

**ANNAPOLIS VALLEY FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021**

Annapolis Valley First Nation
Consolidated Financial Statements
For the year ended March 31, 2021

CONTENTS

INDEX

	PAGE
Management's Responsibility for the Consolidated Financial Statements	1
Independent Auditor's Report	2-3
Consolidated Statement of Financial Position	4
Consolidated Statement of Operations	5
Consolidated Statement of Change in Net Financial Debt	6
Consolidated Statement of Cash Flows	7
Notes to the Consolidated Financial Statements	8 - 27

ANNAPOLIS VALLEY FIRST NATION

Management's Responsibility for the Consolidated Financial Statements March 31, 2021

The accompanying consolidated financial statements of Annapolis Valley First Nation are the responsibility of management and have been approved by the Chief and 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 Chief and Council are 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 management of Annapolis Valley First Nation and meet when required.

On behalf of Annapolis Valley First Nation:

Chief

Date

Councillor

Date

Councillor

Date



Tel: 902 444 5540
Fax: 902 444 5539
www.bdo.ca

BDO Canada LLP
230 Brownlow Ave, Suite 120
Dartmouth, Nova Scotia B3B 0G5

Independent Auditor's Report

To the Members of Annapolis Valley First Nation

Opinion

We have audited the consolidated financial statements of Annapolis Valley First Nation (the "First Nation"), which comprise the consolidated statement of financial position as at March 31, 2021, and the consolidated statements of operations, consolidated statement of change in net financial debt, and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the First Nation as at March 31, 2021 and its consolidated results of operations, its consolidated statement of changes in net financial debt and its consolidated statement of cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the First Nation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's 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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the First Nation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the First Nation 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.

BDO Canada LLP

Chartered Professional Accountants

Dartmouth, Nova Scotia
October 28, 2021

**ANNAPOLIS VALLEY FIRST NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2021**

	2021	Restated (Note 13) 2020
FINANCIAL ASSETS		
Cash (Note 2)	\$ 2,081,395	\$ 1,597,528
Restricted cash (Note 2)	174,000	173,552
Temporary investments (Note 4)	77,472	77,592
Grants receivable (Note 5)	598,638	827,683
Accounts receivable	289,835	197,736
Inventory	112,181	112,106
Investment in government business enterprise (Note 6)	5,032,173	5,323,848
Due from government business enterprise (Note 6)	610,000	560,000
	<u>8,975,694</u>	<u>8,870,045</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 8)	399,668	138,257
Deferred revenue (Note 10)	1,144,273	531,013
Long-term debt (Note 11)	8,058,263	8,269,444
	<u>9,602,204</u>	<u>8,938,714</u>
NET FINANCIAL DEBT	<u>(626,510)</u>	<u>(68,669)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 12)	8,780,260	8,418,814
Intangibles (Note 13)	925,000	925,000
Prepays	4,769	4,769
	<u>9,710,029</u>	<u>9,348,583</u>
ACCUMULATED SURPLUS (Note 14)	<u>\$ 9,083,519</u>	<u>\$ 9,279,914</u>
Economic Dependence (Note 16)		
Contingencies (Note 17)		
Material Uncertainty Related to COVID-19 (Note 18)		
Subsequent Event (Note 21)		

APPROVED ON BEHALF OF ANNAPOLIS VALLEY FIRST NATION:

Chief

Councillor

Councillor

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

**ANNAPOLIS VALLEY FIRST NATION
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2021**

	Budget	2021	Restated (Note 13) 2020
REVENUE			
Indigenous Services Canada (Note 22)	\$ 2,268,279	\$ 1,548,854	\$ 1,534,591
Canada Mortgage and Housing Corporation (Note 22)	-	123,934	48,208
Confederacy of Mainland Mi'kmaq	69,510	42,240	53,565
Department of Fisheries and Oceans (Note 22)	-	-	75,000
Province of Nova Scotia (Note 22)	-	20,911	10,710
KMKNO	-	41,631	-
Mi'kmaq Employment Training Secretariat	111,517	111,517	111,517
Mi'kmaq Kina'matnewey	317,921	266,145	230,506
Rent - Social Housing	-	86,460	101,006
Amounts earned and held in trust by federal government (Note 3)	-	448	446
Other (Note 20)	228,868	5,346,895	6,570,701
	2,996,095	7,589,035	8,736,250
EXPENSES			
Band administration	491,549	579,835	617,093
Commercial buildings	-	6,641	6,935
Community health	390,850	357,385	414,427
Community operations & capital	75,000	-	75,566
Courses and summer students	111,517	109,716	111,201
Economic development	300,464	44,240	53,245
Education	317,921	264,545	249,233
Operations, capital & maintenance	1,006,782	710,071	345,322
Other (Note 20)	-	4,822,719	5,904,953
Social housing	84,240	287,565	212,980
Social services	296,380	311,036	298,914
	3,074,703	7,493,753	8,289,869
NET SURPLUS FROM OPERATIONS	(78,608)	95,282	446,381
LOSS FROM GOVERNMENT BUSINESS ENTERPRISE (Note 6)	-	(291,677)	(370,104)
ANNUAL SURPLUS (DEFICIT)	(78,608)	(196,395)	76,277
ACCUMULATED SURPLUS - beginning of year	9,279,914	9,279,914	8,278,637
CHANGE IN ACCOUNTING POLICY (Note 13)	-	-	925,000
ACCUMULATED SURPLUS - end of year (Note 14)	\$ 9,201,306	\$ 9,083,519	\$ 9,279,914

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

**ANNAPOLIS VALLEY FIRST NATION
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL DEBT
FOR THE YEAR ENDED MARCH 31, 2021**

	Budget	2021	2020
ANNUAL SURPLUS (DEFICIT)	\$ (78,608)	\$ (196,395)	\$ 76,277
Acquisition of tangible capital assets	-	(926,471)	(455,202)
Amortization of tangible capital assets	-	565,025	675,829
DECREASE (INCREASE) IN NET FINANCIAL DEBT	(78,608)	(557,841)	296,904
NET FINANCIAL DEBT - beginning of year	(68,669)	(68,669)	(365,573)
NET FINANCIAL DEBT - end of year	\$ (147,277)	\$ (626,510)	\$ (68,669)

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

**ANNAPOLIS VALLEY FIRST NATION
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2021**

	2021	2020
CASH FLOWS FROM:		
OPERATING ACTIVITIES		
Annual surplus (deficit)	\$ (196,395)	\$ 76,277
Items in earnings not involving cash		
Amortization of tangible capital assets	565,025	675,829
Loss from government business enterprises	291,677	370,104
	<u>660,307</u>	<u>1,122,210</u>
Net changes in working capital balances		
Grants receivable	229,045	(379,296)
Accounts receivable	(92,099)	128,229
Inventory	(75)	8,510
Accounts payable and accrued liabilities	261,411	(270,904)
Deferred revenue	613,260	387,868
	<u>1,671,849</u>	<u>996,617</u>
CAPITAL ACTIVITY		
Purchase of tangible capital assets	(926,471)	(455,202)
INVESTING ACTIVITIES		
Increase in temporary investments	(328)	(710)
Advances to government business enterprises	(390,000)	(380,000)
Repayments from government business enterprises	340,000	
	<u>(50,328)</u>	<u>(380,710)</u>
FINANCING ACTIVITIES		
Repayments of long-term debt	(211,181)	(341,871)
Advances of long-term debt	-	4,761
	<u>(211,181)</u>	<u>(337,110)</u>
INCREASE (DECREASE) IN CASH DURING THE YEAR	483,869	(176,405)
CASH - beginning of year	1,597,528	1,773,933
CASH - end of year (Note 2)	<u>\$ 2,081,397</u>	<u>\$ 1,597,528</u>

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

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021**

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Nature of Operations

Annapolis Valley First Nation (the "First Nation") operates under the authority of the Indian Act.

The mandate of the First Nation is to provide services to band members and the community. These services are grouped into the following key areas: Band Administration, Social Services, Education, Health, Community Fisheries, Commercial Gaming and Social Housing.

The First Nation is exempt from income taxes under the Income Tax Act.

(b) Basis of Accounting

These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards.

(c) Reporting Entity

The reporting entity includes the First Nation and all entities that are controlled by the First Nation.

The reporting entity includes the following segments:

- Band Administration
- Social Services
- Community Health
- Education
- Capital, Operations and Maintenance
- Gaming Commission
- Commercial Fisheries

All controlled entities are consolidated in the First Nation's financial statements according to the First Nation's percentage ownership except for entities that meet the definition of a government business enterprise, which are included in the financial statements on a modified equity basis. Accounting policies of consolidated entities are conformed to those of the First Nation and inter-organizational balances and transactions are eliminated upon consolidation.

Entities fully consolidated in the First Nation's financial statements include:

	<u>% ownership</u>
2501745 Nova Scotia Limited	100%
AVFN Development Group GP Ltd.	100%
AVFN Forestry Group Limited Partnership	100%

Under the modified equity method of accounting, only the First Nation's investment in the entity and the First Nation's portion of the entity's net income and other changes in equity are recorded. No adjustment is made for accounting policies of the entity that are different from those of the First Nation and inter-organizational balances and transactions are not eliminated.

Entity accounted for on a modified equity basis include:

	<u>% ownership</u>
WFL Holdings Limited (100% shareholder of Webster Farms Limited)	100%

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021**

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Trusts Under Administration

Trusts under administration by the Government of Canada are included in these financial statements (Note 3).

(e) Pension Plan

The First Nation has 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) Cash

Cash consists of cash on hand, bank balances, unrestricted operating and housing cash, and externally restricted replacement reserve cash.

(g) Temporary Investments

Temporary investments are recorded at cost, unless the market value of temporary investments has declined below cost, in which case they are written down to market value.

(h) Tangible Capital Assets

Tangible capital assets are valued at acquisition cost and amortized over their useful life using the straight line method for the following number of years:

Band Owned CMHC Housing	25 years
Band Owned Housing	25 years
Commercial Buildings	40 years
Computer Equipment	4 years
Land Improvements	30 years
Fishing Vessels	5 years
Roadways	5 years
Underground Networks	50 years
Vehicles & Equipment	5 years

Tangible capital assets are written down when conditions indicate that they no longer contribute to the First Nations' ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the consolidated statement of operations.

(i) Intangible Assets

Purchased intangibles are initially recorded at cost.

Intangible assets with an indefinite life, which includes the First Nation's fishing licenses, are not amortized. They are tested for impairment when events or circumstances indicate that the value of the future economic benefits associated with the intangible assets are less than their carrying value. When an impairment exists, an impairment loss is recognized in the consolidated statement of operations.

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021**

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Inventory

Inventories of supplies and goods available for resale are recorded at the lower of cost and net realizable value using the first-in first-out costing method.

(k) 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.

Contributions from other sources are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purpose.

Revenue related to goods or services are recognized as revenue in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Revenue 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.

(l) Non-Financial Assets

Non-financial assets are used to provide the First Nation's services in future periods. These assets do not normally provide resources to discharge the liabilities of the First Nation unless they are sold. The First Nation's non-financial assets include tangible capital assets, intangibles and prepaids.

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021**

2. CASH

	2021	2020
Unrestricted		
Operating	\$ 2,015,719	\$ 1,520,310
Housing	65,676	77,218
	<u>\$ 2,081,395</u>	<u>\$ 1,597,528</u>

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 aged 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 with any interest earned to be credited as revenue to the CMHC Replacement Reserve.

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

	2021	2020
Restricted		
CMHC Replacement Reserve (Note 15)	\$ 150,418	\$ 150,418
Trust funds held by Federal Government (Note 3)	23,582	23,134
	<u>\$ 174,000</u>	<u>\$ 173,552</u>

3. TRUST FUNDS HELD BY FEDERAL GOVERNMENT

	March 31, 2020	Additions 2021	Withdrawals 2021	March 31, 2021
Revenue	\$ 17,487	\$ 448	\$ -	\$ 17,935
Capital	5,647	-	-	5,647
	<u>\$ 23,134</u>	<u>\$ 448</u>	<u>\$ -</u>	<u>\$ 23,582</u>

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.

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021**

4. TEMPORARY INVESTMENTS

	2021	2020
Guaranteed Investment Certificate (GIC) maturing on April 14, 2021 at a rate of 0.10%	\$ 50,692	\$ 50,945
GIC maturing on February 24, 2022 at a rate of 0.50%	16,068	15,988
GIC maturing on March 22, 2022 at a rate of 0.50%	10,712	10,659
	<u>\$ 77,472</u>	<u>\$ 77,592</u>

Subsequent to year end, the GIC maturing on April 14, 2021 was re-invested in a GIC maturing on April 14, 2022 at a rate of 0.10%.

5. GRANTS RECEIVABLE

	2021	2020
Indigenous Services Canada	\$ 414,811	\$ 596,747
Department of Fisheries and Oceans	75,000	75,000
Canadian Mortgage and Housing Corporation	64,333	19,082
Mi'kmaq Employment Training Secretariat	37,281	71,064
Mi'kmaw Kina'matnewey	6,270	39,390
Confederacy of Mainland Mi'kmaq	943	13,987
Mi'kmaw Conservation Group	-	6,125
Nova Scotia Native Women's Association	-	2,688
Province of Nova Scotia	-	3,600
	<u>\$ 598,638</u>	<u>\$ 827,683</u>

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021**

6. INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISE

The First Nation owns 100% of Webster Farms Limited. The government business enterprise operates as an agricultural enterprise in Nova Scotia.

At year end, Webster Farms Limited owed the First Nation \$610,000 (2020 - \$560,000). The balance is unsecured, non-interest bearing and payable on demand.

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

	2021	2020
Financial position		
Cash	\$ 140,708	\$ 196,558
Accounts receivable	76,103	67,114
Inventory	238,808	287,080
Tangible capital assets	1,600,967	1,508,848
Other assets	3,992	8,455
Total assets	\$ 2,060,578	\$ 2,068,055
 Accounts payable	 \$ 117,826	 \$ 20,322
Long-term debt	30,000	-
Related party balances	608,390	558,390
Total liabilities	756,216	578,712
Equity	1,304,362	1,489,343
Total liabilities and equity	\$ 2,060,578	\$ 2,068,055
 Results of operations	 2021	 2020
Revenue	\$ 1,774,158	\$ 1,463,314
Operating expenses	1,876,390	1,646,821
Net income from operations	(102,232)	(183,507)
Depreciation	82,748	79,875
Amortization of fair value increment	106,697	106,697
Net loss	\$ (291,677)	\$ (370,079)

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021**

7. BANK INDEBTEDNESS

The First Nation has the following operations loans:

An operating loan, secured by a Band Council Resolution, has a borrowing facility available of \$200,000 bearing interest at a rate of prime plus 0.70%. As at March 31, 2021, the balance of this borrowing facility was \$nil (2020 - \$nil).

An overdraft, secured by a Band Council Resolution, has a borrowing facility available of \$140,000 bearing interest at a rate of prime plus 0.70%. As at March 31, 2021, the balance of this borrowing facility was \$nil (2020 - \$nil).

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2021	2020
Trade payables	\$ 256,319	\$ 71,052
Accrued interest	325	1,613
Government remittances	3,470	18,039
Other accrued liabilities	139,554	47,553
	<u>\$ 399,668</u>	<u>\$ 138,257</u>

During the year, an oil spill occurred at one of the Band Owned houses on the reserve, making the residence inhabitable in its current state. This residence is expected to be demolished within the next fiscal year. An accrual of \$99,925 for the expected demolition and site remediation has been recorded as of March 31, 2021. However, the full extent of the costs to be incurred for the demolition cannot be fully estimated at this time.

9. EMPLOYEE BENEFIT OBLIGATIONS

The First Nation provides a defined contribution plan for eligible members of its staff. Members are required to contribute 5% of their salary. The First Nation contributes 5% which is directed to the Member's contribution account. The amount of retirement benefit to be received by the employees will be the amount of retirement annuity that could be purchased based on the Member's share of the pension plan at the time of the Member's withdrawal from the plan. The First Nation contributed \$23,286 (2020 - \$22,345) during the year for retirement benefits.

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021**

10. DEFERRED REVENUE

	2021	2020
Indigenous Services Canada	\$ 883,259	\$ 490,161
Government of Canada	20,000	20,000
Province of Nova Scotia	54,768	13,852
NIB Trust Fund	55,140	-
Give us Wings Projects	7,000	7,000
Confederacy of Mainland Mi'kmaq	12,890	-
KMKNO	43,079	-
Ulnooweg	13,962	-
Mi'kmaw Kina'matnewey	51,776	-
Other	2,399	-
	\$ 1,144,273	\$ 531,013

11. LONG-TERM DEBT

	2021	2020
Prime plus 2.75% loan payable to Royal Bank of Canada, secured by a vessel with book value of \$nil, maturing March 2023. Repayable in semi-annual principal payments of \$14,475 plus interest paid monthly. General security agreement in place.	\$ 72,375	\$ 86,850
Prime plus 1.48% loan payable to Royal Bank of Canada, secured by a vessel with book value of \$222,400. This loan is for a 5 year term maturing April 2022 and is amortized to 2027. Repayable in semi-annual principal payments of \$16,125 plus interest paid monthly. General security agreement in place.	225,750	241,875
Fixed rate 3.67% loan payable to Royal Bank of Canada, secured by a general security agreement, maturing March 2043. Repayable in monthly blended payments of \$27,673.	4,992,639	5,059,765
1.30% first mortgage payable to CMHC requires monthly installments of principal and interest of \$529. The loan is secured by a first mortgage over certain buildings with a carrying value of \$8,075 and a ministerial guarantee, Government of Canada. The loan matures in 2021.	528	6,826
2.06% first mortgage payable to CMHC requires monthly installments of principal and interest of \$372. The loan is secured by a first mortgage over certain buildings with a carrying value of \$7,491 and a ministerial guarantee, Government of Canada. The loan matures in 2022.	7,324	11,601

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021**

11. LONG-TERM DEBT (continued)

	2021	2020
2.41% first mortgage payable to CMHC requires monthly installments of principal and interest of \$816. The loan is secured by a first mortgage over certain buildings with a carrying value of \$15,399 and a ministerial guarantee, Government of Canada. The loan matures in 2023.	\$ 19,067	\$ 28,310
2.25% first mortgage payable to CMHC, repaid during year.	-	5,570
2.29% first mortgage payable to CMHC requires monthly installments of principal and interest of \$402. The loan is secured by a first mortgage over certain buildings with a carrying value of \$18,482 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2021 and matures in 2025.	1,604	6,344
1.03% mortgage payable to CMHC requires monthly installments of principal and interest of \$293. The loan is secured by a first mortgage over certain buildings with a carrying value of \$18,139 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2021 and matures in 2026.	18,255	21,568
1.97% mortgage payable to CMHC requires monthly installments of principal and interest of \$297. The loan is secured by a first mortgage over certain buildings with a carrying value of \$26,390 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2022 and matures in 2027.	22,055	25,164
1.86% mortgage payable to CMHC requires monthly installments of principal and interest of \$281. The loan is secured by a first mortgage over certain buildings with a carrying value of \$32,166 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2024 and matures in 2029.	25,268	28,140
0.76% mortgage payable to CMHC requires monthly installments of principal and interest of \$290. The loan is secured by a first mortgage over certain buildings with a carrying value of \$54,304 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2025 and matures in 2030.	31,135	34,378
0.27% mortgage payable to CMHC requires monthly installments of principal and interest of \$291. The loan is secured by a first mortgage over certain buildings with a carrying value of \$48,200 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2021 and matures in 2031.	34,479	37,723

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021**

11. LONG-TERM DEBT (continued)

	2021	2020
1.43% mortgage payable to CMHC requires monthly installments of principal and interest of \$320. The loan is secured by a first mortgage over certain buildings with a carrying value of \$45,405 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2022 and matures in 2032.	\$ 39,173	\$ 42,440
1.97% mortgage payable to CMHC requires monthly installments of principal and interest of \$334. The loan is secured by a first mortgage over certain buildings with a carrying value of \$44,747 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2022 and matures in 2032.	41,880	45,046
2.14% mortgage payable to CMHC requires monthly installments of principal and interest of \$820. The loan is secured by a first mortgage over certain buildings with a carrying value of \$103,729 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2024 and matures in 2034.	110,657	118,080
2.52% mortgage payable to CMHC requires monthly installments of principal and interest of \$349. The loan is secured by a first mortgage over certain buildings with a carrying value of \$51,608 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2023 and matures in 2033.	45,008	48,039
0.71% mortgage payable to CMHC requires monthly installments of principal and interest of \$302. The loan is secured by a first mortgage over certain buildings with a carrying value of \$73,802 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2025 and matures in 2034.	47,545	50,696
1.30% mortgage payable to CMHC requires monthly installments of principal and interest of \$677. The loan is secured by a first mortgage over certain buildings with a carrying value of \$184,067 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2022 and matures in 2042.	150,968	157,103
2.39% mortgage payable to CMHC requires monthly installments of principal and interest of \$620. The loan is secured by a first mortgage over certain buildings with a carrying value of \$120,400 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2023 and matures in 2043.	127,509	131,874

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021**

11. LONG-TERM DEBT (continued)

	2021	2020
Non-interest bearing promissory note payable to Indigenous Services Canada on or before March 31, 2023 or the date on which the land claim is settled (Note 21).	\$ 336,793	\$ 336,793
Prime plus 0.70% loan payable to Royal Bank of Canada, secured by a general security agreement, maturing October 2043. Repayable in monthly blended payments of \$6,168.	1,708,251	1,745,259
	<u>\$ 8,058,263</u>	<u>\$ 8,269,444</u>

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

2022	\$ 476,992
2023	\$ 441,168
2024	\$ 446,248
2025	\$ 414,412
2026	\$ 324,157

	2021	2020
Interest expense for the year on long-term debt	<u>\$ 268,655</u>	<u>\$ 324,254</u>

The First Nation has agreed to the following security agreement in place with the Royal Bank of Canada:

Guarantee and postponement of claim in the amount of \$5,300,000, supported by:

- a) a general security agreement constituting a first ranking security interest in all personal property of Webster Farms Limited;
- b) a collateral mortgage constituting a first fixed charge in the amount of \$4,100,000 on the lands and improvements located at 5989 Highway #1, Cambridge, King's County, Nova Scotia;
- c) Certificate of insurance evidencing fire and other perils coverage on the property located at 5989 Highway #1, Cambridge, King's County, Nova Scotia, showing the Bank as first rank mortgage.

In April 2021, the First Nation received total debt proceeds of \$450,000 from Royal Bank of Canada to finance the purchase of the Lacey Land, acquired in March 2021 (Note 12). Interest on debt is repayable monthly at prime plus 0.70%, secured by a general security agreement, with principal due at maturity in November 2021.

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021**

12. 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	2021	2020
Band owned										
CMHC Housing	\$ 2,848,090	\$ -	\$ -	\$ -	\$ 2,848,090	\$ 1,860,119	\$ 88,688	\$ -	\$ 1,948,807	\$ 899,283
Band Owned Housing	2,629,137	159,125	-	-	2,788,262	1,172,119	65,847	-	1,237,966	1,550,296
Commercial Buildings	2,091,918	-	-	-	2,091,918	1,063,132	39,587	-	1,102,719	989,199
Computer Equipment	89,506	-	-	-	89,506	78,294	4,055	-	82,349	7,157
Land Improvements	449,108	-	-	-	449,108	62,792	14,003	-	76,795	372,313
Land	2,857,927	466,600	-	-	3,324,527	-	-	-	-	3,324,527
Fishing Vessels	1,411,091	166,311	-	-	1,577,402	1,214,638	157,149	-	1,371,787	205,615
Roadways	495,091	-	-	-	495,091	204,250	3,967	-	208,217	286,874
Underground Networks	776,699	-	-	-	776,699	153,922	18,490	-	172,412	604,287
Vehicles & Equipment	3,004,748	134,435	-	-	3,139,183	2,425,235	173,239	-	2,598,474	540,709
	13,805,225	926,471	-	-	14,731,696	6,374,382	476,337	-	6,850,719	7,880,977
	\$16,653,315	\$ 926,471	\$ -	\$ -	\$17,579,786	\$ 8,234,501	\$ 565,025	\$ -	\$ 8,799,526	\$ 8,780,260

Included in tangible capital asset additions is a public wharf that was transferred from the government, with a net book value of \$1 and a housing unit under construction with a net book value of \$159,125.

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021**

13. CHANGE IN ACCOUNTING POLICY

Effective April 1, 2023, with early adoption permitted, PSAS has allowed the recognition of intangible assets. In 2014 and 2017, the First Nation acquired two lobster licenses for \$325,000 and \$600,000 respectively, in arm's length transactions, which have been previously expensed in accordance with PSAS. These assets have been retrospectively capitalized in accordance with the new standard. This change has increased 2020 opening accumulated surplus and non-financial assets by the cost of the licenses.

14. ACCUMULATED SURPLUS

	2021	2020
Unrestricted surplus	\$ 8,917,191	\$ 8,205,917
CMHC Replacement Reserve (Note 15)	142,746	125,863
Trust funds held by Federal Government (Note 3)	23,582	23,134
Change in accounting policy (Note 14)	-	925,000
	<u>\$ 9,083,519</u>	<u>\$ 9,279,914</u>

15. CMHC REPLACEMENT RESERVE

	2021	2020
Balance - beginning of year	\$ 125,863	\$ 109,734
Current year allocation	16,883	15,500
Adjustments	-	5,443
Withdrawals	-	(4,814)
Balance - end of year	<u>\$ 142,746</u>	<u>\$ 125,863</u>

	2021 Pre 1997 Units	2021 Post 1997 Units
ACCUMULATED INTEREST		
Balance - beginning of year	\$ -	\$ -
Balance - end of year	<u>\$ -</u>	<u>\$ -</u>

The First Nation operates 21 (2020 - 21) CMHC subsidized housing projects. 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.

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021**

15. CMHC REPLACEMENT RESERVE (continued)

As at March 31, 2021, the First Nation has provided funding of reserves as follows:

	Amount of Reserve	Amount Funded
CMHC Replacement Reserve (Note 2)	\$ 142,746	\$ 150,418

16. 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 ten year term ending March 31, 2029. Without the current funding agreement, the First Nation would not be able to provide the majority of its services to band members.

17. 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.

18. MATERIAL UNCERTAINTY RELATED TO COVID-19

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic. On March 22, 2020, the Province of Nova Scotia issued Emergency Orders to close all gaming, and most commercial offices and activities, other than essential services. The operations of the First Nation's Gaming and commercial fisheries resumed in accordance with provincial regulations, but are operating at a more limited capacity. It is unclear the extent to which those business units will be impacted by any future waves of the virus.

19. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current year's presentation.

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021**

20. OTHER REVENUE AND EXPENSES

	2021	2020
Revenue		
Gaming Commission - Gaming	\$ 1,460,513	\$ 2,260,551
Gaming Commission - Smoke Shop	930,314	769,277
Gaming Commission - Gas Bar	1,242,150	1,592,166
Commercial Fisheries	1,690,802	1,900,140
Other revenue	23,116	48,567
	<u>\$ 5,346,895</u>	<u>\$ 6,570,701</u>
Expenses		
Cost of goods sold - Smoke Shop	\$ 913,038	\$ 761,203
Cost of goods sold - Gas Bar	1,058,253	1,450,398
Other expenses - Gaming	1,504,629	2,166,372
Vessel operations - Commercial Fisheries	904,452	930,223
Other expenses - Commercial Fisheries	442,347	596,757
	<u>\$ 4,822,719</u>	<u>\$ 5,904,953</u>

21. SUBSEQUENT EVENT

On May 5, 2021, a referendum vote was held, and the results were in favour of settlement for timber loss and land use on the St. Croix land reserve. As at the date of the financial statements, the settlement had not been finalized. However, it is expected to be completed within the next fiscal year.

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021**

22. GOVERNMENT TRANSFERS

	Operating	Capital	2021	Operating	Capital	2020
Federal government transfers:						
Indigenous Services Canada	\$ 1,548,854	\$ -	\$ 1,548,854	\$ 1,534,591	\$ -	\$ 1,534,591
Canada Mortgage and Housing Corporation	123,934	-	123,934	48,208	-	48,208
Department of Fisheries and Oceans	-	-	-	75,000	-	75,000
Province of Nova Scotia	1,672,788	-	1,672,788	1,657,799	-	1,657,799
	20,911	-	20,911	10,710	-	10,710
Total	\$ 1,693,699	\$ -	\$ 1,693,699	\$ 1,668,509	\$ -	\$ 1,668,509

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021**

23. SEGMENT DISCLOSURE

The First Nation 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 be categorized into segments. The following segments have been identified and as such are separately disclosed.

Band Administration

The administration department oversees the delivery of all government services and the day-to-day operations of the First Nation.

Social Services

The social services department is responsible for administering social assistance payments as well as providing social services to band members.

Community Health

The community health department provides medical services to band members.

Education

The education department provides educational services to band members including primary and secondary schooling, and sponsorship to attend post secondary institutions.

Capital, Operations and Maintenance

The operations, maintenance and capital 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. They are also 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 community fisheries, youth employment projects, economic development, social housing activities, etc.

Gaming Commission

The Annapolis Valley Gaming Commission was set up to enter into an agreement with the Atlantic Lottery Corporation for the operations of video lottery terminals on the First Nation reserve. It also operates a convenience store, gaming facility and gas bar on the reserve.

Commercial Fisheries

Annapolis Valley Commercial Fisheries is an enterprise operated by the First Nation. It operates two lobster vessel and maintains four lobster licences.

2501745 NS Limited

2501745 Nova Scotia Limited was incorporated for the purposes of constructing a gaming facility and bingo hall on reserve lands which is leased to the Annapolis Valley First Nation Gaming Commission.

ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021

23. SEGMENT DISCLOSURE (continued)

For the year ended March 31, 2021	Band Administration	Social Services	Community Health	Education	Capital, Operations & Maintenance	Other Projects	Gaming Commission	Commercial Fisheries	2501745 NS Ltd.	Total
Revenue										
Indigenous Services Canada	\$ 200,514	\$ 444,033	\$ 410,372	\$ -	\$ 578,934	\$ (84,999)	\$ -	\$ -	\$ -	\$ 1,548,854
CMHC	-	-	-	-	-	123,934	-	-	-	123,934
Confederacy of Mainland Mi'kmaq	-	-	-	-	-	42,240	-	-	-	42,240
Province of Nova Scotia	-	-	2,401	-	-	18,510	-	-	-	20,911
Mi'kmaq Employment Training Secretariat	-	-	-	-	-	111,517	-	-	-	111,517
Mi'kmaq Kina'matnewey	-	-	-	266,145	-	-	-	-	-	266,145
KMKNO	-	-	-	-	-	41,631	-	-	-	41,631
Rent	-	-	-	-	-	86,460	-	-	-	86,460
Other Revenue	-	-	-	-	-	13,817	3,642,724	1,690,802	-	5,347,343
	200,514	444,033	412,773	266,145	578,934	353,110	3,642,724	1,690,802	-	7,589,035
Salaries and wages	238,292	57,831	216,564	245,076	68,294	37,950	358,737	607,163	-	1,829,907
Employee benefits	12,878	-	-	8,684	-	-	53,165	13,413	-	88,140
Supplies and services	-	251,170	69,053	46,295	45,346	1,778	2,005,350	200,990	-	2,619,982
Bank charges and interest	10,756	877	-	-	-	-	14,942	681	-	27,256
Repairs and maintenance	3,524	-	6,432	188	271,239	5,188	34,016	67,909	-	388,496
Professional fees	54,329	-	-	-	-	-	25,393	-	-	79,722
Debt servicing	-	-	-	-	-	13,957	-	254,698	-	268,655
Other	455,247	1,157	65,336	74,018	54,108	108,329	854,080	14,295	-	1,626,570
Amortization	151,811	-	-	-	-	88,687	130,237	187,649	6,641	565,025
	926,837	311,035	357,385	374,261	438,987	255,889	3,475,920	1,346,798	6,641	7,493,753
Total	\$ (726,323)	\$ 132,998	\$ 55,388	\$ (108,116)	\$ 139,947	\$ 97,221	\$ 166,804	\$ 344,004	\$ (6,641)	\$ 95,282

ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021

23. SEGMENT DISCLOSURE (continued)

For the year ended March 31, 2020	Band Administration	Social Services	Community Health	Education	Capital, Operations & Maintenance	Other Projects	Gaming Commission	Commercial Fisheries	2501745 NS Ltd.	Total
Revenue										
Indigenous Services Canada	\$ 197,442	\$ 475,389	\$ 414,089	\$ -	\$ 259,672	\$ 187,999	\$ -	\$ -	\$ -	\$ 1,534,591
CMHC	-	-	-	-	-	48,208	-	-	-	48,208
Confederacy of Mainland Mi'kmaq	-	-	-	-	-	53,565	-	-	-	53,565
Dept. of Fisheries & Oceans	-	-	-	-	-	75,000	-	-	-	75,000
Province of Nova Scotia	-	-	-	-	-	10,710	-	-	-	10,710
Mi'kmaq Employment Training Secretariat	-	-	-	-	-	111,517	-	-	-	111,517
Mi'kmaw Kina'matnewey	-	-	-	230,506	-	-	-	-	-	230,506
Rent	-	-	-	-	-	101,006	-	-	-	101,006
Other revenue	-	-	-	-	-	39,013	4,631,994	1,900,140	-	6,571,147
	197,442	475,389	414,089	230,506	259,672	627,018	4,631,994	1,900,140	-	8,736,250
Salaries and wages	238,499	48,732	271,202	251,060	62,383	95,423	716,248	632,917	-	2,316,464
Employee benefits	14,004	-	-	8,042	-	-	61,689	12,163	-	95,898
Supplies and services	-	247,692	47,183	52,210	45,514	3,020	2,251,652	215,744	-	2,863,015
Bank Charges and interest	10,788	1,247	-	-	-	-	16,812	357	-	29,204
Repairs and maintenance	5,125	-	11,867	-	82,910	-	39,076	68,141	-	207,119
Professional fees	43,348	-	-	-	-	-	67,203	-	-	110,551
Debt servicing	-	-	-	-	-	15,821	-	308,433	-	324,254
Other	173,072	1,243	84,175	49,122	139,340	135,833	1,083,848	902	-	1,667,535
Amortization	145,033	-	-	-	-	94,093	141,444	288,324	6,935	675,829
	629,869	298,914	414,427	360,434	330,147	344,190	4,377,972	1,526,981	6,935	8,289,869
Total	\$ (432,427)	\$ 176,475	\$ (338)	\$ (129,928)	\$ (70,475)	\$ 282,828	\$ 254,022	\$ 373,159	\$ (6,935)	\$ 446,381

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021**

24. EXPENSES BY OBJECT

The following is a summary of expenses by object.

	2021	2020
Administration	\$ 625,339	\$ 442,039
Amortization	565,025	675,829
Assistance to band members	277,717	312,051
Atlantic Lottery Commission	100,779	186,234
Bank charges and interest	27,256	29,204
Debt servicing	268,655	324,254
Employee benefits	88,140	95,898
Insurance	93,304	73,452
Professional fees	79,722	110,551
Repairs and maintenance	387,501	207,763
Salaries and wages	1,829,907	2,316,464
Supplies and services	2,795,696	3,101,750
Sydney Casino Profit Share	47,800	56,200
Telephone	44,815	46,746
Training, travel and meetings	105,526	165,392
Utilities	156,571	146,042
	\$ 7,493,753	\$ 8,289,869