Note 6)	4,695,068	4,116,459
HST payable (Note 7)	1,359,908	1,478,546
Deferred revenue (Note 8)	2,280,407	1,589,406
Long-term debt (Note 9)	18,541,246	18,344,992
	<u>27,609,060</u>	<u>25,529,403</u>

Net debt (Page 6) (20,929,830) (21,031,888)

Non-financial assets

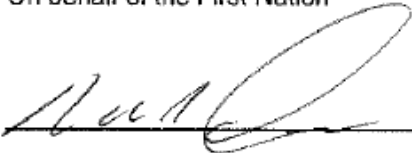
Prepays	167,977	233,707
Property and equipment (Note 10)	38,994,269	37,803,048
	<u>39,162,246</u>	<u>38,036,755</u>

Accumulated surplus (Page 4) \$ 18,232,416 \$ 17,004,867

Contingencies (Note 11)

Commitments (Note 12)

On behalf of the First Nation



Chief



Councillor

See accompanying notes to the consolidated financial statements.

We'koqma'q First Nation**Consolidated statement of changes in net debt**

Year ended March 31	Budget	2019	2018
Excess of revenues over expenses	\$ 1,163,500	\$ 1,227,549	\$ 1,721,568
Amortization	-	2,536,170	2,311,308
Capital assets acquired	-	(4,366,136)	(4,181,380)
Loss on disposal of capital assets	-	283,745	-
Proceeds on disposal of capital assets	-	355,000	-
	<u>1,163,500</u>	<u>36,328</u>	<u>(148,504)</u>
Change in other non-financial assets	<u>-</u>	<u>65,730</u>	<u>(162,889)</u>
Change in net debt	1,163,500	102,058	(311,393)
Net debt, beginning of year	<u>(21,031,888)</u>	<u>(21,031,888)</u>	<u>(20,720,495)</u>
Net debt, end of year	<u>\$ (19,868,388)</u>	<u>\$ (20,929,830)</u>	<u>\$ (21,031,888)</u>

See accompanying notes to the consolidated financial statements.

We'koqma'q First Nation

Consolidated statement of cash flows

Year ended March 31

2019

2018

Increase in cash and cash equivalents

Operating		
Excess of revenues over expenses	\$ 1,227,549	\$ 1,721,568
Amortization	2,536,170	2,311,308
Loss of disposal of assets	<u>283,745</u>	<u>-</u>
	4,047,464	4,032,876
Change in non-cash operating working capital		
Receivables	(2,168,262)	496,640
Prepays	65,730	(162,889)
Inventory	(375,837)	(678,645)
Payables and accruals	578,609	(178,559)
HST payable	(118,638)	(30,665)
Deferred revenue	<u>691,001</u>	<u>653,461</u>
	<u>2,720,067</u>	<u>4,132,219</u>
Financing		
Proceeds of long-term debt	1,479,862	2,607,559
Repayment of long-term debt	<u>(1,283,605)</u>	<u>(1,719,995)</u>
	<u>196,254</u>	<u>887,564</u>
Capital		
Proceeds on disposal of capital assets	355,000	-
Capital assets acquired	<u>(4,366,136)</u>	<u>(4,181,380)</u>
	<u>(4,011,136)</u>	<u>(4,181,380)</u>
Net increase in cash and cash equivalents	(1,094,815)	838,403
Cash and cash equivalents, beginning of year	<u>497,272</u>	<u>(341,131)</u>
Cash and cash equivalents, end of year	\$ <u>(597,543)</u>	\$ <u>497,272</u>

Cash and cash equivalents is comprised of:

Restricted cash	\$ 134,388	\$ 84,889
Bank indebtedness	<u>(732,431)</u>	<u>412,383</u>
	\$ <u>(597,543)</u>	\$ <u>497,272</u>

See accompanying notes to the consolidated financial statements.

We'koqma'q First Nation

Notes to the consolidated financial statements

March 31, 2019

1. Summary of significant accounting policies

Reporting First Nation and principles of financial reporting

These financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards.

The consolidated financial statements of the We'koqma'q First Nation are the representations of management prepared in accordance with Canadian generally accepted accounting principles for public sector entities, as required by the Public Sector Accounting Board (PSAB).

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 entities over which the First Nation has a controlling interest, after the elimination of inter-fund transactions and balances. The entities consolidated in these financial statements include Rod's One Stop, Waycobah Housing Projects, and Waycobah Contracting Incorporated.

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 expense when the transfers are authorized and all eligibility criteria have been met.

Revenue recognition

All non-government contributions or grant revenues that are externally restricted such that they must be used for a specified purpose are recognized as revenue in the period in which the resources are used for the purpose or purposes specified. Any externally restricted inflow received before the criterion has been met is reported as a liability until the resources are used for the purpose or purposes specified.

Unrestricted revenue, including commercial sales, 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.

We'koqma'q First Nation

Notes to the consolidated financial statements

March 31, 2019

1. Summary of significant accounting policies (continued)

Revenue recognition (continued)

Interest revenue is recognized as accrued unless it is externally restricted. Any externally restricted inflow received before the criterion has been met is reported as a liability until the resources are used for the purpose or purposes specified.

Tangible capital assets

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

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

Buildings	4% declining balance
Housing properties	25 years straight line
Fishing vessels	4% declining balance
Equipment	20% declining balance
Vehicles	30% declining balance
Community housing	4% declining balance
Subdivision	4% declining balance
Infrastructure	20% declining balance
Project haven	4% declining balance
Rod's One Stop	5-10 years straight line

When conditions indicate that a tangible capital asset no longer contributes to the First Nation's ability to provide goods and services, or that the value of future economic benefits associated with the tangible capital asset is less than its net book value, the cost of the tangible capital asset is reduced to reflect the decline in the asset's value. The net write-downs of tangible capital assets are accounted for as expenses in the statement of operations and such write-downs are not reversed.

Use of estimates

In preparing the First Nation'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 revenues and expenses during the period. Actual results could differ from these estimates.

We'koqma'q First Nation

Notes to the consolidated financial statements

March 31, 2019

1. Summary of significant accounting policies (continued)

Inventory

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

The cost of inventory recognized as an expense during fiscal 2019 was \$9,914,004 (2018-\$8,219,740). 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.

Income taxes

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

Business combinations

Business combinations occur where the First Nation (as an acquirer) obtains control over one or more businesses and results in the consolidation of assets, and liabilities on the date of the transaction.

Business combinations are accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. Business combinations will be accounted for from the date control is attained whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed are recognized in the consolidated financial statements (subject to certain limited exceptions).

When measuring consideration transferred in a business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not re-measured and its subsequent settlement accounted for within equity. Contingent consideration classified as an asset or a liability is not re-measured and any gain or loss on subsequent settlement is accounted for within net income.

All transactions costs incurred in relation to business combinations, except costs to issue equity securities, are expensed to annual surplus in the period in which they are incurred.

The acquisition may result in the purchase of goodwill or a gain from a bargain purchase. In the case of goodwill, under PSAS, intangible assets are not able to be recognized as an asset. As a result, any goodwill acquired in a business combination is expensed in the statement of operations.

We'koqma'q First Nation

Notes to the consolidated financial statements

March 31, 2019

2. Receivables	<u>2019</u>	<u>2018</u>
Indigenous Services Canada	\$ 1,347,514	\$ 314,050
Department of Fisheries and Oceans	1,021,403	376,762
Health Canada	286,663	1,652
Province of Nova Scotia	240,940	136,775
Land claims	12,500	17,210
Mi'kmaw Kina'matnewey	297,221	216,112
Mi'kmaq Employment and Training Secretariat	168,598	208,428
Mi'kmaw Economic Benefits Office	49,575	66,825
Core advances	-	-
Trade and sundry	<u>877,216</u>	<u>881,719</u>
	<u>4,301,630</u>	<u>2,219,533</u>
Less: allowance for doubtful accounts	<u>117,640</u>	<u>203,805</u>
	<u>\$ 4,183,990</u>	<u>\$ 2,015,728</u>

3. Restricted cash	<u>2019</u>	<u>2018</u>
Funds on deposit with Indigenous Services Canada (ISC)	\$ 34,195	\$ 34,195
Replacement reserve	<u>100,693</u>	<u>50,694</u>
	<u>\$ 134,888</u>	<u>\$ 84,889</u>

Funds on deposit with Indigenous Services Canada refers to monies that were derived from capital revenue sources as outlined in Section 32 of the Indian Act. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada and are subject to audit by the Office of the Auditor General of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act and restricted for specific purposes.

Under the terms of the agreement with the Canada Mortgage and Housing Corporation (CMHC), the replacement reserve account is to be increased by annual charges to equity. The charge in the current year is \$75,550 (2018 - \$76,418). These funds along with accumulated interest must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation (CDIC) or as may otherwise be approved by the CMHC from time to time. The funds, in the account may only be used as approved by the CMHC. Withdrawals are credited to interest first and then principal.

These allocated amounts have not been fully set aside as at March 31, 2018, with a total deficiency of \$140,276 (2018 - \$165,419). Agreements have been made with the CMHC to eliminate this deficiency with a requirement for the First Nation to set aside \$25,000 per fiscal year towards this shortfall.

We'koqma'q First Nation

Notes to the consolidated financial statements

March 31, 2019

4. Inventory	<u>2019</u>	<u>2018</u>
Rod's One Stop	\$ 169,452	\$ 169,452
Big Falls Fish Growers Limited	588,745	570,370
Trout farm inventory	<u>1,602,155</u>	<u>1,244,693</u>
	<u>\$ 2,360,352</u>	<u>\$1,984,515</u>

5. Bank indebtedness

The First Nation has an established line of credit from Peace Hills Trust. The line of credit is in the amount of nil which bears interest at 4.75%. The line of credit is fully advanced at year end. Amounts advanced in excess of the authorized limit bear interest at 24.00% per annum. Amounts are secured by the assignment of funding from Indigenous Services Canada and Mi'kmawKina'matnewey.

6. Payables and accruals	<u>2019</u>	<u>2018</u>
Trade	\$ 4,134,050	\$ 3,240,528
Payroll remittances	184,040	286,114
Accrued liabilities	<u>376,978</u>	<u>589,817</u>
	<u>\$ 4,695,068</u>	<u>\$ 4,116,459</u>

7. HST payable

During the fiscal year ended March 31, 2011, the First Nation was able to reach an agreement with Canada Revenue Agency (CRA) for repayment of the HST liability stemming from selling practices in the 2004 and 2005 fiscal years. The agreement with CRA states that the First Nation is required to provide the Agency with monthly installments of \$8,000 beginning April 1, 2011, to be applied against the principal owing. All interest and penalties stemming from this liability have been forgiven on the condition that returns and payments are received.

We'koqma'q First Nation

Notes to the consolidated financial statements

March 31, 2019

8. Deferred revenue	<u>2019</u>	<u>2018</u>
Health Canada	\$ -	\$ 229,945
Indigenous Service Canada		
Wastewater	597,377	675,000
Community Opportunity Readiness	1,000,000	-
Construction	328,000	-
Federal government	105,030	-
Mi'kmaq Employment Training Secretariat	-	106,340
Atlantic Canada Opportunities Agency		218,121
Customer deposits	<u>250,000</u>	<u>360,000</u>
	<u>\$ 2,280,407</u>	<u>\$ 1,589,406</u>

9. Long-term debt	<u>2019</u>	<u>2018</u>
Canada Mortgage and Housing Corporation		
Housing mortgages, maturing in 2025 to 2043, bearing interest at 1.01% to 2.39%, repayable under various terms.	\$ 4,957,381	\$ 4,816,713
Royal Bank of Canada		
1.89% - 2.85% mortgages, repayable under various terms by 2021.	125,055	201,607
2.09% term loan, maturing in March 2020, repayable in blended monthly instalments of \$907.	65,951	75,352
2.15% term loan, maturing in September 2020, repayable in blended monthly instalments of \$1,334.	96,792	110,558
3.28% term loan, maturing in January 2024, repayable in blended monthly instalments of \$436.	76,516	78,739
5.28% term loan, maturing in January 2023, repayable in blended monthly instalments of \$11,277.	1,323,774	1,387,340
TD Canada Trust		
4.01% mortgage repaid during the year.	-	13,319
Peace Hills Trust		
Prime plus 1% term loan, maturing in February 2020, repayable in blended monthly instalments of \$15,348.	968,655	1,102,600
3.95% term loan, maturing in November 2020, repayable in blended monthly instalments of \$6,994.	1,042,024	1,084,474

We'koqma'q First Nation

Notes to the consolidated financial statements

March 31, 2019

9. Long-term debt (continued)	<u>2019</u>	<u>2018</u>
Peace Hills Trust		
3.95% term loan, maturing in May 2020, repayable in blended monthly instalments of \$1,906.	277,742	289,554
3.95% term loan, maturing in December 2021, repayable in blended monthly instalments of \$8,323.	1,004,635	1,064,191
3.95% term loan, maturing in November 2020, repayable in blended monthly instalments of \$13,884.	2,076,951	2,160,899
3.95% term loan, maturing in July 2022, repayable in blended monthly instalments of \$1,070.	141,656	151,380
3.95% term loan, maturing in December 2021, repayable in blended monthly instalments of \$359.	28,875	32,002
3.95% term loan, maturing in June 2019, repayable in blended monthly instalments of \$4,115.	683,447	705,734
4.15% term loan, maturing in May 2019, repayable in blended monthly instalments of \$1,321.	73,964	86,544
5.75% term loan repaid during the year	-	133,851
4.50% term loan repaid during the year	-	131,250
3.95% term loan, maturing in April 2021, repayable in blended monthly instalments of \$3,670.	744,595	759,276
6.30% term loan, maturing in November 2021, repayable in blended monthly instalments of \$782.	99,817	102,931
4.75% term loan, maturing in June 2021, repayable in blended monthly instalments of \$13,680.	1,062,469	1,176,283
4.5% term loan, maturing in August 2020, repayable in blended monthly instalments of \$12,547	1,409,993	924,984

We'koqma'q First Nation

Notes to the consolidated financial statements

March 31, 2019

9. Long-term debt (continued)	<u>2019</u>	<u>2018</u>
Toyota Canada		
1.90% term loan repaid during the year	-	7,354
Scotia Bank		
0% term loan, maturing in October 2020, repayable in blended monthly instalments of \$660.	13,238	-
Ulnooweg Development Group Inc.		
8.5% term loan, maturing in June 2027, repayable in blended monthly instalments of \$3,788.	270,802	292,784
7.25% term loan, maturing in December 2020, repayable in blended monthly instalments of \$1,487.	81,592	76,180
6.75% term loan, maturing in October 2023, repayable in blended monthly instalments of \$12,036	472,517	-
Province of Nova Scotia		
5.35% term loan, maturing in December 2035, repayable in blended monthly instalments of \$7,053	963,857	992,450
3.45% term loan repaid during the year.	-	121,475
4.05% term loan with no set terms of repayment.	147,208	140,168
4.30% term loan with no set terms of repayment.	331,740	-
Other		
Private loan. Non-interest bearing with no set terms of repayment, repaid in the year.	<u>-</u>	<u>125,000</u>
	18,541,246	18,344,992
Current portion of long term debt		
Principal payments due within one year.	<u>1,076,547</u>	<u>1,678,279</u>
	<u>\$ 17,464,699</u>	<u>\$ 16,666,713</u>

We'koqma'q First Nation

Notes to the consolidated financial statements

March 31, 2019

9. Long-term debt (continued)

As security, for the Canada Mortgage and Housing Corporation, Royal Bank of Canada and TD Canada Trust housing project mortgages, the First Nation has provided an irrevocable authorization to Indigenous and Northern Affairs Canada to assign all funding until all loans are repaid to the bank and a floating charge on the assets of the First Nation.

Peace Hills Trust loans are secured by the assignment of funding from Indigenous and Northern Affairs Canada and Mi'kmaw Kina'matnewey, and has been given a general security agreement constituting a first ranking security interest in all personal property of the Waycobah First Nation.

For the Royal Bank of Canada, Ulnooweg, BMO, Toyota Canada loans, the First Nation has given a general security agreement constituting a 2nd security interest in all present and future personal property of the First Nation and including specific charges over property.

Principal repayments in each of the next five (5) years are due as follows:

2020	\$ 1,076,547
2021	\$ 1,053,355
2022	\$ 1,080,309
2023	\$ 1,117,216
2024	\$ 1,138,400

We'koqma'q First Nation

Notes to the consolidated financial statements

March 31, 2019

10. Property and equipment

	Opening Cost	Additions	Disposals	Closing Cost	Opening Accumulated Depreciation	Depreciation	Accumulated Depreciation on Disposals	Closing Accumulated Depreciation	2019 Net Book Value	2018 Net Book Value
Land	\$ 35,000	\$ -	\$ -	\$ 35,000	\$ -	\$ -	\$ -	\$ -	\$ 35,000	35,000
Land improvements	125,000	-	-	125,000	-	-	-	-	125,000	125,000
Buildings										
Band office	1,985,747	-	-	1,985,747	1,055,341	37,217	-	1,092,558	893,189	930,405
School	8,850,990	-	-	8,850,990	2,952,147	235,954	-	3,188,101	5,662,889	5,898,843
Police station	322,987	-	-	322,987	160,889	6,484	-	167,373	155,614	162,098
Fisheries	1,758,807	47,998	-	1,806,805	381,893	99,037	-	480,930	1,325,875	1,376,913
Health centre	2,379,190	-	-	2,379,190	723,163	66,241	-	789,404	1,589,786	1,656,027
Fire station/Community hall	1,459,432	218,827	-	1,678,259	81,798	1,842	-	83,640	1,594,619	1,817,884
Fitness centre	133,768	-	-	133,768	19,814	4,558	-	24,372	109,396	113,954
Waycobah contracting	192,044	-	-	192,044	24,749	14,021	-	38,770	153,274	167,295
Big Falls	250,500	-	-	250,500	10,020	10,020	-	20,040	230,460	240,480
Equipment and furniture	3,231,950	49,873	-	3,281,823	1,629,500	320,490	-	1,949,990	1,331,833	1,602,450
Computer	25,297	-	-	25,297	8,044	9,489	-	17,533	7,764	17,253
Fishing vessels	4,275,981	285,200	1,500,000	3,061,181	1,221,671	100,572	960,000	362,243	2,698,938	3,054,310
Fish farm	1,844,755	2,811,896	-	4,656,651	760,538	234,892	-	995,430	3,661,221	1,084,218
Vehicles	807,675	-	-	807,675	404,500	120,349	-	524,849	282,826	403,175
Community housing	6,096,616	75,000	-	6,171,616	2,135,930	161,427	-	2,297,357	3,874,259	3,960,686
Subdivision	9,643,729	-	-	9,643,729	3,178,831	258,596	-	3,437,427	6,206,302	6,464,898
Infrastructure	4,232,757	522,564	-	4,755,321	3,494,214	69,286	-	3,563,500	1,191,821	738,543
Project haven	198,931	-	-	198,931	198,931	-	-	198,931	-	-
Rod's One Stop	3,407,821	100,570	-	3,508,391	708,678	351,499	-	1,060,177	2,448,214	2,699,143
Housing Properties	12,636,959	254,208	141,012	12,750,155	6,942,237	434,196	42,267	7,334,166	5,415,989	5,254,472
	\$63,895,936	\$4,366,136	\$1,641,012	\$66,621,060	\$26,092,888	\$2,536,170	\$ 1,002,267	\$27,626,791	\$38,994,269	\$ 37,803,048

We'koqma'q First Nation

Notes to the consolidated financial statements

March 31, 2019

11. Contingencies

- a) We'koqma'q First Nation has entered into funding arrangements and contribution agreements with various government departments and agencies. Funding received under these arrangements and agreements are subject to repayment if the First Nation fails to comply with the terms and conditions of the agreements.
- b) Subsidy assistance payments received through Canada Mortgage and Housing Corporation pursuant to Section 56.1 of the National Housing Act are subject to repayment if the housing projects fail to comply with the terms and conditions of the agreement.
-

12. Commitments

The First Nation has entered into an agreement with Premium Seafoods Limited which expires in December 2023. Under the terms of the agreement, the We'koqma'q First Nation has agreed to sell exclusively to Premium Seafoods Limited with respect to its entire fishery including all fish species, shellfish, fish products and other entitlements.

13. Accumulated surplus

The First Nation segregates its accumulated surplus into the following categories:

	<u>2019</u>	<u>2018</u>
Unallocated	\$ 17,957,252	\$ 16,753,951
Funds on deposit with Indigenous Service Canada	34,195	34,195
Replacement reserve	<u>240,969</u>	<u>216,721</u>
	<u>\$ 18,232,416</u>	<u>\$ 17,004,867</u>

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

We'koqma'q First Nation

Notes to the consolidated financial statements

March 31, 2019

14. Comparative figures

Certain of the 2018 comparative figures have been adjusted to conform with the financial statement presentation adopted for 2019.

15. Business combination

On January 12, 2018, the First Nation acquired 100% of the voting shares of Big Falls Fish Growers Limited for cash. This Company operates an Atlantic Salmon fish hatchery in Black River Lake, Nova Scotia.

The business combination was accounted for using the acquisition method. Details of the acquisition are as follows:

Current assets, including cash of \$88,124	\$ 658,494
Buildings	646,000
Other long term assets	375,500
Intangible assets	586,511
Current liabilities	<u>(428,709)</u>
Fair value of net assets acquired	<u>\$ 1,837,796</u>
Fair value of consideration paid	<u>\$ 1,837,796</u>

The results of operations of Big Falls Fish Growers Limited are included in the accounts from the effective date of acquisition.

We'koqma'q First Nation

Notes to the consolidated financial statements

March 31, 2019

16. Segmented information

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

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

- Social Development – social assistance provided to qualifying members.
- Band Government – all associated with the administration of the First Nation operations.
- Education – providing elementary, secondary and post-secondary tuition for qualifying members along with related programs and support.
- Operations and Maintenance – repairs and maintenance carried out during the year to the community buildings.
- Economic Development – specified development projects undertaken by the First Nation.
- Department of Fisheries and Oceans – AFS Program – management of the DFO fisheries operations and fish hatchery farm.
- Employment Development – activities related to job training and skills.
- Capital Projects – provides capital construction projects for the community.
- Health Canada – activity of the Health Centre which provides a variety of health care programs and support.
- Miscellaneous – all other items not reported in a specified division.
- Housing Fund – Section 95 and non-subsidized housing operation.
- Gaming – Monies received from the Province of Nova Scotia from casino profits.
- Commercial enterprises – Operating results from Rod's One Stop
- Recreation – activities relating to operation of the gymnasium.
- Waycobah Contracting Incorporated – Operating results for security company.

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

We'koqma'q First Nation

Notes to the consolidated financial statements

March 31, 2019

17. Government transfers

	2019			2018		
	Operating	Capital	Total	Operating	Capital	Total
Federal government transfers						
Indigenous and Northern Affairs Canada	\$ 4,898,632	\$ 425,703	\$ 5,324,335	\$ 5,962,375	\$ 960,000	\$ 6,922,375
Health Canada	1,884,300		1,884,300	1,678,632	41,821	1,720,453
Department of Fisheries and Oceans	135,000	1,982,227	2,117,227	435,341	-	435,341
Canada Mortgage and Housing Corporation	266,857		266,857	676,836	-	676,836
Mi'kmaw Kina'matneway	5,685,553		5,685,553	5,425,283	-	5,425,283
Mi'kmaw Employment			-			-
Training Secretariat	540,986		540,986	349,010	-	349,010
Other	541,143		541,143	51,445	922,896	974,341
Subtotal	13,952,471	2,407,930	16,360,401	14,578,922	1,924,717	16,503,639
Province of Nova Scotia	114,658	-	114,658	227,161	-	227,161
Total	\$14,067,129	\$2,407,930	\$16,475,059	\$14,806,083	\$1,924,717	\$16,730,800

We'koqma'q First Nation

Schedule A – Schedule of Segmented Disclosure

Year Ended March 31

	Social Development			Band Government			Education			Operations and Maintenance		
	Budget 2019	Actual 2019	Actual 2018	Budget 2019	Actual 2019	Actual 2018	Budget 2019	Actual 2019	Actual 2018	Budget 2019	Actual 2019	Actual 2018
Revenues												
Federal government operating transfers	\$ 3,151,189	\$ 3,193,469	\$ 2,584,969	\$ 400,351	\$ 2,156,858	\$ 686,037	\$ 4,781,605	\$ 5,685,553	\$ 5,425,283	\$ 299,207	\$ 274,398	\$ 2,706,289
Federal government capital transfers	-	-	-	-	-	-	-	-	9,839	-	-	960,000
Provincial government operating transfers	-	-	-	-	-	-	-	-	-	-	-	-
Economic activities	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	188,854	32,382	-	22,888	25,089	-	-	-
	3,151,189	3,193,469	2,584,969	400,351	2,345,712	718,419	4,781,605	5,708,441	5,460,211	299,207	274,398	3,666,289
Expenses												
Salaries and benefits	101,500	103,703	104,092	1,083,400	1,920,720	894,387	1,657,965	1,550,766	1,652,478	96,331	64,814	179,122
Depreciation	-	-	-	-	1,266,618	1,371,637	-	-	-	-	114,829	-
Interest	-	-	-	525,031	487,249	522,408	-	665	1,185	-	-	411
Other	2,644,798	2,035,131	1,317,260	1,179,000	2,101,181	2,138,331	5,053,115	4,003,481	3,895,040	651,000	566,219	1,466,765
	2,746,298	2,138,834	1,421,352	2,787,431	5,775,768	4,926,763	6,711,080	5,554,912	5,548,703	747,331	745,862	1,646,298
Surplus (deficit) for the year	\$ 404,891	\$ 1,054,635	\$ 1,163,617	\$ (2,387,080)	\$ (3,430,056)	\$ (4,208,344)	\$ (1,929,475)	\$ 153,529	\$ (88,492)	\$ (448,124)	\$ (471,464)	\$ 2,019,991

We'koqma'q First Nation

Schedule A – Schedule of Segmented Disclosure

Year Ended March 31

	Economic Development			Fishery			Employment Development			Capital Projects		
	Budget 2019	Actual 2019	Actual 2018	Budget 2019	Actual 2019	Actual 2018	Budget 2019	Actual 2019	Actual 2018	Budget 2019	Actual 2019	Actual 2018
Revenues												
Federal government operating transfers	\$ 849,611	\$ 34,800	\$ -	\$ 278,600	\$ 135,000	\$ 435,341	\$ 435,000	\$ 321,056	\$ 319,579	\$ 366,812	\$ 77,623	\$ -
Federal government capital transfers	-	-	-	-	2,407,930	-	-	-	413,079	-	-	499,978
Provincial government operating transfers	-	-	-	-	-	-	-	-	-	-	-	-
Economic activities	-	-	-	10,000,000	9,002,671	5,861,572	-	-	-	-	-	-
Other	-	-	-	-	884,962	398,491	-	-	4,180	-	-	-
	849,611	34,800	-	10,278,600	12,430,563	6,695,404	435,000	321,056	736,838	366,812	77,623	499,978
Expenses												
Salaries and benefits	-	-	9,450	2,721,955	2,466,720	2,022,834	45,764	299,105	291,354	-	-	-
Depreciation	-	-	-	-	345,484	139,020	-	-	-	-	-	-
Interest	-	-	-	-	193,740	147,849	-	-	-	-	-	-
Other	80,000	40,000	51,876	3,182,997	5,562,536	2,380,479	537,640	142,020	336,557	667,000	1,382,087	1,185,671
	80,000	40,000	61,326	5,904,952	8,568,480	4,690,182	583,404	441,125	627,911	667,000	1,382,087	1,185,671
Surplus (deficit) for the year	\$ 769,611	\$ (5,200)	\$ (61,326)	\$ 4,373,648	\$ 3,862,083	\$ 2,005,222	\$ (148,404)	\$ (120,069)	\$ 108,927	\$ (300,188)	\$ (1,304,464)	\$ (685,693)

We'koqma'q First Nation

Schedule A – Schedule of Segmented Disclosure

Year Ended March 31

	Health Canada			Recreation			Housing			Gaming		
	Budget 2019	Actual 2019	Actual 2018	Budget 2019	Actual 2019	Actual 2018	Budget 2019	Actual 2019	Actual 2018	Budget 2019	Actual 2019	Actual 2018
Revenues												
Federal government operating transfers	\$ 1,972,277	\$ 1,806,857	\$ 1,843,686	\$ -	\$ -	\$ -	\$ 465,348	\$ 266,857	\$ 577,738	\$ -	\$ -	\$ -
Federal government capital transfers	-	-	41,821	-	-	-	-	-	-	-	-	-
Provincial government operating transfers	-	-	100,879	-	-	-	-	-	-	-	114,658	126,282
Economic activities	-	-	-	26,000	17,924	22,403	-	-	-	-	-	-
Other	-	7,813	4,695	-	-	-	-	254,148	-	-	-	-
	1,972,277	1,814,670	1,991,081	26,000	17,924	22,403	465,348	521,005	577,738	-	114,658	126,282
Expenses												
Salaries and benefits	1,098,581	1,066,596	1,123,370	65,000	69,710	67,935	-	-	-	-	-	-
Depreciation	-	-	-	-	4,558	-	-	434,196	432,578	-	-	-
Interest	-	-	-	-	-	-	95,493	146,778	81,737	-	-	-
Other	948,062	347,735	325,997	11,400	21,166	26,955	146,000	574,395	514,732	-	-	-
	2,046,643	1,414,331	1,449,367	76,400	95,434	94,890	241,493	1,155,369	1,029,047	-	-	-
Surplus (deficit) for the year	\$ (74,366)	\$ 400,339	\$ 541,714	\$ (50,400)	\$ (77,510)	\$ (72,487)	\$ 223,855	\$ (634,364)	\$ (451,309)	\$ -	\$ 114,658	\$ 126,282

We'koqma'q First Nation

Schedule A – Schedule of Segmented Disclosure

Year Ended March 31

	Commerical Enterprises			Waycobah Contracting			Totals		
	Budget 2019	Actual 2019	Actual 2018	Budget 2019	Actual 2019	Actual 2018	Budget 2019	Actual 2019	Actual 2018
Revenues									
Federal government operating transfers	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,000,000	\$ 13,952,471	\$ 14,578,922
Federal government capital transfers	-	-	-	-	-	-	-	2,407,930	1,924,717
Provincial government operating transfers	-	-	-	-	-	-	-	114,658	227,161
Economic activities	11,599,657	12,612,120	10,902,996	1,164,343	829,165	1,169,592	22,790,000	22,461,880	17,956,563
Other	-	-	-	-	-	-	-	1,358,665	464,837
	<u>11,599,657</u>	<u>12,612,120</u>	<u>10,902,996</u>	<u>1,164,343</u>	<u>829,165</u>	<u>1,169,592</u>	<u>35,790,000</u>	<u>40,295,604</u>	<u>35,152,200</u>
Expenses									
Salaries and benefits	500,747	628,266	638,955	1,128,757	650,608	1,119,307	8,500,000	8,821,008	8,103,284
Depreciation	-	357,055	353,849	-	13,430	14,224	-	2,536,170	2,311,308
Interest	95,309	132,379	122,759	9,167	8,199	9,497	725,000	969,010	885,846
Other	10,113,806	9,936,005	8,350,660	186,682	29,911	139,871	25,401,500	26,741,867	22,130,194
	<u>10,709,862</u>	<u>11,053,705</u>	<u>9,466,223</u>	<u>1,324,605</u>	<u>702,148</u>	<u>1,282,899</u>	<u>34,626,500</u>	<u>39,068,055</u>	<u>33,430,632</u>
Surplus (deficit) for the year	<u>\$ 889,795</u>	<u>\$ 1,558,415</u>	<u>\$ 1,436,773</u>	<u>\$ (160,262)</u>	<u>\$ 127,017</u>	<u>\$ (113,307)</u>	<u>\$ 1,163,500</u>	<u>\$ 1,227,549</u>	<u>\$ 1,721,568</u>