



Consolidated Financial Statements

Millbrook Band Council

March 31, 2019

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Management's responsibility for financial reporting

The accompanying consolidated financial statements of the [Millbrook Band Council](#) and all the information contained therein 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 accounting standards as disclosed in Note 1 to the consolidated financial statements. 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 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 consolidated financial statements and the external independent auditor's report.

The Band Council 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 Band Council 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 consolidated financial statements have been audited by Grant Thornton LLP in accordance with Canadian generally accepted auditing standards. Grant Thornton LLP has full and free access to the Council.



Councillor



Councillor

Independent auditor's report

Grant Thornton LLP

733 Prince Street
Truro, NS
B2N 1G7

T +1 902 893 1150
F +1 902 893 9757
www.GrantThornton.ca

To the Chief and Councillors of the [Millbrook Band Council](#)

Qualified Opinion

We have audited the accompanying consolidated financial statements of the Millbrook Band Council, which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statements of operations, changes in net financial liabilities, changes in surplus, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

Basis for qualified 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 Entity 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.

The consolidated statement of financial position includes intangible assets in the amount of \$5,245,000 for fishing licenses and permits purchased by Millbrook Band Council. Recording intangible assets is a departure from Canadian public sector accounting standards. Accordingly, both the purchased licenses and permits and accumulated surplus are overstated by \$5,245,000 as at March 31, 2019. If intangible assets were not recorded in order to be in compliance with Canadian public sector accounting standards, purchased licenses and permits and accumulated surplus would both decrease by \$5,245,000.

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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 Entity'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 Entity'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 Entity 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 Entity 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.

Truro, Canada
July 24, 2019

Grant Thornton LLP
Chartered Professional Accountants
Licensed Public Accountants

Millbrook Band Council

Consolidated statement of operations

Year ended March 31 Budget 2019 2019 2018

Revenues

Fisheries	\$ 7,497,985	\$ 8,557,605	\$ 8,635,157
Gaming, net (Note 2)	11,621,411	11,983,088	12,837,145
Rental	4,666,999	4,447,579	4,458,493
Retail sales	10,680,397	11,648,026	10,205,631
Taxation	651,677	711,108	586,468
Government transfers (Note 3)	9,889,443	11,701,111	12,245,165
Other revenues (Note 4)	1,778,823	1,627,403	1,088,544
	<u>46,786,735</u>	<u>50,675,920</u>	<u>50,056,603</u>

Expenditures

Advertising	220,845	53,401	170,291
Atlantic Lotto	911,040	848,640	848,640
Bad debts	373,404	348,878	103,507
Chief and Council honorariums	630,760	630,752	630,752
Chief and Council travel	13,000	9,456	7,462
Community health	1,554,790	1,464,131	1,212,808
Contributions to band members and activities (Note 5)	5,083,241	4,886,434	4,843,334
Direct sales costs	7,487,186	12,508,853	12,051,290
Economic development	76,200	63,789	64,531
Education – other	2,736,773	2,271,926	1,935,355
Education – tuition agreement	1,543,042	1,570,740	1,689,115
Elections	-	-	51,005
Employment training	6,000	420,852	453,197
Franchise costs	61,650	57,411	132,178
Insurance	195,976	246,606	230,038
Interest and bank charges	198,887	434,389	334,066
Interest on long-term debt	771,764	834,474	644,615
Office and supplies	501,546	449,363	373,921
Professional fees	913,074	880,865	890,184
Property management	630,556	234,129	253,934
Rent	653,375	311,557	412,428
Repairs, maintenance and renovations	3,547,405	2,918,990	3,156,973
Salaries and benefits	7,331,843	8,423,911	8,072,210
Security	427,665	283,298	305,542
Social – basic and special needs	2,995,810	3,389,031	3,309,994
Sundry	340,009	445,118	398,148
Travel – other	38,641	49,071	74,280
Utilities and telephone	497,005	489,094	472,896
	<u>39,741,487</u>	<u>44,525,159</u>	<u>43,122,694</u>
Annual surplus before non-cash items	7,045,248	6,150,761	6,933,909

Non-cash items

Amortization	4,354,319	4,303,061	4,144,798
Unrealized gain on investments (Note 12)	-	(5,356,905)	-
	<u>4,354,319</u>	<u>1,053,844</u>	<u>4,144,798</u>

Annual surplus	<u>\$ 2,690,929</u>	<u>\$ 7,204,605</u>	<u>\$ 2,789,111</u>
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Millbrook Band Council

Consolidated statement of financial position

Year ended March 31

2019

2018

Financial assets

Cash and cash equivalents	\$	14,244,831	\$	5,855,193
Restricted cash and deposits				
Replacement reserve fund (Note 6)		797,338		748,743
Subsidy surplus reserve fund (Note 7)		34,564		33,966
Member allowances (Note 8)		12,438,577		12,974,051
Receivables (Note 9)		3,527,856		4,361,656
Loans receivable (Note 10)		12,428,251		9,607,537
Trust Fund assets (Note 11)		57,019		30,038
Inventories		361,633		275,922
Investments (Note 12)		<u>13,559,333</u>		<u>8,654,203</u>
		<u>57,449,402</u>		<u>42,541,309</u>

Liabilities

Bank indebtedness (Note 13)		2,855,000		3,000,000
Payables and accruals		2,560,742		3,795,854
Deferred revenue		742,414		496,664
Demand loans (Note 14)		715,387		981,530
Bond payable (Note 15)		7,512,983		7,845,895
Long term debt (Note 16)		20,690,850		18,299,383
Obligation under capital lease (Note 18)		6,321,307		-
Promissory note payable (Note 17)		1,016,838		1,016,838
Member allowances (Note 8)		<u>12,438,577</u>		<u>12,974,051</u>
		<u>54,854,098</u>		<u>48,410,215</u>

Net financial assets (liabilities) (Page 7)2,595,304 (5,868,906)**Non-financial assets**

Tangible capital assets (Note 20)		51,485,844		53,364,140
Other assets – deferred 1919				
Halifax County Land Claim		1,449,197		1,135,084
Deferred development costs (Note 19)		3,345,833		3,243,940
Purchased fishing licenses and permits (Note 21)		5,245,000		5,245,000
Prepays		<u>401,974</u>		<u>254,377</u>
		<u>61,927,848</u>		<u>63,242,541</u>

Surplus (Page 6)\$ 64,523,152 \$ 57,373,635

Millbrook Band Council**Consolidated statement of financial position**March 31 2019 2018

Surplus (Page 8)		
Operating	\$ 40,338,606	\$ 28,759,644
Replacement Reserve	830,249	789,337
Equity in Trust	<u>(187,959)</u>	<u>493,168</u>
	40,980,896	30,042,149
Investment in tangible capital assets	<u>23,542,256</u>	<u>27,331,486</u>
	<u>\$ 64,523,152</u>	<u>\$ 57,373,635</u>

Contingencies and Commitment (Notes 23 and 26)

On Behalf of the Band

Barry M. ... CouncillorMark M. ... Councillor

Millbrook Band Council

Consolidated statement of changes in net financial assets (liabilities)

Year ended March 31	Budget 2019	2019	2018
Annual surplus	\$ 3,949,298	\$ 7,204,605	\$ 2,789,111
Acquisition of tangible capital assets	-	(1,325,583)	(2,400,005)
Amortization of tangible capital assets	4,354,319	4,303,061	4,144,798
Proceeds on disposals	-	-	-
Acquisition of deferred development costs, net	-	(1,201,075)	(4,447,280)
	<u>8,303,617</u>	<u>8,981,008</u>	<u>86,624</u>
Withdrawals from Replacement Reserve	-	(55,088)	(13,302)
Acquisition of prepaid expenses, net of usage	-	(147,597)	(121,402)
Change in other assets, net	-	(314,113)	(73,476)
	<u>-</u>	<u>(516,798)</u>	<u>(208,180)</u>
Change in net financial assets (liabilities)	\$ <u>8,303,617</u>	8,464,210	(121,556)
Net financial liabilities, beginning of year		<u>(5,868,906)</u>	<u>(5,747,350)</u>
Net financial assets (liabilities), end of year		\$ <u>2,595,304</u>	\$ <u>(5,868,906)</u>

See accompanying notes to the consolidated financial statements

Millbrook Band Council

Consolidated statement of changes in surplus

Year ended March 31, 2019

	<u>Operating</u>	(Note 11) <u>Trust Fund Equity</u>	<u>Investment in Tangible Capital Assets</u>	<u>Replacement Reserve Fund</u>	Total 2019	Total 2018
Surplus, beginning of year	\$ 28,759,644	\$ 493,168	\$ 27,331,486	\$ 789,337	\$ 57,373,635	\$ 54,597,826
Annual surplus	11,188,793	318,873	(4,303,061)	-	7,204,605	2,789,111
Tangible capital assets						
Additions	(2,424,766)	-	2,424,766	-	-	-
Issuance of capital debt	4,900,000	-	(4,900,000)	-	-	-
Repayment of capital debt	(2,989,065)	-	2,989,065	-	-	-
Withdrawals from Replacement Reserve, net of interest income	-	-	-	(55,088)	(55,088)	(13,302)
Transfers, net	<u>904,000</u>	<u>(1,000,000)</u>	<u>-</u>	<u>96,000</u>	<u>-</u>	<u>-</u>
Surplus, end of year	\$ <u>40,338,606</u>	\$ <u>(187,959)</u>	\$ <u>23,542,256</u>	\$ <u>830,249</u>	\$ <u>64,523,152</u>	\$ <u>57,373,635</u>

See accompanying notes to the consolidated financial statements

Millbrook Band Council

Consolidated statement of cash flows

Year ended March 31

2019

2018

Increase (decrease) in cash and cash equivalents

Operating activities

Annual surplus	\$	7,204,605	\$	2,789,111
Amortization		4,303,061		4,144,798
Unrealized gain on investment		(5,356,905)		-
		<u>6,150,761</u>		<u>6,933,909</u>

Change in non-cash working capital

Receivables		833,800		(744,005)
Inventories		(85,711)		(47,926)
Prepays		(147,597)		(121,402)
Payables and accruals		(1,235,112)		549,231
Deferred revenue		245,750		89,833
		<u>5,761,891</u>		<u>6,659,640</u>

Financing activities

Proceeds from (Repayment of):				
Bank indebtedness, net		(145,000)		120,000
Proceeds from issuance:				
Long term debt		4,900,000		5,684,006
Repayment of:				
Bond payable		(332,912)		(319,646)
Demand debt		(266,143)		(4,456,151)
Long term debt		(2,508,533)		(1,167,411)
		<u>1,647,412</u>		<u>(139,202)</u>

Investing activities

Reserve fund		(49,193)		(44,995)
Payments from Replacement Reserve		(55,088)		(13,302)
Leasehold allowances advanced		(3,366,476)		(2,235,916)
Reimbursement of leasehold allowances		283,075		-
Issuance of loan receivable		-		(274,500)
Proceeds from loan receivable		262,687		110,457
Proceeds from issuance of capital lease		6,442,750		-
Repayment of capital lease obligation		(121,443)		-
Trust fund assets		(26,981)		498,568
Purchase of investments		-		(5,000,000)
Distributions on equity accounted investments		451,775		1,465,316
Acquisition of tangible capital assets, net of transfers		(1,325,583)		(2,400,005)
Other assets		(314,113)		(73,476)
Acquisition of deferred development costs		(1,201,075)		(4,447,280)
		<u>980,335</u>		<u>(12,415,133)</u>

Increase (decrease) in net cash and cash equivalents **8,389,638** (5,894,695)

Opening, net cash and cash equivalents 5,855,193 11,749,888

Closing, net cash and cash equivalents \$ 14,244,831 \$ 5,855,193

Millbrook Band Council

Notes to the consolidated financial statements

March 31, 2019

1. Summary of significant accounting policies

Basis of presentation and consolidation

The consolidated financial statements of Millbrook Band Council are the representations of management prepared in accordance with accounting standards for governments as established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada with the exception of capitalizing purchased fishing licenses and permits as intangible assets. These consolidated financial statements have been prepared using the following significant accounting policies:

Consolidation

The consolidated statement of financial position includes all of the assets and liabilities of the Band.

The consolidated financial statements include the accounts of Millbrook Band Council and its principal operating entities which are both incorporated and unincorporated. The unincorporated entities are as follows:

- Millbrook Administration which reports the general activities of the First Nation Administration including Social Services, band support, education, operations capital, operating and maintenance, economic development, community health and welfare, employment training, and miscellaneous.
- Millbrook Band Housing Projects which reports the social housing assets of the First Nation, together with related activities.
- The Trust Fund which reports on trust funds owned by the First Nation and held by third parties.
- Tobacco Store which reports the First Nation's retail tobacco store operations.
- Millbrook Rental Authority which provides rental operations.
- Millbrook Gaming Commission which reports the First Nation's gaming activities.
- Millbrook Treaty Gas operation which reports the First Nation's retail commercial operations.
- Millbrook First Nation Aboriginal Fisheries which reports the First Nation's commercial fishing operations.

Incorporated and unincorporated business entities, which are owned and controlled by Millbrook Band Council are included in the consolidated financial statements. These are:

- 3031611 Nova Scotia Limited (Land holding)
- 3050587 Nova Scotia Limited (Sheet Harbour wharf)
- 3051802 Nova Scotia Limited (Aquaculture)
- 3051803 Nova Scotia Limited (Caldwell Glen apartments)
- 3061881 Nova Scotia Limited (Joggins Wharf)
- 3151517 Nova Scotia Limited (Mill Mel partnership holding)
- 3273476 Nova Scotia Limited (Hampton Inn holding)
- 3288180 Nova Scotia Limited (Heritage Centre)
- 3288613 Nova Scotia Limited (Millbrook Finance Authority)
- 3043339 Nova Scotia Limited (Fishing license holding)
- 3269804 Nova Scotia Limited (Truro Millbrook Wind Limited Partnership holding)
- 3233312 Nova Scotia Limited
- 3310689 Nova Scotia Limited (Cheese Curds & Habaneros franchise)
- Mill Mel Residential Developments Partnership
- Millbrook First Nation Economic Development Corporation Limited
- Millbrook Technologies Inc.

Millbrook Band Council

Notes to the consolidated financial statements

March 31, 2019

1. Summary of significant accounting policies (continued)

Investments

Investments in common shares of business enterprises in which the Band Council holds less than 20% interest are recorded at cost, less any distribution from the business enterprises for return of capital.

Investments in shares of corporations publicly traded and quoted in an active market are recorded at fair market value.

Investments in business partnerships and joint ventures are accounted for by the modified equity method and applied using the Band Council's share of the business partnership and the joint venture.

All investments are reviewed by management for impairment and if a decline in the value is considered other than temporary, the investment is written down to reflect the impairment with a charge to income.

Use of estimates

The preparation of the consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the amounts of assets and liabilities, and disclosure of contingent liabilities at the date of the consolidated financial statements and reported amounts of revenue and expenses during the year. Actual results could differ from these estimates. Estimates include depreciation and amortization of tangible capital assets and deferred development costs, allowances on receivables, and valuation allowances on long-term investments.

Revenue recognition

Unconditional and conditional transfers from other governments for operating and capital purposes are recognized as revenue in the period in which all eligibility criteria and/or stipulations have been met and the amounts are authorized. Any funding received prior to satisfying these conditions is deferred until conditions have been met. When revenue is received without eligibility criteria or stipulations, it is recognized when the transfer is authorized.

All non-government contribution or grant revenues that are externally restricted 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 received revenues not yet used for the purpose or purposes specified are reported as deferred revenues.

Rental revenue is recognized in the period it is earned as agreed to by the rental entities and their tenants.

Revenues from business operations are recorded as revenue when earned at the point of sale.

Interest and other revenues are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Net 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.

Millbrook Band Council

Notes to the consolidated financial statements

March 31, 2019

1. Summary of significant accounting policies (continued)

Inventories

Inventories are valued at the lower of cost and net realizable value.

Deferred development costs

Costs related to specific projects under construction and development have been deferred until the projects are completed (See Note 19). Once completed, the costs are transferred to tangible capital assets and amortized in accordance with the tangible capital asset amortization rates as set forth below.

Costs related to infrastructure development and business start ups have been deferred and are being amortized in accordance with the accounting policies of the applicable entity.

Tangible capital assets and amortization

Tangible capital asset expenditures are capitalized at cost. The investment in tangible capital assets represents the equity in tangible capital assets of the consolidated group.

Rates and basis of amortization applied to write off the cost of capital assets over their estimated lives are as follows:

Buildings	2.5%, 4% and 5%, straight line
Paving and roads	4% - 10%, straight line
Equipment and school buses	30%, straight line
Trailers	20%, declining balance
Water tower	4%, straight line
Wharfs	5%, straight line
Land improvements	6.67%, straight line
Paving	10%, straight line
Equipment	20%, declining balance
	20% and 10%-20%, straight line
Mobile Homes	10%, declining balance
Motor vessels	10%, straight line
Automotive equipment	30%, declining balance
Signs	20%, straight line
Software development	20%, straight line

Purchased fishing licenses and permits

Purchased fishing licenses and permits assets are intangible capital assets. These indefinite-lived fishing licences and permits are recognized at cost and are not amortized. The capitalization of intangible assets is a departure from Canadian public sector accounting standards.

The Band evaluates the carrying value of its licenses and permits annually for impairment. Should a permanent impairment be identified, the impairment will be recognized as a reduction in the carrying value and as a charge against income on the statement of operations in the period in which the impairment occurred.

The Band also owns other communal fishing licenses and permits which were not purchased by the Band but were given to, or granted to, the Band. These fishing licenses and permits have been disclosed within Note 21 to the consolidated financial statements.

Millbrook Band Council

Notes to the consolidated financial statements

March 31, 2019

1. Summary of significant accounting policies (continued)

Other assets

Costs incurred related to the 1919 Halifax County Land Claim have been deferred and will be recognized at the time of settlement of the claim of which the settlement date cannot be estimated at this time.

Impairment of long-lived assets

Long-lived assets such as development costs are tested for impairment when there are indicators of impairment. Previously recognized impairment losses are reversed to the extent of the improvement provided the asset is not carried at an amount, at the date of reversal, greater than the amount that would have been the carrying amount had no impairment loss been recognized previously. The amounts of any write-downs or reversals are recognized in net income.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and term deposits net of bank overdraft.

The cash balance includes \$22,242 (2018 - \$21,857) restricted for pension contributions on behalf of employees of the Band.

2. Gaming revenues, net

2019

2018

Net gaming revenues include the following components:

VLT Cash in	\$ 54,636,770	\$ 56,782,490
VLT Cash out	(42,854,961)	(44,204,475)
Commission to vendors	(97,620)	(67,640)
Province of Nova Scotia Gaming Agreement	199,709	218,705
Other lottery revenues	99,190	108,065
	<u>\$ 11,983,088</u>	<u>\$ 12,837,145</u>

3. Government transfers

2019

2018

Indigenous Services Canada	\$ 8,491,541	\$ 9,436,213
Canada Mortgage and Housing Corporation	560,888	632,601
Department of Fisheries and Oceans	185,291	-
Indigenous Services Canada – First Nations and Inuit Health Branch	1,528,161	1,289,183
Mi'kmaq Employment/Training Secretariat	788,528	723,958
Province of Nova Scotia	146,702	163,210
	<u>\$ 11,701,111</u>	<u>\$ 12,245,165</u>

Millbrook Band Council

Notes to the consolidated financial statements

March 31, 2019

4. Other revenues	<u>2019</u>	<u>2018</u>
Contract revenues	\$ -	\$ 178,660
Child health programming	22,500	-
Day-care – parent fees	29,081	30,376
Heritage centre	36,631	98,127
Interest income	890,681	532,088
Investment income (loss)	(294,802)	(774,682)
Land rental	312,503	453,766
Wind land rental	11,707	13,427
Wind farm revenue	495,537	483,306
Miscellaneous	92,437	49,110
Technologies	31,128	24,366
	\$ <u>1,627,403</u>	\$ <u>1,088,544</u>

Included in investment loss in the current period is a provision for amortization and interest expenses for the equity investment in We’Kopekwitk Service Hotel Partnership.

5. Contributions to band members and activities

During the year, the Band Council paid allowances to its Band members totalling \$4,606,866 (2018 - \$4,553,497) and for band activities in the amount of \$279,568 (2018 - \$289,837).

6. Replacement reserve fund

Under the terms of the agreement with the C.M.H.C., during the year ended March 31, 2019, the replacement reserve account was credited in the amount of \$48,595 (2018 – 91,156). These funds along with accumulated interest must be held in a separate interest bearing bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by the C.M.H.C. from time to time. Interest of \$- was earned on the reserve balance during the year. The funds in the account may only be used as approved by the C.M.H.C. At year end, the funds in reserve consisted of the following:

Cash	\$ <u>797,338</u>	\$ <u>748,743</u>
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As at March 31, 2019 the required Replacement Reserve Fund balance is \$ 830,249. Cash balance within the Replacement Reserve account is \$797,338, leaving a deficit of \$32,911.

7. Subsidy surplus reserve fund

Under the terms of the agreement with C.M.H.C., excess federal assistance payments received may be retained in a subsidy surplus reserve up to a maximum of \$500 per unit plus interest. The reserve is to be comprised of monies deposited in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by C.M.H.C. from time to time. The funds in this account may only be used to meet future subsidy requirements of income-tested occupants over and above the maximum federal assistance. At year-end the funds in the Subsidy Surplus Reserve consisted of the following:

Cash	\$ <u>34,564</u>	\$ <u>33,966</u>
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Millbrook Band Council

Notes to the consolidated financial statements

March 31, 2019

8. Member allowances

The Band Council established trust accounts to control member allowances for children under the age of nineteen. The principal and interest are held in trust by an independent financial institution. Upon turning nineteen years of age, the principal and accumulated interest are paid to the individual Band member.

The balance of the investment portfolio at cost is \$12,438,577 at March 31, 2019 (market value is \$14,664,592).

9. Receivables	2019	2018
Indigenous Services Canada	\$ 803,058	\$ 382,530
Indigenous Services Canada – First Nation And Inuit Health Branch	12,012	7,701
Harmonized Sales Tax	186,804	758,380
Honorariums	150,471	146,565
Mi'kmaq Employment/Training Secretariat	-	199,400
Band members receivables and payroll advances	180,677	142,424
Trade and sundry	2,194,834	2,724,656
	<u>\$ 3,527,856</u>	<u>\$ 4,361,656</u>

10. Loans receivable	2019	2018
4.50% loan to Pacrim Hospitality Services Inc., repayable in monthly instalments of \$7,273, including principal and interest. Secured by a personal guarantee, maturing in 2019.	\$ 58,906	\$ 65,932
8% leasehold allowance reimbursement loan to OnX Enterprise Solutions, monthly principal and interest payments of \$69,973.	5,319,318	2,235,916
4.98% loan to We'kopekwitk Service Hotel Limited Partnership, repayable in monthly instalments of \$47,492 of principal and interest, maturing fiscal 2024.	6,825,527	7,031,189
6.00% demand loan to We'kopekwitk Service Hotel Limited Partnership, with interest calculated and payable quarterly, no set terms for principal repayment.	224,500	274,500
	<u>\$ 12,428,251</u>	<u>\$ 9,607,537</u>

Expected principal repayments based upon scheduled payments in each of the next five years are as follows:

2020	\$ 508,472
2021	482,937
2022	519,079
2023	558,221
2024	575,611

Millbrook Band Council

Notes to the consolidated financial statements

March 31, 2019

11. Trust Fund

The Trust Fund arises 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 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*.

A reconciliation of the Trust Fund cash balance and the Trust Fund equity balance is as follows:

	<u>2019</u>	<u>2018</u>
Trust cash balance	\$ 57,019	\$ 30,038
Funds receivable (net of payables)	-	596,768
Deferred trust revenues	<u>(244,978)</u>	<u>(133,638)</u>
Trust Fund equity balance	<u>\$ (187,959)</u>	<u>\$ 493,168</u>

A summary of the Trust Fund revenues is as follows:

	<u>2019</u>	<u>2018</u>
Revenues		
Rent		
Millbrook First Nation Economic Development Corporation Limited	\$ 312,503	\$ 453,766
Interest	<u>6,370</u>	<u>15,004</u>
Total revenues	<u>\$ 318,873</u>	<u>\$ 468,770</u>

12. Investments

	<u>2019</u>	<u>2018</u>
Equity basis accounting		
Amherst 8 Motel Partnership 13.58% interest	\$ 213,316	\$ 205,009
Holloway Lodging Real Estate Investment Trust, 5,750 units, at cost less unit distributions to date of \$289,225 and estimated impairment provisions	<u>11,543</u>	<u>11,543</u>
Truro-Millbrook Wind Limited Partnership	<u>1,103,121</u>	<u>1,226,348</u>
We'kopekwitk Service Hotel Limited Partnership	<u>1,241,340</u>	<u>1,578,195</u>
	<u>2,569,320</u>	<u>3,021,095</u>
Other		
Melford International Terminal Incorporated, 250,000 common shares issued at cost of \$1 US per share	<u>333,105</u>	<u>333,105</u>
Deer Lake Express Hotel Limited, 300,000 common shares at \$1 per share, at cost	<u>300,000</u>	<u>300,000</u>
Zenabis Global, 3,138,457 shares trading as ZENA at fair market value of \$3.30 per share.	<u>10,356,908</u>	<u>5,000,003</u>
	<u>\$ 13,559,333</u>	<u>\$ 8,654,203</u>

Subsequent to year ended March 31, 2019, the fair market value on the Zenabis Global shares held by the First Nation has declined significantly on a per share basis.

Millbrook Band Council

Notes to the consolidated financial statements

March 31, 2019

13. Bank indebtedness

The Band Council has a consolidated banking arrangement with RBC which provides an operating line of credit of \$3,000,000, at RBC prime, of which \$2,885,000 has been used as at March 31, 2019.

As security, the Band Council has provided a general security agreement with a first ranking security interest in all property of the Band. Band Council resolutions have been provided to authorize specific borrowing.

14. Demand loans	<u>2019</u>	<u>2018</u>
RBC loan at prime plus 0.75%, fully repaid during the year	\$ -	\$ 102,504
RBC loan at prime plus 0.55%, principal payable at \$11,111 monthly.	677,777	811,110
Housing project mortgages bearing interest at 1.75% to 2.53%, payable in equal monthly amounts of principal and interest totalling \$3,909.	<u>37,610</u>	<u>67,916</u>
	<u>\$ 715,387</u>	<u>\$ 981,530</u>

All demand loans are secured by a guarantee of the Millbrook Band Council except for the First Nations Finance Authority loan which is also secured by the revenues of Millbrook Gaming Commission and Housing mortgages, for which the Minister of Indigenous Services Canada has provided a guarantee.

Expected principal repayments based upon scheduled payments in each of the next five years are as follows:

2020	\$ 162,328
2021	141,948
2022	133,333
2023	133,333
2024	133,333

15. Bond payable	<u>2019</u>	<u>2018</u>
2.90% First Nations Finance Authority debenture, amortized over a 20 year period with payments of interest and principal, maturing in fiscal 2025.	<u>\$ 7,512,983</u>	<u>\$ 7,845,895</u>

The debenture is secured by revenues of Millbrook Gaming Commission.

Millbrook Band Council

Notes to the consolidated financial statements

March 31, 2019

16. Long term debt	<u>2019</u>	<u>2018</u>
Housing project mortgages maturing in 2019 to 2043, bearing interest at 1.04% to 2.68%, payable in equal monthly amounts of principal and interest totalling \$33,846. As security for the mortgages, the Minister of Indigenous Services Canada has provided a guarantee.	\$ 5,158,857	\$ 5,336,106
3.26% mortgage maturing in 2022, amortized to December 2033, payable in equal monthly instalments of principal and interest of \$16,088. As security, Mill Mel Residential Developments Partnership has provided a building having a net book value of \$4,000,857.	2,271,549	2,388,975
Economic development loans maturing 2020 to 2024, Bearing interest at 3.50% to 3.98%, principal repayments totalling \$128,054 monthly, secured by general security agreements, leasehold mortgage, and assignments of insurance.	10,598,228	7,594,829
3.20% mortgage maturing June 2019, amortized to 2027, payable in equal monthly instalments of principal and interest of \$17,732. As security, 3051803 Nova Scotia limited has provided a building with a net book value of \$3,512,269, a general assignment of rents and leases, and a general security agreement.	1,487,570	1,650,254
4.25% term loan maturing August 2023 principal repayments of \$12,799 monthly, secured by a guarantee of Millbrook Band Council.	975,631	1,094,154
4.50% term loan, principal and interest payable in equal monthly instalments of \$3,824, secured by a guarantee of Millbrook Band Council, maturing in 2024.	199,015	235,065
	<u>\$ 20,690,850</u>	<u>\$ 18,299,383</u>

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

2020	\$ 1,751,276
2021	1,799,018
2022	1,731,884
2023	1,791,835
2024	1,684,954

Millbrook Band Council

Notes to the consolidated financial statements

March 31, 2019

17. Promissory note payable 2019 2018

Non-interest bearing promissory note, payable on the settlement of 1919 land claims. \$ 1,016,838 \$ 1,016,838

18. Obligation under capital lease 2019 2018

4.1% RBC capital lease, maturing January 3, 2024, repayable in monthly instalments of \$56,977. \$ 6,321,307 \$ -

Total future minimum lease payments \$ 7,970,478
Less: amount representing interest (1,649,171)
Present value of minimum lease payments, net 6,321,307

Estimated principal repayments in each of the next five years are as follows:

2020	\$	431,945
2021		449,992
2022		468,792
2023		488,378
2024		508,782

Millbrook Economic Development Corporation has granted a general security agreement, whereby RBC as the lessor maintains first priority interest in the leased equipment. Subsequent to the commencement of this capital lease agreement, the equipment has been sub-leased by the entity to a third party.

19. Deferred development costs 2019 2018

Represented by:

Beaver Dam Mine Project	\$	<u>63,363</u>	\$	15,866
Diversion Centre		<u>286,175</u>		188,643
Future Residential Developments		<u>31,165</u>		90,019
Health centre		<u>233,409</u>		-
Millbrook Power Centre		<u>2,356,528</u>		1,731,672
Subdivision expansion		-		844,188
Tuft's Cove		<u>375,193</u>		<u>373,552</u>
	\$	<u>3,345,833</u>	\$	<u>3,243,940</u>

Millbrook Band Council

Notes to the consolidated financial statements

Year ended March 31, 2019

20. Tangible capital assets

	<u>Land</u>	<u>Land Improvements</u>	<u>Automotive Equipment</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Roads</u>
Cost:						
Balance, beginning of year	\$ 1,312,022	\$ 401,940	\$ 900,980	\$ 93,169,558	\$ 6,748,409	\$ 8,151,179
Acquisition of tangible capital assets	-	-	-	1,399,869	34,578	1,091,140
Disposal of tangible capital assets	-	-	-	(541,663)	-	-
Balance, end of year	1,312,022	401,940	900,980	94,027,764	6,782,987	9,242,319
Accumulated amortization:						
Balance, beginning of year	-	401,940	483,573	46,085,563	5,328,737	6,646,794
Annual amortization	-	-	195,961	3,107,978	327,702	257,594
Accumulated amortization on disposals	-	-	-	(226,791)	-	-
Balance, end of year	-	401,940	679,534	48,966,750	5,656,439	6,904,388
Net book value of tangible capital assets	\$ 1,312,022	\$ -	\$ 221,446	\$ 45,061,014	\$ 1,126,548	\$ 2,337,931

	<u>Software</u>	<u>Vessels</u>	<u>Wharf</u>	<u>Water Tower</u>	<u>Total 2019</u>	<u>Total 2018</u>
Cost:						
Balance, beginning of year	\$ 318,089	\$ 2,779,479	\$ 1,531,600	\$ 1,998,798	\$ 117,312,054	\$ 107,782,860
Acquisition of tangible capital assets	452	213,598	-	-	2,739,637	10,279,460
Disposal of tangible capital assets	-	-	-	-	(541,663)	(750,266)
Balance, end of year	318,541	2,993,077	1,531,600	1,998,798	119,510,028	117,312,054
Accumulated amortization:						
Balance, beginning of year	316,658	2,537,201	1,029,710	1,117,738	63,947,914	60,553,382
Annual amortization	998	256,296	76,581	79,951	4,303,061	4,144,798
Accumulated amortization on disposals	-	-	-	-	(226,791)	(750,266)
Balance, end of year	317,656	2,793,497	1,106,291	1,197,689	68,024,184	63,947,914
Net book value of tangible capital assets	\$ 885	\$ 199,580	\$ 425,309	\$ 801,109	\$ 51,485,844	\$ 53,364,140

Millbrook Band Council

Notes to the consolidated financial statements

March 31, 2019

21. Purchased fishing licenses and permits

	<u>2019</u>	<u>2018</u>
District 35 Lobster License #111601	\$ 2,300,000	\$ 2,300,000
District 35 Lobster License #112025	2,300,000	2,300,000
Area 23 Snow Crab Allocation Permit #152701	225,000	225,000
Area 24 Snow Crab Allocation Permit #152739	210,000	210,000
Area 24 Snow Crab Allocation Permit #152741	<u>210,000</u>	<u>210,000</u>
	<u>\$ 5,245,000</u>	<u>\$ 5,245,000</u>

The Band records all purchased commercial fishing licenses and permits as intangible assets. All other permits and licenses owned by Millbrook Band Council have been granted for a \$nil consideration and therefore have not been capitalized. These licenses and permits have been disclosed in Note 22.

22. Other fishing licenses and permits

In addition to the purchased licenses and permits disclosed in Note 21, Millbrook Band Council also owns the following licenses and permits, which were granted for a \$nil consideration:

<u>Species</u>	<u>Area</u>	<u># of Tags/Quota</u>
Groundfish	Digby	35,000 lbs
Lobster	35 – Digby	7 tags
Lobster	32 – Sheet Harbour	2 tags
Swordfish	SF Area	30,000 lbs
Tuna	Canso	5,000 lbs
Tuna	Pictou/Canso	4 tags

23. Contingencies

- a) The Band entered into a five year funding agreement with Indigenous Services Canada, effective April 1, 2018. These funds are to be used to provide certain programs and services to band members and recipients as defined in the agreement. This five-year agreement has been replaced subsequent to year-end by a ten year funding agreement with Indigenous Services Canada as at April 1, 2019, to be renewed April 1, 2029.
 - b) The Band has entered into contribution agreements with various government departments. Funding received under these contribution agreements are subject to repayment if the Band fails to comply with the terms and conditions of the agreements.
 - c) One of the Band's incorporated companies has provided a guarantee of \$67,800 for an outstanding loan of Amherst 8 Motel Limited.
 - d) The First Nation may, from time to time, be involved in legal proceedings, claims and litigation that arise in the normal course of business, which the First Nation believes would not reasonably be expected to have a material adverse effect on its financial position.
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Millbrook Band Council

Notes to the consolidated financial statements

March 31, 2019

24. Subsidy assistance payments

The Housing Projects have received Federal assistance through C.M.H.C. pursuant to Section 56.1 of the National Housing Act to reduce the mortgage interest expense to enable the projects to provide housing to low income individuals. The amount of assistance recorded in 2019 was \$296,543 (2018 - \$245,407) which reduced interest on the mortgage with respect to the residential component.

25. Economic dependence

The Millbrook First Nation receives a portion of its revenues pursuant to a funding arrangement with Indigenous Services Canada.

As explained in Note 22 (a), the First Nation is a party to an *Alternative Funding Agreement* (AFA) with Indigenous Services Canada. Under the terms of the agreement, funding from the arrangement with Indigenous Services Canada can be suspended if terms of the AFA are not complied with by the First Nation.

26. Commitment

During the year, the First Nation signed a franchise agreement to own and operate a franchised restaurant. Under the terms of the agreement, the Band is required to pay a monthly royalty fee to the franchisor of 5% of gross sales for the immediately preceding month. This royalty fee is required for the duration of the franchise agreement.

27. Retirement service awards

- a) The Band Council has a policy which provides for its Chief and Council members, upon retirement an award in recognition of service, equal to \$1,000 for each year of service for Chief and Council. The liability at March 31, 2019 is \$621,000 (2018 - \$608,000).
 - b) During the year, Millbrook Band Council paid out retirement allowances in the amount of \$nil (2018 - \$2,000).
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28. Tuition agreement

On August 1, 1987, the Band Council entered into a tuition agreement with the Chignecto-Central Regional School Board respecting the provision of education services to Indian children. The cost to the Band Council is based on the net operating expenditures of the school board prorated by the Indian student ratio enrolment in the schools administered by the School Board.

29. Comparative figures

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

Millbrook Band Council

Schedule of segment reporting

Year ended March 31, 2019

	Band Management and Support			Social Services			Education			Land Trust		
	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	3,350,853	4,360,408	5,183,903	3,792,586	3,792,586	3,764,259	2,792,778	2,792,778	2,771,918	-	-	-
Provincial government operating transfers	-	-	-	-	-	-	-	-	-	-	-	-
Economic activities	651,677	711,108	642,428	-	-	-	-	-	-	-	-	-
Other	410,985	178,734	178,660	-	-	-	-	-	-	400,000	318,873	468,770
	4,413,515	5,250,250	6,004,991	3,792,586	3,792,586	3,764,259	2,792,778	2,792,778	2,771,918	400,000	318,873	468,770
Expenses												
Salaries and benefits	2,502,492	2,454,672	2,397,263	124,894	121,504	124,753	670,128	850,427	769,708	-	-	-
Amortization and depreciation	1,040,000	851,370	963,108	-	-	-	-	-	-	-	-	-
Interest	276,000	113,617	108,127	-	-	-	-	-	-	-	-	-
Other	10,655,157	10,248,869	9,941,904	3,009,247	3,418,947	3,337,775	3,147,802	3,842,666	3,624,470	-	-	-
	14,473,649	13,668,528	13,410,402	3,134,141	3,540,451	3,462,528	3,817,930	4,693,093	4,394,178	-	-	-
Unrealized gain on investment	-	-	-	-	-	-	-	-	-	-	-	-
Surplus (deficit) for the year	(10,060,134)	(8,418,278)	(7,405,411)	658,445	252,135	301,731	(1,025,152)	(1,900,315)	(1,622,260)	400,000	318,873	468,770

Millbrook Band Council

Schedule of segment reporting (continued)

Year ended March 31, 2019

	Fisheries			Gaming			Housing			Rental		
	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	-	185,291	-	-	-	-	273,418	368,350	563,694	-	-	-
Provincial government operating transfers	-	-	-	-	-	-	-	-	-	-	-	-
Economic activities	7,497,985	8,557,605	8,635,157	9,035,000	9,617,924	10,312,157	432,840	218,578	229,006	1,860,900	1,907,040	2,051,563
Other	-	-	-	-	-	-	-	8,968	5,355	1,350	11,954	31,418
	7,497,985	8,742,896	8,635,157	9,035,000	9,617,924	10,312,157	706,258	595,896	798,055	1,862,250	1,918,994	2,082,981
Expenses												
Salaries and benefits	1,507,795	1,701,917	1,732,442	-	-	-	-	-	-	23,400	39,604	106,410
Amortization and depreciation	133,356	305,748	149,376	-	-	-	303,339	283,184	298,589	112,250	557,587	497,290
Interest	-	44,275	43,704	-	-	-	117,242	99,383	76,515	125,727	125,728	136,979
Other	830,491	4,486,449	4,761,998	1,276,645	1,053,738	1,059,038	339,199	382,632	514,117	1,039,892	1,030,554	1,082,765
	2,471,642	6,538,389	6,687,520	1,276,645	1,053,738	1,059,038	759,780	765,199	889,221	1,301,269	1,753,473	1,823,444
Unrealized gain on investment	-	-	-	-	-	-	-	-	-	-	-	-
Surplus (deficit) for the year	5,026,343	2,204,507	1,947,637	7,758,355	8,564,186	9,253,119	(53,522)	(169,303)	(91,166)	560,981	165,521	259,537

Millbrook Band Council

Schedule of segment reporting (continued)

Year ended March 31, 2019

	Tobacco			Treaty Gas			First Nation Economic Development			Totals		
	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	-	-	-	-	-	-	-	-	-	10,209,635	11,499,413	12,283,774
Provincial government operating transfers	-	-	-	-	-	-	35,000	44,200	37,000	35,000	44,200	37,000
Economic activities	6,368,762	7,679,364	6,638,027	5,517,961	5,046,190	5,290,981	3,721,727	3,893,550	2,629,116	35,086,852	37,631,359	36,428,435
Other	236,767	40,811	54,962	-	-	634	406,146	941,608	567,595	1,455,248	1,500,948	1,307,394
	<u>6,605,529</u>	<u>7,720,175</u>	<u>6,692,989</u>	<u>5,517,961</u>	<u>5,046,190</u>	<u>5,291,615</u>	<u>4,162,873</u>	<u>4,879,358</u>	<u>3,233,711</u>	<u>46,786,735</u>	<u>50,675,920</u>	<u>50,056,603</u>
Expenses												
Salaries and benefits	121,476	85,225	95,953	2,707,261	2,638,178	2,477,421	669,734	571,988	579,186	8,327,180	8,463,515	8,283,136
Amortization and depreciation	2,700	3,593	4,492	-	306,859	285,793	2,762,674	1,994,720	1,946,150	4,354,319	4,303,061	4,144,798
Interest	10,861	11,117	9,775	80,539	97,488	34,438	363,096	774,271	568,559	973,465	1,265,879	978,097
Other	4,633,005	5,603,383	4,990,863	3,292,636	3,020,564	3,144,391	2,216,768	1,707,963	1,404,140	30,440,842	34,795,765	33,861,461
	<u>4,768,042</u>	<u>5,703,318</u>	<u>5,101,083</u>	<u>6,080,436</u>	<u>6,063,089</u>	<u>5,942,043</u>	<u>6,012,272</u>	<u>5,048,942</u>	<u>4,498,035</u>	<u>44,095,806</u>	<u>48,828,220</u>	<u>47,267,492</u>
Unrealized gain on investment	-	-	-	-	-	-	-	5,356,905	-	-	5,356,905	-
Surplus (deficit) for the year	<u>1,837,487</u>	<u>2,016,857</u>	<u>1,591,906</u>	<u>(562,475)</u>	<u>(1,016,899)</u>	<u>(650,428)</u>	<u>(1,849,399)</u>	<u>5,187,321</u>	<u>(1,264,324)</u>	<u>2,690,929</u>	<u>7,204,605</u>	<u>2,789,111</u>