

**PABINEAU FIRST NATION**

**CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2015**

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PABINEAU FIRST NATION

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

MARCH 31, 2015

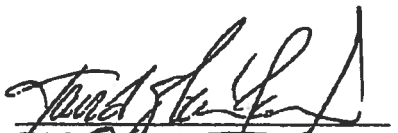
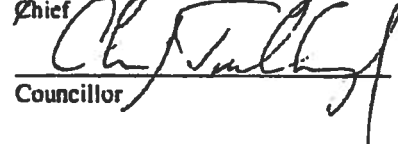
The accompanying consolidated financial statements are the responsibility of management. The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards and necessarily include estimates which are based on management's best judgments.

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.

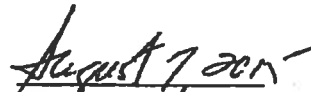
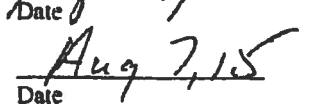
Management is also responsible for implementing and maintaining a system of internal controls designed to give reasonable assurance that transactions are appropriately authorized, assets are safeguarded from loss and financial records are properly maintained to provide reliable information for the preparation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

Lenahan 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  
  
Councillor

Councillor

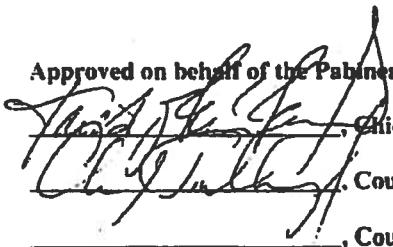
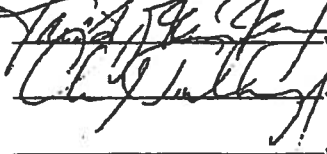
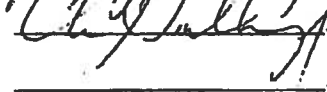
  
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**PABINEAU FIRST NATION**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**MARCH 31, 2015**

	2015	2014
<b>Financial Assets</b>		
Cash (Note 3)	\$ 2,121,401	\$ 1,216,960
Accounts receivable (Note 4)	438,498	761,044
Trust funds held by Federal Government (Note 5)	38,726	21,649
Loan receivable (Note 6)	71,532	71,832
Inventory (Note 7)	127,164	109,206
	<u>2,797,321</u>	<u>2,180,691</u>
<b>Liabilities</b>		
Accounts payable (Note 8)	1,072,466	449,219
Deferred revenue (Note 10)	39,257	-
Deferred revenue - AANDC funding (Note 10)	208,671	926,831
Long-term debt (Note 11)	-	102,790
	<u>1,320,394</u>	<u>1,478,840</u>
<b>Net financial assets</b>	<u>1,476,927</u>	<u>701,851</u>
<b>Non-financial Assets</b>		
Tangible capital assets (Note 9)	8,171,489	6,605,588
Prepaid expenses	13,161	-
	<u>8,184,650</u>	<u>6,605,588</u>
<b>Accumulated Surplus</b>	<u>\$ 9,661,577</u>	<u>\$ 7,307,439</u>

Approved on behalf of the Pabineau First Nation

 Chief  
 Councillor  
 Councillor

The accompanying notes are an integral part of the financial statements

**PABINEAU FIRST NATION**

**CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS**

**FOR THE YEAR ENDED MARCH 31, 2015**

	<b>2015 Budget</b>	<b>2015 Actual</b>	<b>2014 Actual</b>
<b>Surplus</b>	<b>\$ 1,581,219</b>	<b>\$ 2,354,138</b>	<b>\$ 1,799,093</b>
Acquisition of tangible capital assets	-	(1,931,912)	(1,516,302)
Amortization of tangible capital assets	312,000	366,011	312,000
	312,000	(1,565,901)	(1,204,302)
Acquisition of prepaid asset	-	(13,161)	-
Increase in net financial assets	1,893,219	775,076	594,791
Net financial assets at beginning of year	701,851	701,851	107,060
Net financial assets at end of year	\$ 2,595,070	\$ 1,476,927	\$ 701,851

**The accompanying notes are an integral part of the financial statements**

**PABINEAU FIRST NATION**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED MARCH 31, 2015**

	2015 Budget	2015 Actual	2014 Actual
<b>Revenue</b>			
Aboriginal Affairs and Northern Development Canada	\$ 2,636,041	\$ 2,877,946	\$ 2,635,590
Gas bar and smoke shop	1,995,000	2,160,297	2,423,231
Commercial fisheries	443,000	502,350	501,248
Health Canada	320,238	320,238	308,698
Seafood Market	189,000	167,704	187,287
Department of Fisheries and Oceans	163,000	163,000	163,000
Other	679,638	1,285,782	683,995
	<b>6,425,917</b>	<b>7,477,317</b>	<b>6,903,049</b>
<b>Expenditures</b>			
Administration	770,900	762,215	738,320
Community operations	227,000	424,559	213,022
Education	511,000	495,057	501,438
Social development	361,000	359,518	311,754
Health	323,098	322,738	325,723
Community job creation	127,000	141,672	132,851
Fisheries	336,000	289,649	393,646
Capital housing	65,000	48,788	74,183
Seafood Market & Takeout	184,200	162,927	179,561
Pabineau Gas Bar & Smoke Shop	1,627,500	1,750,045	1,921,459
	<b>4,532,698</b>	<b>4,757,168</b>	<b>4,791,957</b>
<b>Surplus before other income</b>	<b>1,893,219</b>	<b>2,720,149</b>	<b>2,111,092</b>
<b>Other income</b>			
Amortization	(312,000)	(366,011)	(312,000)
<b>Surplus</b>	<b>1,581,219</b>	<b>2,354,138</b>	<b>1,799,093</b>
<b>Accumulated surplus at beginning of year</b>	<b>7,307,439</b>	<b>7,307,439</b>	<b>5,508,346</b>
<b>Accumulated surplus at end of year</b>	<b>\$ 8,888,658</b>	<b>\$ 9,661,577</b>	<b>\$ 7,307,439</b>

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, 2015**

	2015	2014
<b>Cash flows from</b>		
<b>Operating activities</b>		
Surplus	\$ 2,354,138	\$ 1,799,093
Items not affecting cash		
Amortization expense	366,011	312,000
	<b>2,720,149</b>	<b>2,111,093</b>
<b>Change in non-cash operating working capital</b>		
Accounts receivable	322,546	(272,087)
Inventory	(17,958)	(108,206)
Prepaid expenses	(13,161)	-
Trust funds held by Federal Government	(17,077)	(535)
Accounts payable	623,244	(84,592)
Deferred revenue	39,257	-
Deferred revenue - AANDC funding	(718,160)	(274,544)
Loan receivable	300	2,700
	<b>2,939,140</b>	<b>1,373,829</b>
<b>Capital activities</b>		
Acquisition of tangible capital assets	(1,931,909)	(1,516,303)
<b>Financing activities</b>		
Repayment of long-term debt	(102,790)	(118,293)
<b>Increase (decrease) in cash and cash equivalents</b>	<b>904,441</b>	<b>(260,767)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>1,216,960</b>	<b>1,477,727</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 2,121,401</b>	<b>\$ 1,216,960</b>

The accompanying notes are an integral part of the financial statements

**PABINEAU FIRST NATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2015**

**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.

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**PABINEAU FIRST NATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2015**

**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.



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**PABINEAU FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2015**

**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.

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**PABINEAU FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2015**

**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**

	2015	2014
Bank balances	\$ 2,109,401	\$ 1,209,516
GIC	10,000	5,444
Petty cash	2,000	2,000
	<b>\$ 2,121,401</b>	<b>\$ 1,216,960</b>

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**PABINEAU FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2015**

**4. Accounts Receivable**

	2015	2014
Aboriginal Affairs and Northern Development Canada	\$ 16,484	\$ 398,551
Department of Fisheries and Oceans	163,000	129,150
Province of New Brunswick	228,985	211,441
Other	21,878	1,455
North Shore MicMac District Council	7,000	19,296
AFNCNB	1,151	1,151
	<b>\$ 438,498</b>	<b>\$ 761,044</b>

**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, 2014	Additions (NBPower access permit and interest)	Withdrawals	March 31, 2015
Revenue	\$ 21,500	\$ 17,077	\$ -	\$ 38,577
Capital	149	-	-	149
	<b>\$ 21,649</b>	<b>\$ 17,077</b>	<b>\$ -</b>	<b>\$ 38,726</b>

**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.

	2015	2014
Balance, beginning of year	\$ 71,832	\$ 74,532
Repayments	(300)	(2,700)
Balance, end of year	<b>\$ 71,532</b>	<b>\$ 71,832</b>

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**PABINEAU FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2015**

**7. Inventory**

	2015	2014
Seafood Market	\$ 1,000	\$ 1,000
Gas Bar - fuel	30,708	39,246
Gas Bar - tobacco	95,456	68,960
	<u>\$ 127,164</u>	<u>\$ 109,206</u>

**8. Accounts Payable**

	2015	2014
Trade	\$ 839,566	\$ 276,612
Payroll withholding taxes / pension contributions	10,971	813
Funding repayable to AANDC	-	15,227
HST payable	26,490	17,603
Tuition payable to Province of New Brunswick	-	129,919
Accrued liabilities	195,437	9,045
	<u>\$ 1,072,464</u>	<u>\$ 449,219</u>

PABINEAU FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2015

**9. Tangible Capital Assets**

	Cost			Accumulated amortization			
	Balance, beginning of year	Additions	Balance, end of year	Balance, beginning of year	Amortization end of year	Balance, end of year	2015 net book value
Land	\$ 5,000	\$ -	\$ 5,000	\$ -	\$ -	\$ -	\$ 5,000
Buildings	935,412	-	935,412	230,198	28,208	258,406	677,006
Automotive equipment	186,630	-	186,630	142,777	13,156	155,933	30,697
Computer equipment	76,779	6,909	83,688	50,963	8,781	59,744	23,944
Furniture and equipment	75,280	-	75,280	60,273	3,001	63,274	12,006
Equipment	285,330	5,841	291,171	142,886	29,073	171,959	119,212
Paintings	1,600	-	1,600	-	-	-	1,600
Store	184,687	-	184,687	39,304	5,816	45,120	139,567
Computer software	4,644	-	4,644	4,644	-	4,644	-
Water system and reservoir	5,004,022	1,918,160	6,922,182	585,752	215,094	800,846	6,121,336
Roads	41,360	-	41,360	39,616	349	39,965	1,395
Boats	426,000	-	426,000	326,623	14,906	341,529	84,471
Community centre	286,049	-	286,049	62,142	8,956	71,098	214,951
School bus	60,000	-	60,000	49,916	3,025	52,941	7,059
Store equipment	75,923	1,000	76,923	45,737	6,137	51,874	25,049
Health centre	850,830	-	850,830	113,125	29,508	142,633	708,197
	\$ 8,499,546	\$ 1,931,910	\$ 10,431,456	\$ 1,893,956	\$ 366,010	\$ 2,259,966	\$ 8,171,490

**PABINEAU FIRST NATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2015**

	Cost			Accumulated amortization		2014 Net
	Balance, beginning of year	Additions	Balance, end of year	Balance, beginning of year	Amortization end of year	book value
Land	\$ 5,000	\$ -	\$ 5,000	\$ -	\$ -	\$ 5,000
Buildings	935,412	-	935,412	200,814	29,384	705,214
Automotive equipment	137,384	49,246	186,630	134,538	8,239	43,853
Computer equipment	59,147	17,632	76,779	43,679	7,284	25,816
Furniture and equipment	75,280	-	75,280	56,519	3,754	15,007
Equipment	269,839	15,491	285,330	109,211	33,675	142,444
Paintings	1,600	-	1,600	-	-	1,600
Store	184,687	-	184,687	33,247	6,057	145,383
Computer software	4,644	-	4,644	4,644	-	-
Water system and reservoir	3,575,125	1,428,897	5,004,022	431,426	154,326	4,418,270
Roads	41,360	-	41,360	39,181	435	1,744
Boats	426,000	-	426,000	309,086	17,537	99,377
Community centre	286,049	-	286,049	52,813	9,329	223,907
School bus	60,000	-	60,000	45,594	4,322	10,084
Store equipment	70,888	5,035	75,923	38,819	6,918	30,186
Health centre	850,830	-	850,830	82,388	30,737	737,705
	\$ 6,983,245	\$ 1,516,301	\$ 8,499,546	\$ 1,581,959	\$ 311,997	\$ 6,605,590

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**PABINEAU FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2015**

**10. Deferred Revenue - AANDC Funding**

The deferred revenue is comprised of:

	2015	2014
2004-2005 tuition (Schedule 3)	\$ 80,446	\$ 80,446
Little River Project	39,257	-
Water system capital project (Schedule 2)	128,225	846,385
	<u>\$ 247,928</u>	<u>\$ 926,831</u>

**11. Long-term debt**

	2015	2014
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
	<u>\$ -</u>	<u>\$ -</u>

**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.

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**PABINEAU FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2015**

**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 \$438,498 (2014 - \$761,044). 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 \$1,072,466 (2014 - \$449,219). 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.



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**PABINEAU FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2015**

**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**

	2015	2014
Wages and benefits	\$ 1,284,179	\$ 1,023,984
Cost of goods sold	1,711,378	1,895,544
Water system	-	3,100
Travel and training	107,308	74,073
Programs and activities	49,877	57,308
Social development	329,874	290,425
Tuition and post-secondary costs	318,001	339,878
Repairs and maintenance	444,864	261,719
Interest and bank charges	21,932	56,692
Professional services	26,208	38,500
Utilities	34,889	41,644
Other	428,658	719,090
Amortization	366,011	312,001
	<b>\$ 5,123,179</b>	<b>\$ 5,103,958</b>

**17. Budgeted figures**

Unaudited budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the Chief and Council.