

PABINEAU FIRST NATION

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2014

PABINEAU FIRST NATION
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING
MARCH 31, 2014

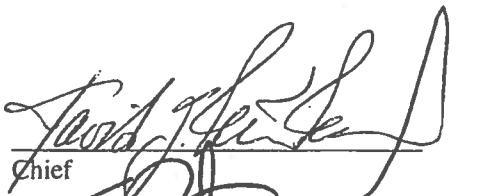
The accompanying consolidated financial statements are the responsibility of management. The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards and necessarily include estimates which are based on management's best judgments.

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 financial statements are presented fairly, in all material respects.

Management is also responsible for implementing and maintaining a system of internal controls designed to give reasonable assurance that transactions are appropriately authorized, assets are safeguarded from loss and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The consolidated financial statements have been reviewed and approved by Chief and Council.

Lenehan McCain & Associates, an independent firm of accountants, has been engaged to examine the consolidated financial statements in accordance with Canadian generally accepted auditing standards. Their report stating the scope of their examination and opinion on the consolidated financial statements, follows.



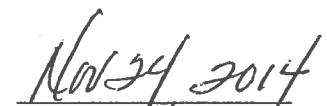
Chief



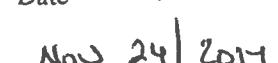
Councilor



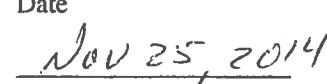
Councillor



Nov 24, 2014
Date



Nov 24 | 2014
Date

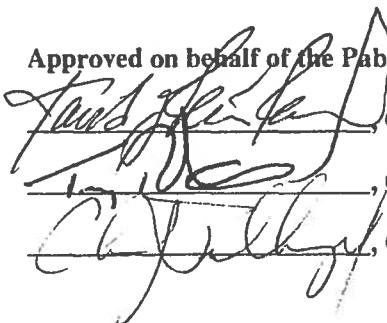


Nov 25, 2014
Date

PABINEAU FIRST NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2014

	2014	2013
Financial Assets		
Cash (Note 3)	\$ 1,216,960	\$ 1,477,727
Accounts receivable (Note 4)	761,044	524,432
Trust funds held by Federal Government (Note 5)	21,649	21,114
Loan receivable (Note 6)	71,832	74,532
Inventory (Note 7)	109,206	1,000
	2,180,691	2,098,805
Liabilities		
Accounts payable (Note 8)	449,220	569,286
Deferred revenue - AANDC funding (Note 10)	926,831	1,201,375
Long-term debt (Note 11)	102,790	221,084
	1,478,841	1,991,745
Net financial assets	701,850	107,060
Non-financial Assets		
Tangible capital assets (Note 9)	6,605,588	5,401,286
Accumulated Surplus	\$ 7,307,438	\$ 5,508,346

Approved on behalf of the Pabineau First Nation


 David John, Chief

 , Councillor

 , Councillor

The accompanying notes are an integral part of the financial statements

PABINEAU FIRST NATION

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

FOR THE YEAR ENDED MARCH 31, 2014

	<u>2014</u> <u>Budget</u>	<u>2014</u> <u>Actual</u>	<u>2013</u> <u>Actual</u>
<u>Surplus</u>	<u>\$ 1,755,926</u>	<u>\$ 1,799,092</u>	<u>\$ 1,192,834</u>
Acquisition of tangible capital assets	-	(1,516,302)	(1,070,188)
Amortization of tangible capital assets	209,475	312,000	209,475
	<u>209,475</u>	<u>(1,204,302)</u>	<u>(860,713)</u>
<u>Acquisition of prepaid asset</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase in net financial assets	1,965,401	594,790	332,121
Net debt at beginning of year	107,060	107,060	(225,061)
<u>Net debt at end of year</u>	<u>\$ 2,072,461</u>	<u>\$ 701,850</u>	<u>\$ 107,060</u>

The accompanying notes are an integral part of the financial statements

PABINEAU FIRST NATION
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2014

	2014 Budget	2014 Actual	2013 Actual
Revenue			
Aboriginal Affairs and Northern Development Canada	\$ 2,635,590	\$ 2,635,590	\$ 2,048,825
Gas bar and smoke shop	2,310,000	2,423,231	1,035,206
Commercial fisheries	493,000	501,248	654,515
Health Canada	308,698	308,698	307,118
Seafood Market	189,000	187,287	219,340
Department of Fisheries and Oceans	163,000	163,000	163,000
Other	740,191	683,995	707,680
	6,839,479	6,903,049	5,135,684
Expenditures			
Administration	734,000	738,320	817,063
Community operations	221,500	213,022	244,582
Education	522,000	501,438	522,665
Social development	402,000	311,754	340,891
Health	320,078	325,723	317,950
Community job creation	121,000	132,851	106,782
Fisheries	447,500	393,646	209,971
Capital housing	77,000	74,183	35,379
Seafood Market & Takeout	203,500	179,561	211,048
Pabineau Gas Bar & Smoke Shop	1,825,500	1,921,459	927,044
	4,874,078	4,791,957	3,733,375
Surplus before other income	1,965,401	2,111,092	1,402,309
Other income			
Amortization	(209,475)	(312,000)	(209,475)
Surplus	1,755,926	1,799,092	1,192,834
Accumulated surplus at beginning of year	4,315,512	5,508,346	4,315,512
Accumulated surplus at end of year	\$ 6,071,438	\$ 7,307,438	\$ 5,508,346

The accompanying notes are an integral part of the financial statements

PABINEAU FIRST NATION
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2014

	2014	2013
Cash flows from		
Operating activities		
Surplus	\$ 1,799,092	\$ 1,192,834
Items not affecting cash		
Amortization expense	312,000	209,475
	2,111,092	1,402,309
Change in non-cash operating working capital		
Accounts receivable	(236,612)	2,162,664
Inventory	(108,206)	-
Trust funds held by Federal Government	(535)	(506)
Accounts payable	(120,066)	(137,458)
Deferred revenue - AANDC funding	(274,544)	(887,214)
Loan receivable	2,700	-
	1,373,829	2,539,795
Capital activities		
Acquisition of tangible capital assets	(1,516,303)	(1,070,188)
Financing activities		
Proceeds from long-term debt	-	224,362
Repayment of long-term debt	(118,293)	(3,278)
	(118,293)	221,084
Increase (decrease) in cash and cash equivalents	(260,767)	1,690,691
Cash and cash equivalents, beginning of year	1,477,727	(212,964)
Cash and cash equivalents, end of year	\$ 1,216,960	\$ 1,477,727

The accompanying notes are an integral part of the financial statements

PABINEAU FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

1. Reporting Entity

The consolidated financial statements of Pabineau First Nation reflects the assets, liabilities, revenues, expenditures, changes in net debt and accumulated surplus of the reporting entity. The reporting entity is comprised of the organizations accountable for the administration of their affairs and resources to the Chief and Council or controlled by the band including Pabineau Seafood Market and Takeout, as well as Pabineau Gas Bar and Tobacco Shop.

2. Basis of Presentation and Significant Accounting Policies

These financial statements are prepared in accordance with Canadian public sector accounting standards for governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

(a) Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks net of bank overdrafts and term deposits having a maturity of one year or less at acquisition which are held for the purpose of meeting short-term cash commitments.

PABINEAU FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2014

2. Basis of Presentation and Significant Accounting Policies (continued)

(b) Tangible Capital Assets

Tangible capital assets (TCAs) are items that can be physically touched, are used to provide First Nation services, are used for First Nation administration purposes or are used for the construction and/or maintenance of other TCAs owned by the First Nation, will be useful for a period greater than one year and will be used by the First Nation on a regular basis.

Certain tangible capital assets, including but not limited to roads and infrastructure, have been recorded at a nominal amount of \$1 as specific historical data was not available. Whereas all such assets are amortized over a period not longer than twenty-five years, it is management's opinion that all assets acquired prior to 1988 would now be fully amortized.

Tangible capital assets are recorded at cost, which includes all amounts directly attributable to acquisition, construction, development or betterment of the asset, and are amortized on the declining balance method over their estimated useful lives. Amortization begins in the year acquired. Current descriptions and useful lives are as follows:

Building and improvements	4 %
Vehicles	30 %
Computer equipment	30 %
Furniture and equipment	20 %
Equipment	20 %
Store	4 %
Water system and reservoir	4 %
Roads	20 %
Boats	15 %
Community centre and health centre	4 %
School bus	30 %
Store equipment	20 %

(c) Net financial assets

The First Nation's financial statements are presented so as to highlight net financial assets as the measurement of financial position. The net financial assets of the First Nation is determined by its financial assets less its liabilities. Net financial assets is comprised of two components, non-financial assets and accumulated surplus.

PABINEAU FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

2. Basis of Presentation and Significant Accounting Policies (continued)

(d) Revenue Recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Government transfers (both operating and capital) 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 fees or services received in advance of the fee being earned or the service is performed is deferred and recognized when the fee is earned or service performed.

Revenue at the Seafood Market and Gas Bar is recognized at the point of sale to a customer.

(e) Expense Recognition

Expenses are recorded on the accrual basis as they are incurred and measurable based on receipt of goods or services and obligation to pay.

(f) Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. These estimates are reviewed periodically and are reported in earnings in the period in which they become known. Actual results could differ from those estimates.

(g) Asset Classification

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations. Non-financial assets are acquired, constructed or developed assets that do not provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale. Non-financial assets include tangible capital assets, prepaid expenses and inventories of supplies.

PABINEAU FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2014

2. Basis of Presentation and Significant Accounting Policies (continued)

(h) Segment Disclosure

The financial statements of Pabineau First Nation provide supporting schedules which are established by program based on government funding provided. The various programs have been amalgamated for the purpose of presentation in the consolidated financial statements. Details of the operations of each program are set out in the supplementary schedules for management information purposes.

(i) Financial Instruments

The First Nation's financial instruments consist of cash, accounts receivable, accounts payable and long-term debt. Unless otherwise noted it is management's opinion that the First Nation is not exposed to significant interest, currency or credit risks.

(j) Inventory

Inventory represents goods available for resale. These goods are recorded at the lower of cost and net realizable value with cost recorded using the First-In First-Out (FIFO) method.

(k) Intangible assets

The First Nation owns fishing licenses which have been acquired without financial consideration and are therefore not recorded as assets in these financial statements.

3. Cash

	2014	2013
Bank balances	<u>\$ 1,216,960</u>	<u>\$ 1,477,727</u>

PABINEAU FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

4. Accounts Receivable

	2014	2013
Aboriginal Affairs and Northern Development Canada	\$ 398,551	\$ 30,811
Department of Fisheries and Oceans	129,150	292,150
Province of New Brunswick	211,441	144,621
Other	1,455	6,992
North Shore MicMac District Council	19,296	13,232
Gas bar	-	35,475
AFNCNB	1,151	1,151
	\$ 761,044	\$ 524,432

5. Trust Funds Held by Federal Government

The funds on deposit with AANDC 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 and are subject to audit by the Office of the Auditor General of Canada. The management of these funds is primarily governed by Section 62 to 69 of the Indian Act.

	March 31, 2013	Additions (interest)	Withdrawals	March 31, 2014
Revenue Capital	\$ 20,965 149	\$ 535 -	\$ - -	\$ 21,500 149
	\$ 21,114	\$ 535	\$ -	\$ 21,649

6. Loan Receivable

The First Nation is of the opinion that this amount will be collected. Although there are no set terms of repayment, council will use all means necessary and deemed appropriate to collect this loan receivable. The loan is non-interest bearing.

	2014	2013
Balance, beginning of year	\$ 74,532	\$ 74,532
Repayments	(2,700)	-
Balance, end of year	\$ 71,832	\$ 74,532

PABINEAU FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

7. Inventory

	2014	2013
Seafood Market	\$ 1,000	\$ 1,000
Gas Bar - fuel	39,246	-
Gas Bar - tobacco	68,960	-
	<hr/> \$ 109,206	<hr/> \$ 1,000

8. Accounts Payable

	2014	2013
Trade	\$ 276,612	\$ 410,197
Payroll withholding taxes / pension contributions	813	10,519
Funding repayable to AANDC	15,227	15,227
HST payable	17,603	11,441
Funding repayable to Health Canada	-	12,162
Tuition payable to Province of New Brunswick	129,919	109,740
Accrued liabilities	9,045	-
	<hr/> \$ 449,219	<hr/> \$ 569,286

PABINEAU FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2014

9. Tangible Capital Assets

	Cost	Accumulated amortization	Balance, beginning of year	Cost	Accumulated amortization	Balance, beginning of year	Cost	Accumulated amortization	Balance, beginning of year
Land	\$ 5,000	\$ 5,000	\$ 935,412	\$ 935,412	\$ 200,814	\$ 29,384	\$ 230,198	\$ 5,000	\$ 705,214
Buildings	137,384	49,246	186,630	134,538	8,239	142,777	43,853		
Automotive equipment	59,147	17,632	76,779	43,679	7,284	50,963	25,816		
Computer equipment	75,280	-	75,280	56,519	3,754	60,273	15,007		
Furniture and equipment	269,839	15,491	285,330	109,211	33,675	142,886	142,444		
Equipment	1,600	-	1,600	-	-	-	1,600		
Paintings	184,687	-	184,687	33,247	6,057	39,304	145,383		
Store	4,644	-	4,644	4,644	-	4,644	-		
Computer software	3,575,125	1,428,897	5,004,022	431,426	154,326	585,752	4,418,270		
Water system and reservoir	41,360	-	41,360	39,181	435	39,616	1,744		
Roads	426,000	-	426,000	309,086	17,537	326,623	99,377		
Boats	286,049	-	286,049	52,813	9,329	62,142	223,907		
Community centre	60,000	-	60,000	45,594	4,322	49,916	10,084		
School bus	70,888	5,035	75,923	38,819	6,918	45,737	30,186		
Store equipment	850,830	-	850,830	82,388	30,737	113,125	737,705		
	\$ 6,983,245	\$ 1,516,301	\$ 8,499,546	\$ 1,581,959	\$ 311,997	\$ 1,893,956	\$ 6,605,590		

PABINEAU FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2014

	Cost	Accumulated amortization	
	Balance, beginning of year	Balance, end of year	Balance, beginning of year
Land	\$ 5,000	\$ 5,000	\$ 5,000
Buildings	935,412	-	935,412
Automotive equipment	137,384	-	137,384
Computer equipment	41,599	17,548	59,147
Furniture and equipment	61,030	14,250	75,280
Equipment	96,481	173,358	269,839
Paintings	1,600	-	1,600
Store	184,687	-	184,687
Computer software	4,644	-	4,644
Water system and reservoir	2,714,149	860,976	3,575,125
Roads	41,360	-	41,360
Boats	426,000	-	426,000
Community centre	286,049	-	286,049
School bus	60,000	-	60,000
Store equipment	66,832	4,056	70,888
Health centre	850,830	-	850,830
	\$ 5,913,057	\$ 1,070,188	\$ 6,983,245
	\$ 1,372,484	\$ 209,475	\$ 1,581,959
			\$ 5,401,286

PABINEAU FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

10. Deferred Revenue - AANDC Funding

The deferred revenue is comprised of:

	2014	2013
2004-2005 tuition (Schedule 3)	\$ 80,446	\$ 80,446
Water system capital project (Schedule 2)	846,385	1,120,929
	\$ 926,831	\$ 1,201,375

11. Long-term debt

	2014	2013
Peace Hills Trust loan, bearing interest at Prime plus 1.5%, secured by 1st GSA over all fixed and floating assets with specific interest over Pabineau Tobacco, Gasoline and HST tax and funding due from AANDC and the Province of New Brunswick, repayable in monthly payments of \$4,260, due February 2018.	\$ 102,790	\$ 221,084
	\$ -	\$ -

Principal portion of long-term debt due within the next three years:

2015	\$ 46,837
2016	49,356
2017	6,597
	\$ 102,790

12. Economic Dependence

Pabineau First Nation receives a significant portion of its revenue pursuant to funding arrangements with Aboriginal Affairs and Northern Development Canada and other federal government departments.

PABINEAU FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

13. Financial Instrument Risks and Uncertainties

The First Nation is exposed to the following risks in respect of certain of the financial instruments held:

Credit risk

The financial instruments that potentially subject the First Nation to a significant concentration of credit risk consist primarily of cash and accounts receivable.

The First Nation maintains cash balances with Canadian chartered banks which is insured by the Canada Deposit Insurance Corporation up to CDN \$100,000. From time to time, these balances exceed the federally insured limits and expose the First Nation to credit risk from concentration of cash. The First Nation limits this risk by transacting with reputable financial institutions.

The First Nation does have credit risk in accounts receivable \$761,044 (2013 - \$524,432). Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The First Nation reduces its exposure to credit risk by performing valuations on a regular basis and creating an allowance for bad debts when applicable. The First Nation derives substantially all of its revenues and therefore, accounts receivable, from government sources. In the opinion of management, the credit risk exposure to the First Nation is low and is not material.

Liquidity risk

The First Nation does have a liquidity risk in the accounts payable and accrued liabilities of \$449,220 (2013 - \$569,286). Liquidity risk is the risk that the First Nation cannot repay its obligations when they become due to its creditors. The First Nation reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due and maintains a responsible cash position. In the opinion of management, the liquidity risk exposure to the First Nation is low and is not material.

Interest rate risk

The First Nation is exposed to interest rate risk. This risk exists due to interest rate exposure on its long-term debt, which is variable based on the bank's prime rates. This exposure may have an effect on its interest expenses in future periods. The First Nation reduces its exposure to interest rate risk by regularly monitoring published bank prime interest rates which have been stable over the period presented. The First Nation does not use derivative instruments to reduce its exposure to interest rate risk. In the opinion of management the interest rate risk exposure to the First Nation is low and is not material.

PABINEAU FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

14. Contingent Liabilities

Pabineau 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. The likelihood of compliance reviews and any potential findings are not determinable as at the date on the auditor's report.

15. Comparative Amounts

Certain of the comparative amounts have been reclassified to conform with the presentation adopted in the current period with no changes to the accumulated surplus.

16. Expenses by object

	2014	2013
Wages and benefits	\$ 1,023,984	\$ 1,069,291
Cost of goods sold	1,895,544	960,833
Water system	3,100	34,456
Travel and training	74,073	78,116
Programs and activities	57,308	48,469
Social development	290,425	308,971
Tuition and post-secondary costs	339,878	335,708
Repairs and maintenance	261,719	173,947
Interest and bank charges	56,692	25,503
Professional services	28,500	18,361
Utilities	41,644	40,195
Other	719,090	639,525
Amortization	312,001	209,475
	<hr/> \$ 5,103,958	<hr/> \$ 3,942,850