

**METEPEENAGIAG MT'KMAQ NATION
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014**

**TEED
SAUNDERS
DOYLE & CO.**
Chartered Accountants

METEPEENAGIAG MTKMAQ NATION
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

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An Independent Member of
DFK Canada Inc. and DFK International

INDEPENDENT AUDITOR'S REPORT

To the Chief, Councilors, and Community Members of the Metepenagiag Mi'kmaq Nation

We have audited the accompanying consolidated financial statements of Metepenagiag Mi'kmaq Nation, which comprise the consolidated statement of financial position as at March 31, 2014, and the consolidated statements of operations, changes in net debt and cash flows, and schedules for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts, and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Metepenagiag Mi'kmaq Nation as at March 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Teed Saunders Doyle & Co.

CHARTERED ACCOUNTANTS

Fredericton, New Brunswick
August 27, 2014

Fredericton Partners
Brian J. Saunders Jeffrey E. Saunders
John H. Landry Kenneth H. Kyle
T.J. Smith



Saint John Partners
Andrew P. Logan Peter L. Logan
Jean-Marc Poirier

METEPEENAGIAG MI'KMAQ NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2014

	<u>2014</u>	<u>2013</u>
FINANCIAL ASSETS		
Cash and cash equivalents	\$ -	\$ 132,032
Funds held in trust (note 4)	255,391	255,391
Accounts receivable (note 5)	845,132	756,084
Inventories for resale	<u>9,595</u>	-
	<u>1,110,118</u>	<u>1,143,507</u>
LIABILITIES		
Bank advances (note 7)	372,341	-
Bank loan (note 8)	5,489,452	3,294,273
Accounts payable and accrued liabilities (note 10)	1,520,417	1,410,839
Funds on deposit with AANDC (note 6)	17,031	21,695
Deferred revenue (note 10)	400,000	400,000
Long term debt (note 12)	<u>6,713,286</u>	<u>6,325,860</u>
	<u>14,512,527</u>	<u>11,452,667</u>
NET DEBT	<u>(13,402,409)</u>	<u>(10,309,160)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (note 9)	25,261,187	21,361,273
Prepaid expenses (note 13)	432,174	397,023
Funds on deposit with AANDC (note 6)	17,031	21,695
Restricted funds:		
Operating CMHC (note 14)	105,323	55,069
Reserve CMHC (note 14)	<u>50,969</u>	<u>200,057</u>
Total non-financial assets	<u>25,866,684</u>	<u>22,035,117</u>
ACCUMULATED SURPLUS	<u>\$ 12,464,275</u>	<u>\$ 11,725,957</u>

Approved on behalf of the First Nation:

Chief John Leonard Chief
Councilor
Wendy Clark Councilor
Patricia Land Councilor

Wendy Clark Councilor
John Leonard Councilor
Patricia Land Councilor

METEPENAGIAG MI'KMAQ NATION
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2014

	2014 Budget (Unaudited)	2014 Actual	2013 Actual
Revenue			
Federal government transfers for operating (note 21)	\$ 5,615,315	\$ 7,318,578	\$ 6,722,118
Federal government transfers for capital (note 21)	-	192,257	197,742
Provincial government transfers for operating (note 21)	168,000	370,345	328,906
Rent	219,000	174,088	152,870
Net amounts earned (withdrawn) from held in trust by federal government (note 6)	-	(4,664)	5,653
Administration fees	614,339	856,021	718,848
Other	<u>1,636,850</u>	<u>1,759,618</u>	<u>1,125,510</u>
	<u><u>8,253,504</u></u>	<u><u>10,666,243</u></u>	<u><u>9,251,647</u></u>
Expenses			
Education	1,580,234	1,629,303	1,744,151
Health	844,152	953,639	880,815
Economic development	373,072	385,546	424,930
Housing	1,067,976	1,530,897	1,259,446
Social services	1,420,019	1,405,740	1,402,333
Band administration	1,443,605	1,386,340	1,475,509
Land claims	-	92,771	127,113
Other	<u>1,152,954</u>	<u>2,543,689</u>	<u>1,903,807</u>
	<u><u>7,882,012</u></u>	<u><u>9,927,925</u></u>	<u><u>9,218,104</u></u>
Annual Surplus	371,492	738,318	33,543
Accumulated Surplus - Beginning of Year	<u>—</u>	<u>11,725,957</u>	<u>11,692,414</u>
Accumulated Surplus - End of Year	<u><u>\$ 371,492</u></u>	<u><u>\$ 12,464,275</u></u>	<u><u>\$ 11,725,957</u></u>

METEPEENAGIAG MI'KMAQ NATION

CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT
FOR THE YEAR ENDED MARCH 31, 2014

	2014 <u>Actual</u>	2013 <u>Actual</u>
Annual Surplus	\$ 738,318	\$ 33,543
Changes in Non-Financial Assets		
Acquisition of tangible capital assets	(4,925,423)	(4,850,200)
Amortization of capital assets	1,025,509	1,039,248
Decrease (increase) in prepaid expenses	(35,151)	(35,229)
Use of funds on deposit with AANDC	4,664	(5,653)
Contribution to restricted funds - CMHC	<u>98,834</u>	<u>(79,908)</u>
	(3,831,567)	(3,931,742)
(Increase) Decrease In Net Debt	(3,093,249)	(3,898,199)
Net Debt - Beginning Of Year	(10,309,160)	(6,410,961)
Net Debt - End Of Year	<u>\$13,402,409</u>	<u>\$10,309,160</u>

METEPENAGIAG MI'KMAQ NATION
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2014

	<u>2014</u>	<u>2013</u>
Cash Provided By (Required For):		
Operating Activities		
Excess revenue over expenditures	\$ 738,318	\$ 33,543
Amortization	<u>1,025,509</u>	<u>1,039,248</u>
	1,763,827	1,072,791
Changes in non-cash operating working capital items (note 16)	<u>(24,216)</u>	<u>(249,350)</u>
	<u>1,739,611</u>	<u>823,441</u>
Capital transactions		
Purchase of tangible capital assets	<u>(4,925,423)</u>	<u>(4,850,200)</u>
Financing Activities		
Bank loan	2,195,179	3,294,273
Long term debt (net)	387,426	402,498
Increase in restricted funds	<u>98,834</u>	<u>(79,908)</u>
	<u>2,681,439</u>	<u>3,616,863</u>
Decrease In Cash	<u>(504,373)</u>	<u>(409,896)</u>
Cash Position at Beginning of Year	<u>132,032</u>	<u>541,928</u>
Cash Position at End of Year	<u>\$ (372,341)</u>	<u>\$ 132,032</u>
Cash consists of:		
Cash	\$ -	\$ 132,032
Bank advances	<u>(372,341)</u>	<u>-</u>
	<u>\$ (372,341)</u>	<u>\$ 132,032</u>

METEPEENAGIAG MI'KMAQ NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

1. Summary of Significant Accounting Policies

Basis Of Accounting

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

Reporting Entity

The Metepenagiag Mi'kmaq Nation reporting entity includes all operations of the Metepenagiag Mi'kmaq Nation government including the Metepenagiag Heritage Park Inc., 651738 N.B. Ltd. (Riverside Entertainment Centre) and Red Bank Adventure Lodge Ltd.

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 and are not to be consumed in the normal course of operations. Non-financial assets are acquired, constructed or developed assets that do not provide resources to discharge existing liabilities but are employed to deliver services, may be consumed in normal operations and are not for resale. Non-financial assets include tangible capital assets and prepaid expenses.

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 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.

Measurement Uncertainty

In preparing the consolidated financial statements for the government of Metepenagiag Mi'kmaq Nation, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

Significant estimates pertaining to these consolidated financial statements include the following:

- determination of amortization rates and residual values of tangible capital assets
- establishment of an allowance for doubtful accounts receivable balances

METEPEENAGIAG MI'KMAQ NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

1. Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, balances with banks net of bank overdrafts and term deposits having maturity of three months or less at acquisition which are held for the purpose of meeting short term commitments

Inventories For Resale

Inventories of supplies and goods available for resale are recorded at the lower of cost and net realizable value.

Tangible Capital Assets

Tangible capital assets (TCA's) are items that can be physically touched, are used to provide Band services, are used for Band administration purposes or are used for the construction and/or maintenance of other TCA's owned by the Band, whose useful life extends beyond one year and which are intended to be used on an ongoing basis for producing goods or delivering services.

Amortization is provided annually using the straight line basis as follows:

Residential buildings	4%
Commercial buildings	4%
Roads	4-8%
Water and sanitation	4%
Vehicles	30%
Other equipment	15-20%
Other	4-7%

Amortization for Metepenagiag Heritage Park Inc. is recorded using the declining balance basis at the same rates as indicated above.

Amortization in the Section 95 Housing program is provided on buildings and equipment purchased from loans insured by CMHC at a rate equal to the annual principal reduction of the mortgage. Assets under construction are not amortized until the asset is available for use.

CMHC Section 95 Housing Projects

Housing projects funded through CMHC and eligible for federal assistance subsidies are accounted for by CMHC as pre-1997 projects and post-1977 projects. Operating surpluses can not be amalgamated between these two groups and accordingly separate sub-totals have been provided in these consolidated financial statements.

Pension Plan

Some employees of the Metepenagiag Mi'kmaq Nation are members of a defined contribution plan to which the band contributes between 5.5% to 9% of the employee's gross salary.

METEPENAGIAG MI'KMAQ NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

1. Significant Accounting Policies (continued)

Accounts Receivable

Accounts receivable arise from trade receivables, loans and advances, and federal and provincial government receivables. An allowance for bad debts has been calculated by management based on an assessment of the circumstances influencing the collectibility of the amount, and by using historical loss experience. Amounts deemed uncollectible are written off and deducted from the carrying value of the receivable. Amounts subsequently recovered from accounts previously written off are credited to the allowance account in the period of recovery.

Employee Future Benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, sick leave, annual vacation leave, and defined contributions to employee benefit plans when it is probable that settlement will be required and they are capable of being measured reliably.

Net Debt

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

Income Taxes

The First Nation is an Indian Band and is not subject to income tax. Accordingly, no provision has been made for income taxes.

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

2. Economic Dependence

The Metepenagiag Mi'kmaq Nation receives a major portion of its revenues pursuant to a funding agreement with Aboriginal Affairs and Northern Development Canada. The continued operation of the First Nation is dependent on the continuation of this funding arrangement.

METEPEPENAGIAG MI'KMAQ NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

3. Financial Instruments

Metepenagiag Mi'kmaq Nation is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the company's risk exposure and concentration as of March 31, 2014.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The First Nation is exposed to this risk mainly in respect of its payment of funds for long-term debt, accounts payable, and government remittances payable.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the entity manages exposure through its normal operating and financing activities. The First Nation is exposed to interest rate risk primarily through floating interest rates on certain bank loans.

4. Funds Held in Trust

Cox & Palmer, deposit in trust, Entertainment Center construction	<u>\$ 255,391</u>	<u>\$ 255,391</u>
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5. Accounts Receivable

	<u>2014</u>	<u>2013</u>
Aboriginal Affairs and Northern Development Canada	\$ 5,000	\$ 20,601
Band members	222,392	219,177
Department of Fisheries and Oceans	402,800	286,255
Health Canada	-	9,069
Parks Canada	35,422	77,202
Policing	1,321	1,321
Other receivables	<u>178,197</u>	<u>142,459</u>
Total Accounts Receivable	<u>\$ 845,132</u>	<u>\$ 756,084</u>

METEPEENAGIAG MI'KMAQ NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

6. Funds on Deposit with AANDC

Trust fund accounts arise from monies derived from capital or revenue sources as outlined in Section 62 of the Indian Act. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act.

	<u>2014</u>	<u>2013</u>
Capital Account		
Balance, Beginning and End of Year	<u>\$ 14,759</u>	<u>\$ 14,759</u>
Revenue Account		
Balance, Beginning of Year	6,936	1,283
Add: Interest income	839	719
Big Hole fish rent	<u>70,997</u>	<u>75,534</u>
	<u>78,772</u>	<u>77,536</u>
Less: Band administered (BCR11-14003)	65,900	60,000
Community Xmas events (GR-11-14-04)	<u>10,600</u>	<u>10,600</u>
	<u>76,500</u>	<u>70,600</u>
Balance, End of Year	<u>2,272</u>	<u>6,936</u>
Total AANDC funds on deposit	<u>\$ 17,031</u>	<u>\$ 21,695</u>
Change in funds on deposit from prior year	<u>\$ (4,664)</u>	<u>\$ 5,653</u>

7. Bank Advances

The First Nation has an operating line of credit of \$500,000 with Canadian Imperial Bank of Commerce, bearing interest at prime plus 1% which is secured by a general security agreement. At March 31, 2014 \$372,341 (2013 - \$nil) was outstanding.

8. Bank Loan

	<u>2014</u>	<u>2013</u>
CIBC demand loan at prime plus 1.5%, repayable in one principal instalment of the total amount borrowed up to but not exceeding \$5,500,000 upon receipt of Land Claim Settlement proceeds no later than June 30, 2014, plus interest, security and obligations. Subsequent to year end, the proceeds of the land claim settlement were received and the CIBC demand loan was repaid in full.	<u>\$ 5,489,452</u>	<u>\$ 3,294,273</u>

METEPENAGIAG M'KMAQ NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

2. TANGIBLE CAPITAL ASSETS

	Cost						Accumulated Amortization			Net Book Value	
	Opening Balances	Additions	Disposals	Transfer of Assets	Closing Balances	Opening Balances	Amortization	Depreciation, Write-offs & Other adj.	Closing Balances	Total 2014	Total 2013
Intangible Capital Assets											
Land	\$ 441,365	\$ 1,250,531	\$ -	\$ -	\$ 1,691,863	\$ 1,660,650	\$ 220,173	\$ 1,880,823	\$ 441,365	\$ 441,365	
Residential Buildings	6,344,002	2,995	-	-	7,594,363	10,598,035	3,843,507	517,371	5,711,778	4,683,382	
Commercial Buildings	10,983,059	2,196,254	-	-	13,179,322	11,480,696	531,702	43,737	4,360,978	6,657,071	
Roads	1,066,004	-	-	-	208,397	4,379,491	1,600,803	511,023	575,439	2,873,257	7,141,452
Water and Sanitation	4,379,491	294,211	-	-	4,673,702	2,766,266	276,266	-	1,653,628	2,722,664	1,664,532
Computer Equipment	254,318	146,221	-	-	404,540	244,603	274,211	-	272,022	17,985	2,774,568
Vehicles	3,613,879	7,569	-	-	3,765,248	3,743,785	37,417	-	132,518	23,713	
Other Equipment	1,104,385	-	-	-	1,104,385	784,399	-	-	624,248	628,631	
Licenses	3,665,519	2,471,962	-	-	3,735,249	3,703,199	-	-	319,986	319,986	
Assets under construction					(352,132)				3,783,399	3,665,519	
Total	\$ 33,282,519	\$ 4,925,624	\$ -	\$ 0	\$ 31,207,977	\$ 11,921,240	\$ 1,023,309	\$ -	\$ 12,946,749	\$ 25,261,188	\$ 21,381,273

METEPENAGIAG MI'KMAQ NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

10. Accounts Payable and Accrued Liabilities

	<u>2014</u>	<u>2013</u>
Trade payables	\$ 423,130	\$ 313,950
Government remittances payable	1,081,309	1,072,193
Accrued salaries and employee benefits payable	15,012	23,730
Other accrued liabilities	<u>966</u>	<u>966</u>
Total Accounts Payable and Accrued Liabilities	\$ 1,520,417	\$ 1,410,839

11. Deferred Revenue

	<u>2014</u>	<u>2013</u>
Aboriginal Affairs and Northern Development Canada - Grant 01750 - Specific Claims - Settlements	<u>\$ 400,000</u>	<u>\$ 400,000</u>

12. Long-Term Debt

	<u>2014</u>	<u>2013</u>
CMHC loan at 1.99%, repayable in monthly instalments of \$764, including principal and interest, maturing in May 2014.	\$ 9,074	\$ 17,997
CMHC loan at 2.57%, repayable in monthly instalments of \$1,352, including principal and interest, maturing in December 2019.	81,953	96,090
CMHC loan at 2.63%, repayable in monthly instalments of \$551, including principal and interest, maturing in June 2016.	41,305	46,858
CMHC loan at 1.67%, repayable in monthly instalments of \$714, including principal and interest, maturing in April 2017.	64,742	72,265
CMHC loan at 1.71%, repayable in monthly instalments of \$262, including principal and interest, maturing in September 2017.	24,898	27,637
CMHC loan at 1.53%, repayable in monthly instalments of \$703, including principal and interest, maturing in December 2017.	69,101	76,527
CMHC loan at 1.92%, repayable in monthly instalments of \$190, including principal and interest, maturing in April 2019.	20,590	22,503
CMHC loan at 1.92%, repayable in monthly instalments of \$418, including principal and interest, maturing in April 2019.	<u>45,611</u>	<u>49,813</u>
Carried forward	<u>\$ 357,274</u>	<u>\$ 409,690</u>

METEPEENAGIAG MI'KMAQ NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

12. Long-Term Debt (continued)

	<u>2014</u>	<u>2013</u>
Carried forward	\$ 357,274	\$ 409,690
CMHC loan at 2.76%, repayable in monthly instalments of \$286, including principal and interest, maturing in June 2015	32,601	35,188
CMHC loan at 2.63%, repayable in monthly instalments of \$312, including principal and interest, maturing in June 2016.	39,026	41,808
CMHC loan at 1.67%, repayable in monthly instalments of \$580, including principal and interest, maturing in April 2017.	81,816	87,491
CMHC loan at 2.84%, repayable in monthly instalments of \$317, including principal and interest, maturing in April 2015.	48,919	51,427
CMHC loan at 1.62%, repayable in monthly instalments of \$282, including principal and interest, maturing in March 2018.	41,867	44,607
CMHC loan at 2.65%, repayable in monthly instalments of \$295, including principal and interest, maturing in April 2016.	48,545	50,894
Provincial tuition payable, without interest, repayable in monthly principal instalments of \$3,463 maturing in July 2032.	758,514	800,071
AANDC recovery at 0%, repayable in monthly principal instalments of \$6000.	475,814	540,153
Bank of Montreal loan at prime plus 2%, repayable in monthly principal instalments of \$667, plus interest, secured by a police vehicle, maturing in December 2014.	3,835	12,997
CMHC loan at 2.75%, repayable in monthly instalments of \$541, including principal and interest, maturing in February 2016.	106,912	110,686
CMHC loan at 2.75%, repayable in monthly instalments of \$1,623, including principal and interest, maturing in February 2016.	<u>320,793</u>	<u>332,112</u>
Carried forward	\$ 2,315,916	\$ 2,517,124

METEPEPENAGIAG MI'KMAQ NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2014

12. Long-Term Debt (continued)

	2014	2013
Carried forward	\$ 2,315,916	\$ 2,517,124
CMHC loan at 2.39%, repayable in monthly instalments of \$606, including principal and interest, maturing in September 2015.	122,258	126,822
CMHC loan at 2.65%, repayable in monthly instalments of \$327, including principal and interest, maturing in April 2016.	53,644	56,239
CMHC loan at 2.56%, repayable in monthly instalments of \$1,853, including principal and interest, maturing in December 2015.	370,948	384,388
CMHC loan at 1.49%, repayable in monthly instalments of \$1,002, including principal and interest, maturing in January 2017.	232,564	241,363
CMHC loan at 1.67%, repayable in monthly instalments of \$555, including principal and interest, maturing in April 2017.	127,216	131,906
CMHC loan at 1.67%, repayable in monthly instalments of \$523, including principal and interest, maturing in April 2017.	119,753	124,168
CMHC loan at 1.64%, repayable in monthly instalments of \$1,016, including principal and interest, maturing in February 2017.	232,789	241,433
CMHC loan at 1.67%, repayable in monthly instalments of \$511, including principal and interest, maturing in April 2017.	117,127	121,445
Private loan payable, repayable in monthly instalments of \$4,000, non interest bearing.	-	30,000
Bank of Montreal loan at 5.52%, repayable in monthly instalments of \$3,460, including principal and interest, maturing in June 2016, guaranteed by AANDC.	<u>536,676</u>	<u>549,341</u>
Carried forward	4,228,891	4,524,229

METEPEENAGIAG MI'KMAQ NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

12. Long-Term Debt (continued)

	<u>2014</u>	<u>2013</u>
Carried forward	\$ 4,228,891	\$ 4,524,229
CIBC loan at prime plus 1.5%, repayable in monthly principal instalments of \$6,550 plus interest. Security and obligations includes; first ranking interest in all personal property for Metepenagiag Mi'Kmaq Nation, property insurance and Band Council Resolution requesting that all funds due from Aboriginal Affairs and Northern Development Canada be forwarded to the Bank until such time as all debt due to the Bank is paid in full, maturing in September 2019.	432,100	510,700
CIBC loan at prime plus 1.5%, repayable in annual principal instalments of \$200,000, plus interest. Security and obligations includes; first ranking interest in all personal property for Metepenagiag Mi'Kmaq Nation, property insurance and Band Council Resolution requesting that all funds due from Aboriginal Affairs and Northern Development Canada be forwarded to the Bank until such time as all debt due to the Bank is paid in full, maturing in September 2016.	600,000	800,000
CIBC loan at prime plus 1.5%, repayable in monthly principal instalments of \$4,000 plus interest. Security and obligations includes; first ranking interest in all personal property for Metepenagiag Mi'Kmaq Nation, property insurance and Band Council Resolution requesting that all funds due from Aboriginal Affairs and Northern Development Canada be forwarded to the Bank until such time as all debt due to the Bank is paid in full, maturing in February 2015.	44,000	92,000
CMHC loan at 1.68%, repayable in monthly instalments of \$1,113, including principal and interest, maturing in April 2018.	264,418	262,506
CMHC loan at 1.68%, repayable in monthly instalments of \$565, including principal and interest, maturing in April 2018.	<u>134,362</u>	<u>136,425</u>
Carried forward	5,703,771	6,325,860

METEPEENAGIAG MI'KMAQ NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

12. Long-Term Debt (continued)

	<u>2014</u>	<u>2013</u>
Carried forward	\$ 5,703,771	\$ 6,325,860
CMHC loan at 2.04%, repayable in monthly instalments of \$2,171, including principal and interest, maturing in March 2019.	510,252	-
CIBC loan at prime plus 1.5%, repayable in monthly principal instalments of \$1,787 plus interest. Security and obligations includes; first security interest in a 2013 Thomas Saf - T-Liner C2 school bus, first ranking interest in all personal property for Metepenagiag Mi'Kmaq Nation, property insurance and Band Council Resolution requesting that all funds due from Aboriginal Affairs and Northern Development Canada be forwarded to the Bank until such time as all debt due to the Bank is paid in full, maturing in June 2018.	91,139	-
CIBC loan at 5.14%, repayable in monthly instalments of \$603, including principal and interest, maturing in February 2019.	102,031	-
CIBC loan at 5.14%, repayable in monthly instalments of \$603, including principal and interest, maturing in February 2019.	102,031	-
CIBC loan at 5.14%, repayable in monthly instalments of \$603, including principal and interest, maturing in February 2019.	102,031	-
CIBC loan at 5.14%, repayable in monthly instalments of \$603, including principal and interest, maturing in February 2019.	<u>102,031</u>	<u>-</u>
	<u><u>\$ 6,713,286</u></u>	<u><u>\$ 6,325,860</u></u>

13. Prepaid Expenses

	<u>2014</u>	<u>2013</u>
Trust liability, prepaid law suit settlement - Land claims	\$ 417,174	\$ 397,023
Other	<u>15,000</u>	<u>-</u>
Total Prepaid Expenses	<u><u>\$ 432,174</u></u>	<u><u>\$ 397,023</u></u>

14. Restricted Funds

Operating Reserve

Under the terms of the agreement with Canada Mortgage and Housing Corporation, excess surpluses in the post-1996 program may be retained in an operating surplus reserve with no maximum 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 CMHC from time to time. The funds in the account may be used to offset future operating deficits.

METEPEPENAGIAG MI'KMAQ NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

14. Restricted funds (continued)

Replacement Reserve

Under the terms of the agreement with Canada Mortgage and Housing Corporation, the replacement reserve account is to be credited in the amount of \$27,270 annually for the pre-1997 program until it accumulates to \$109,080 plus interest. An amount of \$28,000 can be credited annually to the post-1996 program with no limit. These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time. The funds in the account may only be used as approved by CMHC.

Subsidy Reserve

Under the terms of the agreement with Canada Mortgage and Housing Corporation, 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 CMHC from time to time. The funds in the account may only be used to meet future subsidy requirements of income-tested occupants over and above the maximum federal assistance. When the fund has attained the maximum of \$500 per unit, up to 10% of the excess assistance during the year may be transferred to other projects within the same community or area that are assisted under the same program. Otherwise the excess amount is payable to CMHC.

	2014	2013
Operating reserve	\$ 105,323	\$ 55,069
Replacement reserve	50,969	200,057
Subsidy reserve	—	—
	<u>\$ 156,292</u>	<u>\$ 255,126</u>

15. Reconciliation of Aboriginal Affairs and Northern Development Canada (AANDC) Funding

	2014	2013
AANDC revenue per consolidated financial statements	\$ 5,766,212	\$ 4,879,659
Less: Prior year deferred revenue		
AANDC - 1750 Specific Claims - Settlements	(400,000)	(400,000)
Add: Current year deferred revenue		
AANDC - 1750 Specific Claims - Settlements	<u>400,000</u>	<u>400,000</u>
	<u>\$ 5,766,212</u>	<u>\$ 4,879,659</u>
Funding per AANDC revenue confirmation	<u>\$ 5,766,212</u>	<u>\$ 4,879,659</u>

METEPEENAGIAG MI'KMAQ NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

16. Changes in Non-Cash Operating Working Capital Items

	<u>2014</u>	<u>2013</u>
Funds held in trust	\$ -	\$ (255,391)
Accounts receivable	(89,048)	272,392
Prepaid expenses	(35,151)	(35,229)
Inventory	(9,595)	-
Accounts payable and accrued liabilities	109,578	18,878
Deferred revenue	<u>-</u>	<u>(250,000)</u>
	<u>\$ (24,216)</u>	<u>\$ (249,350)</u>

17. Expenses by Object

The following is a summary of expenses by object.

	<u>2014</u>	<u>2013</u>
Amortization	\$ 1,025,509	\$ 1,039,247
Consulting	133,883	215,146
Financial administration	853,260	718,848
Insurance	192,810	175,773
Interest and bank charges	13,699	15,345
Interest on long term debt	203,051	231,272
Miscellaneous	59,884	9,565
Office supplies	8,559	31,585
Other	2,957,859	2,416,823
Professional fees	102,970	95,377
Reimbursement of government funding	25,394	44,047
Repairs and maintenance	322,180	367,283
Salaries and benefits	3,341,659	3,289,694
Supplies	100,165	137,552
Travel and staff development	311,761	157,293
Utilities	<u>274,882</u>	<u>273,254</u>
	<u>\$ 9,927,525</u>	<u>\$ 9,218,104</u>

18. Contingent Liability

The Metepenagiag Mi'kmaq 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 Metepenagiag Mi'kmaq Nation is contingently liable for interest on tuition fees owing to the province of New Brunswick for an amount totalling \$318,343 (2013 - \$212,556). In the event that the Metepenagiag Mi'kmaq Nation does not respect the repayment terms of the settlement agreement, then the amount of interest will become payable on demand.

METEPENAGIAG MI'KMAQ NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

19. Comparative Figures

Certain comparative figures have been reclassified to conform with the presentation used in the current year.

20. Budget Figures

Unaudited budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the chief and councilors of Metepenagiag Mi'kmaq Nation.

21. Government Transfers

	<u>Operating</u>	<u>Capital</u>	<u>2014 Total</u>
Federal government transfers:			
Aboriginal Affairs and Northern Development Canada	\$5,573,955	\$ 192,257	\$5,766,212
Health Canada	659,239	-	659,239
Canada Mortgage and Housing Corporation	106,757	-	106,757
Other	<u>978,627</u>	<u>-</u>	<u>978,627</u>
	7,318,578	192,257	7,510,835
Provincial government transfers:			
	<u>370,345</u>	<u>-</u>	<u>370,345</u>
	<u>\$7,688,923</u>	<u>\$ 192,257</u>	<u>\$7,881,180</u>
	<u>Operating</u>	<u>Capital</u>	<u>2013 Total</u>
Federal government transfers:			
Aboriginal Affairs and Northern Development Canada	\$4,690,986	\$ 188,673	\$4,879,659
Health Canada	612,393	9,069	621,462
Canada Mortgage and Housing Corporation	131,698	-	131,698
Other	<u>1,287,041</u>	<u>-</u>	<u>1,287,041</u>
	6,722,118	197,742	6,919,860
Provincial government transfers:			
	<u>328,906</u>	<u>-</u>	<u>328,906</u>
	<u>\$7,051,024</u>	<u>\$ 197,742</u>	<u>\$7,248,766</u>

METEPENAGIAG MI'KMAQ NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

22. Segment Disclosure

The presentation by segment is based on the same accounting policies as described in the summary of Significant Accounting Policies as described in Note 1.
 The following table presents the expenses incurred and the revenue generated by main object of expense and by major revenue type.
 The segment results for the period are as follows:

	Education			Health			Economic Development		
	Budget 2014	2014	2013	Budget 2014	2014	2013	Budget 2014	2014	2013
Revenues									
Federal Government Operating Transfers	\$ 1,513,310	\$ 1,632,560	\$ 1,865,561	\$ 639,961	\$ 756,120	\$ 757,468	\$ 475,375	\$ 212,717	\$ 221,905
Federal Government Capital Transfers	-	-	-	-	-	-	9,069	-	-
Provincial Government Operating Transfers	-	-	-	-	-	-	-	-	-
Provincial Government Capital Transfers	-	-	-	-	-	-	-	-	-
Rent	-	-	-	-	-	-	-	27,000	-
Net Amounts Earned (Withdrawn) from Held in Trust by Federal Government	-	-	-	-	-	-	-	-	-
Administration Fees	10,417	154,994	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total Revenues	1,523,727	1,847,554	1,865,561	639,961	756,120	757,468	475,375	212,717	221,905
Expenses									
Salaries and benefits	\$18,271	645,756	559,945	617,292	564,460	526,240	165,238	31,200	283,871
Debt Servicing	-	-	-	-	-	-	-	-	-
Amortization	-	-	-	-	4,725	-	54,000	78,657	68,949
Other Expenses	1,061,963	983,547	1,184,206	226,860	384,454	354,575	153,834	275,689	77,110
Total Expenses	1,580,234	1,639,303	1,744,151	844,152	953,639	880,815	373,072	385,546	424,930
Annual Surplus (Deficit)	\$ (56,507)	\$ 218,251	\$ 121,410	\$ (204,191)	\$ (197,519)	\$ (164,278)	\$ 129,303	\$ (172,529)	\$ (203,025)

METTEPENAGIAG MICKMAQ NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

22. Segment Disclosure (continued)

	Housing			Social Services			Band Government Budget		
	Budget 2014	2014	2013	Budget 2014	2014	2013	Budget 2014	2014	2013
Revenues									
Federal Government Operating Transfers	\$ 379,574	\$ 1,457,436	\$ 677,473	\$ 1,854,997	\$ 1,890,650	\$ 1,855,397	\$ 531,746	\$ 604,275	\$ 582,581
Federal Government Capital Transfers	186,327	192,257	188,673	-	-	-	-	168,000	231,304
Provincial Government Operating Transfers	-	-	-	-	-	-	-	-	227,162
Provincial Government Capital Transfers	-	-	-	-	-	-	-	-	-
Rent	192,000	155,238	143,120	-	-	-	-	18,850	9,750
Net Amounts Earned (Withdrawn) from Held in Trust by Federal Government	-	-	-	-	-	-	-	(4,664)	-
Administration Fees	-	-	-	-	-	-	614,319	856,021	718,848
Other	-	31,353	-	-	-	-	132,000	166,567	202,374
Total Revenues	752,101	1,836,284	1,009,266	1,854,997	1,890,650	1,855,397	1,446,085	1,872,353	1,741,815
Expenses									
Salaries and benefits	171,010	202,296	180,492	76,819	88,619	98,432	498,705	510,120	495,884
Debt Servicing	48,000	60,528	64,911	-	-	-	246,000	150,765	166,285
Amortization	564,000	585,697	580,792	-	-	-	19,200	4,249	3,166
Other Expenses	284,966	682,377	433,251	1,343,200	1,317,121	1,303,901	679,700	721,206	808,321
Total Expenses	1,067,976	1,530,898	1,259,446	1,420,019	1,405,740	1,402,333	1,443,605	1,386,340	1,475,156
Annual Surplus (Deficit)	\$ (315,875)	\$ 305,386	\$ (250,180)	\$ 434,978	\$ 484,910	\$ 453,064	\$ 2,480	\$ 486,013	\$ 266,659

METTEPENAGIAG MI'KMAQ NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

22. Segment Disclosure (continued)

	Land Claims			Other			Consolidated Totals		
	Budget 2014	2014	2013	Budget 2014	2014	2013	Budget 2014	2014	2013
Revenues				\$ 489,825	\$ 704,820	\$ 811,733	\$ 5,878,788	\$ 7,318,578	\$ 6,722,118
Federal Government Operating Transfers							186,327	192,257	197,742
Federal Government Capital Transfers				119,000	139,041	101,144	287,000	370,345	324,906
Provincial Government Operating Transfers									
Provincial Government Capital Transfers									
Rent							219,000	174,088	152,870
Net Amounts Earned (Withdrawn) from Held in Trust by Federal Government									
Administration Fees							5,653	(4,664)	5,653
Other							614,339	856,021	718,848
Total Revenues				925,433	1,406,703	922,636	1,067,350	1,759,618	1,125,310
				<u>1,534,258</u>	<u>2,250,564</u>	<u>1,841,166</u>	<u>8,253,504</u>	<u>10,566,243</u>	<u>9,251,647</u>
Expenses									
Salaries and benefits				759,777	1,273,639	1,143,831	2,807,112	3,316,090	3,289,695
Debt Servicing						76	294,900	211,293	231,272
Amortization				68,400	352,181	386,340	705,600	1,025,509	1,039,247
Other Expenses				92,771	127,466	917,867	373,560	4,075,300	5,375,034
Total Expenses									
				<u>92,771</u>	<u>127,466</u>	<u>1,152,954</u>	<u>2,543,687</u>	<u>1,903,807</u>	<u>7,882,012</u>
Annual Surplus (Deficit)									

METEPENAGIAG MI'KMAQ NATION
SUPPLEMENTARY SCHEDULE OF HEALTH CANADA CONTRIBUTION FUNDING
MARCH 31, 2014

	Health Canada Description of Funding	Health Services Transfer	Abriginal Diabetes Initiative	Community Disease Control	Environmental Health - Drinking Water Safety Program	First Nations and Inuit Health Information Systems	First Nations and Inuit Home and Community Care	Net-issued Health Benefits - Medical Transportation	Oral Health Strategy - Children's Oral Health Initiative	Health Services - Capital	Total
Revenues											
Expenses											
Oral Health											
Bulky Pictures and Healthy Communities											
Culture											
Dental float											
Evaluation and Planning											
Homes and Community Care											
Mental Health and Wellness											
Non Insured Health Benefits											
Office supplies and computer equipment											
Post-mail											
Prescriptions and medical supplies											
Professional services											
Training											
Travel											
Utilities											
Administration											
Tangible Capital assets											
Wages and Benefits											
Total Expenses		308,351	24,935	1,696	1,177	15,512	462,333	91,770	6,105	1,256	921,157
Surplus (Deficit)											
		\$ 119,792	\$ -	\$ (196)	\$ (407)	\$ (2,312)	\$ (211,401)	\$ (49)	\$ (140)	\$ (123)	\$ (261,918)