

**SAINT MARY'S FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014**

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CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

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SAINT MARY'S FIRST NATION

MARCH 31, 2014

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Saint Mary's First Nation are the responsibility of management and have been approved by Chief and Council.

These consolidated financial statements have been prepared by management in accordance with the Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants and as such include amounts that are the best estimates and judgements of management.

Management is responsible for the integrity and objectivity of these statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The First Nation Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and is ultimately responsible for reviewing and approving the consolidated financial statements.

The First Nation 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 auditor's report.

The external auditors, Teed Saunders Doyle & Co., conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of Saint Mary's First Nation and meet when required.

Clif Call P
Clif Call P
Leean Pulchic J Leean Pulchic J
Chief Councilor

July 20/14

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**TEED
SAUNDERS
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Chartered Accountants

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INDEPENDENT AUDITORS' REPORT

To the Chief and Band Councilors of Saint Mary's First Nation

We have audited the accompanying consolidated financial statements of Saint Mary's First 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 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 Saint Mary's First 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.

Teeed Saunders Doyle & Co.
CHARTERED ACCOUNTANTS

Fredericton, New Brunswick
July 28, 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

SAINT MARY'S FIRST NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2014

	<u>2014</u>	<u>2013</u>
FINANCIAL ASSETS		
Cash (note 3)	\$ 13,755,613	\$ 11,715,640
Restricted cash (note 3)	77,996	69,719
Accounts receivable (note 4)	2,127,266	2,169,533
Contributions receivable (note 5)	165,400	147,666
Investment in Saint Mary's Economic Development Corporation (note 14)	1,684,319	1,501,555
Inventory for resale (note 15)	922,835	683,524
Funds held in trust (note 13)	4,190	4,086
Loan receivable (note 7)	<u>3,845,873</u>	<u>4,132,136</u>
Total financial assets	<u>22,583,492</u>	<u>20,423,859</u>
LIABILITIES		
Accounts payable and accrued liabilities (note 8)	5,638,650	8,035,638
Deferred revenue (note 9)	376,423	433,621
Long-term debt (note 10)	<u>14,731,107</u>	<u>15,776,549</u>
Total liabilities	<u>20,746,180</u>	<u>24,245,808</u>
NET FINANCIAL ASSETS (NET DEBT)	<u>1,837,312</u>	<u>(3,821,949)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (note 6)	26,877,434	25,454,917
Prepaid expenses	82,876	136,912
Total non-financial assets	<u>26,960,310</u>	<u>25,591,829</u>
ACCUMULATED SURPLUS	<u>\$ 28,797,622</u>	<u>\$ 21,769,880</u>

Cedric Bulchuk
J. M. M.

SAINT MARY'S FIRST NATION
CONSOLIDATED STATEMENT OF OPERATIONS
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>
Revenue			
Aboriginal Affairs and Northern Development			
Canada (note 12)	\$ 9,976,270	\$ 11,039,860	\$ 10,628,100
Department of Fisheries and Oceans Canada	599,500	572,024	616,690
Canada Mortgage and Housing Corporation	1,555,252	1,399,758	1,465,321
Retail Sales Program Operation	31,167,869	40,870,332	34,804,680
Province of New Brunswick (note 17)	23,400	5,003,745	1,169,195
Leasing Company	656,279	692,746	656,279
Net income from investment in St. Mary's Economic Development Corporation		182,764	639,713
First Nations Aboriginal Skills and Employment Strategies	460,672	565,618	461,907
Other	7,994,634	8,457,333	9,133,844
Logging	649,167	677,592	399,300
Health Canada	<u>1,303,152</u>	<u>1,266,553</u>	<u>1,295,324</u>
	<u>54,386,195</u>	<u>70,728,325</u>	<u>61,270,353</u>
Expenditures			
Band Support	6,405,373	6,377,297	7,096,800
Social Assistance Administration	115,932	99,228	54,425
Child and Family Services	876,917	1,429,406	1,243,496
Daycare Services	158,639	164,328	166,672
Adult Care Services	92,015	68,315	75,420
Ancillary Services	345,840	274,144	254,775
Fisheries - DFO - AICFI	105,000	199,460	152,495
Band School	1,253,891	1,271,906	1,293,403
Busing and Transportation	175,787	177,325	150,798
Community Public Works	384,311	506,060	408,950
Community Planning / Culture	146,977	140,985	145,879
Fisheries - AFS	299,500	304,599	306,903
Fisheries - Other seafood	173,582	235,462	196,990
Recreation	119,886	99,501	101,456
Tuition Agreement	1,473,739	1,515,864	1,390,049
Fisheries - Lobster	432,320	711,963	681,767
Band Projects	119,103	108,953	126,323
Housing Fund	360,562	1,195,071	1,283,264
Social Assistance Fund	4,269,960	4,211,125	4,133,995
Post Secondary Education	5,278,786	1,206,874	1,128,209
First Nations ASETS	622,594	529,345	419,128
Health	1,162,816	1,097,935	1,189,286
Forestry	649,167	599,070	386,150
Retail Sales Program Operation	30,432,585	38,843,295	33,823,319
Leasing Company	656,279	949,314	1,015,999
CMHC Housing	<u>1,555,252</u>	<u>1,383,758</u>	<u>1,447,329</u>
	<u>57,666,813</u>	<u>63,700,583</u>	<u>58,673,280</u>
Annual Surplus (Deficit)	(3,280,618)	7,027,742	2,597,073
Accumulated Surplus - Beginning of Year	<u>21,769,880</u>	<u>21,769,880</u>	<u>19,172,807</u>
Accumulated Surplus - End of Year	<u>\$ 18,489,262</u>	<u>\$ 28,797,622</u>	<u>\$ 21,769,880</u>

SAINT MARY'S FIRST NATION

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (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>
Annual Surplus For The Year	\$ 845,146	\$ 7,027,742	\$ 2,597,073
Acquisition of tangible capital assets	-	(3,183,185)	(2,589,439)
Disposition of tangible capital assets	-	217,705	126,944
Amortization of capital assets	-	1,542,963	1,485,143
Decrease (increase) in prepaid expenses	<u>-</u>	<u>54,036</u>	<u>(47,321)</u>
		<u>(1,368,481)</u>	<u>(1,024,673)</u>
(Increase) Decrease In Net Debt	845,146	5,659,261	1,572,400
Net Financial Assets (Net Debt) - Beginning Of Year	(3,821,949)	(3,821,949)	(5,394,349)
Net Financial Assets (Net Debt) - End Of Year	<u>(2,976,803)</u>	<u>\$ 1,837,312</u>	<u>\$ (3,821,949)</u>

SAINT MARY'S FIRST NATION
CONSOLIDATED STATEMENT OF CASH FLOWS
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>
Cash Provided By (Required For):			
Operating Activities			
Annual Surplus For The Year	\$ 845,146	\$ 7,027,742	\$ 2,597,073
Item not affecting cash			
Amortization	<u>1,425,000</u>	<u>1,542,963</u>	<u>1,485,143</u>
	2,270,146	8,570,705	4,082,216
Changes in non-cash operating working capital (note 16)	<u>—</u>	<u>(2,614,928)</u>	<u>65,647</u>
	<u>2,270,146</u>	<u>5,955,777</u>	<u>4,147,863</u>
Investing Activities			
Additions to tangible capital assets	—	(3,183,185)	(2,589,439)
Disposal of tangible capital assets	—	217,705	126,944
Repayment of loan receivable	487,148	286,263	511,499
Investment in Saint Mary's Economic Development Corporation	<u>—</u>	<u>(182,764)</u>	<u>(639,713)</u>
	<u>487,148</u>	<u>(2,861,981)</u>	<u>(2,590,709)</u>
Financing Activities			
Repayment of long-term debt	(1,111,412)	(1,849,315)	(1,718,690)
Proceeds from long-term debt	<u>—</u>	<u>803,873</u>	<u>1,404,426</u>
	<u>(1,111,412)</u>	<u>(1,045,442)</u>	<u>(314,264)</u>
Increase In Cash During The Year	1,645,882	2,048,354	1,242,890
Cash Position At Beginning Of Year	<u>11,789,445</u>	<u>11,789,445</u>	<u>10,546,555</u>
Cash Position At End Of Year	<u>\$ 13,435,327</u>	<u>\$ 13,837,799</u>	<u>\$ 11,789,445</u>

SAINT MARY'S FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

1. Description of Entity

The Saint Mary's First Nation operates a First Nations Band in Fredericton, New Brunswick for the benefit of its members.

2. Significant Accounting Policies.

Basis of Accounting

These 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 Saint Mary's First Nation reporting entity includes the Saint Mary's First Nation government and all related entities that are controlled by the First Nation.

Principles of Consolidation

All controlled entities are fully consolidated on a line-by-line basis except for the commercial enterprises which meet the definition of government business enterprise, which are included in the Consolidated Financial Statements on a modified equity basis. Inter-organizational balances and transactions are eliminated upon consolidation.

Under the modified equity method of accounting, only Saint Mary's First Nation's investment in the government business enterprise and the enterprise's net income and other changes in equity are recorded. No adjustment is made for accounting policies of the enterprise that are different from those of Saint Mary's First Nation.

Organizations consolidated in the Saint Mary's First Nation's financial statements include:

- Band Support Fund
- Housing Fund
- Welfare Fund
- Post Secondary Education Program
- Health Program
- Saint Mary's Retail Sales Program Operation
- Saint Mary's Leasing Company Ltd.
- Aboriginal Skills and Employment Training Strategy
- Logging Program
- Saint Mary's CMHC Housing

The consolidated statements also include an investment in the Saint Mary's Economic Development Corporation (note 14) using the modified equity method.

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, and prepaid expenses.

SAINT MARY'S FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

2. Significant Accounting Policies (cont'd)

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and cash in bank accounts.

Accounts Receivable and Contributions Receivable

Accounts receivable and contributions receivable arise from trade receivables, loans and advances, and federal and provincial government funding. An allowance for bad debts has been calculated, through discussions with management, assessment of the other circumstances influencing the collectability of amounts, and using historical loss experience. Amounts deemed uncollectable 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.

Inventory

Inventory is recorded at the lower of cost and net realizable value. Cost is determined on the first in, first out basis.

Tangible Capital Assets

Tangible capital assets include acquired, built, developed and improved tangible capital assets, whose useful life extends beyond one year and which are intended to be used on an ongoing basis for producing goods or delivering services.

Tangible capital assets are reported at net book value.

Certain assets which have historical or cultural value, including works of art, historical documents and historical and cultural artifacts, are not recognized as tangible capital assets. Assets under construction are not amortized until the asset is available to be put into service.

Amortization is provided annually, at rates calculated to write-off the assets over their estimated useful lives as follows:

Housing/Buildings	4% Straightline and declining balance
Paving	5% Straightline
Pool	10% Straightline
Equipment	10% Straightline and 20% declining balance
Computer equipment	25% Straightline
Vehicles	20% Straightline

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.

SAINT MARY'S FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

2. Significant Accounting Policies (cont'd)

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.

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.

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 is performed.

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.

Foreign Currency Translation

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. Revenues and expenses denominated in foreign currencies are translated using the average exchange rate for the year.

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.

SAINT MARY'S FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

2. Significant Accounting Policies (cont'd)

Measurement Uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Significant estimates pertaining to these financial statements include the determination of amortization rates and residual values of tangible capital assets.

Financial Instruments Policy

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.

3. Cash

Cash is comprised of the following:

	<u>2014</u>	<u>2013</u>
Externally restricted		
Moveable assets reserve	\$ 77,996	\$ 69,719
Trust funds held by federal government	<u>4,190</u>	<u>4,086</u>
	<u>82,186</u>	<u>73,805</u>
Unrestricted		
Operating	12,389,981	10,367,643
Guaranteed investment certificates	<u>1,365,632</u>	<u>1,347,997</u>
	<u>13,755,613</u>	<u>11,715,640</u>
Total Cash	<u>\$ 13,837,799</u>	<u>\$ 11,789,445</u>

SAINT MARY'S FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

4. Accounts Receivable

Accounts Receivable consists of the following:

	2014	2013
Due from members:		
Loans	<u>\$ 85,064</u>	<u>\$ 76,177</u>
Due from others:		
Province of New Brunswick, DFO And Other Funding Agencies	999,279	1,208,041
Human Resources and Social Development Canada	180,729	143,655
Health Canada	22,556	10,274
Forestry	42,489	30,204
Retail Sales Program	684,611	633,937
Other (net of allowance for doubtful accounts)	<u>112,538</u>	<u>67,245</u>
	<u>2,042,202</u>	<u>2,093,356</u>
Total Accounts Receivable	<u>\$ 2,127,266</u>	<u>\$ 2,169,533</u>

5. Contributions Receivable

	2014	2013
Aboriginal Affairs and Northern Development Canada		
Per funding confirmation	\$ 175,000	\$ 51,867
Maintenance - Foster Homes - 02371	(9,600)	130,002
Prevention/Least Disruptive Measures - 02388	<u>—</u>	<u>(34,203)</u>
	<u>\$ 165,400</u>	<u>\$ 147,666</u>

6. Tangible Capital Assets

	Cost					Accumulated Amortization					Net Book Value
	Opening Balance	Additions	Disposals	Transfers of Assets	Closing Balance	Opening Balance	Amortization	Disposals, Write-offs & Other adj.	Closing Balance	Total 2014	Total 2013
Tangible Capital Assets											
Commercial Land	\$ 642,073			\$ 642,073	\$ 642,073				\$ 642,073	\$ 642,073	
Commercial Land	1,653,637			1,653,637	1,653,637				1,653,637	1,653,637	
Residential Land	9,966,641	306,936		10,273,577	3,582,781	414,822			3,997,603	6,275,974	
Commercial buildings	26,020,333	509,854		26,560,187	10,675,644	890,791			11,566,435	14,993,752	
Residential buildings									423,257	213,050	
Roads	638,307			638,307	393,342	31,915				244,965	
Furniture and fixtures	1,857,686			1,857,686	1,276,559	79,440			1,355,999	501,687	
Vehicles	739,932			739,932	709,658	18,317			727,1975	11,957	
Computer equipment	106,775			106,775	100,870	2,362			103,232	3,543	
Leasehold improvements	58,124			58,124	58,124				116,248	(58,124)	
Assets under construction	1,788,218			1,788,218						1,788,218	
Other equipment	4,975,343	578,177	217,705	-	5,335,815	4,436,957	52,852	(5,663)	4,484,146	851,669	538,386
Total	\$ 46,688,851	\$ 3,183,185	\$ 217,705	\$ -	\$ 49,654,331	\$ 21,233,935	\$ 1,548,624	\$ (5,663)	\$ 22,776,896	\$ 26,877,434	\$ 25,454,917

SAINT MARY'S FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

7. Loan Receivable

	<u>2014</u>	<u>2013</u>
Loan receivable from Saint Mary's Economic Development Corporation in monthly installments of \$60,906 including principal and interest at 4.65%, due October 2019. The loan is reported in the Saint Mary's First Nation as a loan receivable from Saint Mary's Economic Development with an offsetting loan payable to Canadian Imperial Bank of Commerce (Note 10). Saint Mary's Economic Development Corporation guarantees this loan.	\$ 3,581,773	\$ 4,132,136
Loan receivable from Saint Mary's Economic Development Corporation in monthly installments of \$4,633 including principal and interest at prime plus 1%, due December 2018. The loan is reported in the Saint Mary's First Nation as a loan receivable from Saint Mary's Economic Development with an offsetting loan payable to Canadian Imperial Bank of Commerce (Note 10). Saint Mary's Economic Development Corporation guarantees this loan.	<u>264,100</u>	<u>-</u>
	3,845,873	4,132,136
Less current portion	<u>622,232</u>	<u>550,363</u>
	<u>\$ 3,223,641</u>	<u>\$ 3,581,773</u>

Assuming the loans are renewed on comparable terms, the principal portion of long term debt expected to become due in each of the next five years is as follows:

2015	\$ 622,232
2016	651,481
2017	682,106
2018	714,174
2019	767,344

8. Accounts Payable and Payroll Source Deductions

Accounts payable balance of \$nil (2013 - \$5,469) as at March 31, 2014 includes payroll source deductions payable.

9. Deferred Revenue

Aboriginal Affairs and Northern Development Canada
Deferred Revenue

	<u>Opening Balance</u>	<u>Funding Received</u>	<u>Revenue Recognized</u>	<u>Closing Balance</u>	<u>2014</u>	<u>2013</u>
Busing	90,881	-	(23,720)	67,161	<u>67,161</u>	<u>90,881</u>

SAINT MARY'S FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

10. Long-Term Debt

	<u>2014</u>	<u>2013</u>
St. Mary's First Nation		
Loan payable to CIBC in monthly installments of \$1,875 plus interest at prime plus 1%, secured by three buses, due August, 2017.	\$ 63,275	\$ 85,775
Loan payable to Canadian Imperial Bank of Commerce in monthly installments of \$60,906 including principal and interest at 4.65%, secured by a general security agreement and guarantee of St. Mary's Economic Development Corporation, due October 2019. Payments on this loan are made directly by St. Mary's Economic Development Corporation to CIBC.	3,581,773	4,132,136
Loan payable to Canadian Imperial Bank of Commerce in monthly installments of \$4,633 including principal and interest at prime plus 1%, secured by a general security agreement and guarantee of St. Mary's Economic Development Corporation, due December 2018. Payments on this loan are made directly by St. Mary's Economic Development Corporation to CIBC.	264,100	
Mortgage payable to CIBC Mortgage Corporation including interest at 5.19%, secured by a 4 unit rental property, due May 2016.	53,121	59,060
Loan payable to Ally Credit Canada Ltd. in monthly installments of \$407 including principal and interest at 5.74%, secured by a vehicle, due June 2017.	14,442	18,371
St. Mary's CMHC		
Various mortgages payable to CIBC Mortgage Corporation in monthly installments including interest ranging from 2.79% to 6.70%, secured by houses.	563,199	807,630
Various mortgages payable to CMHC in monthly installments including interest ranging from 1.52% to 3.13%, secured by houses.	8,302,740	8,179,484
St. Mary's Leasing Company Ltd.		
Loan payable to Peace Hills Trust in monthly installments of \$36,447 plus interest at prime plus 2%, secured by a first ranking general security agreement over borrower's present and future property, mortgage of leasehold interest, demand promissory note, and guarantee and postponement of claims of Saint Mary's Leasing Company Ltd., due July 2018.	1,758,457	2,104,093

SAINT MARY'S FIRST NATION

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

10. Long-Term Debt (cont'd)

2014 **2013**

Saint Mary's First Nation Retail Sales Program Operation

Loan payable to CIBC, interest at prime plus 1.5%, secured by a general security agreement over all assets of Saint Mary's Retail Sales as well as Saint Mary's First Nation. Repayable in monthly installments of \$20,000 plus interest, due November 2014.

<u>130,000</u>	<u>390,000</u>
14,731,107	15,776,549
<u>1,124,110</u>	<u>1,176,927</u>
<u>\$13,606,997</u>	<u>\$14,599,622</u>

Less current portion

Assuming the mortgages are renewed on comparable terms, the principal portion of long term debt expected to become due in each of the next five years is as follows:

2015	\$ 1,124,110
2016	1,048,098
2017	1,132,678
2018	1,126,783
2019	1,020,801

11. Financial Instruments

Saint Mary's First 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 company is exposed to this risk mainly in respect of its payment of funds for accounts payable and long term debt.

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. Saint Mary's First Nation is exposed to interest rate risk primarily through floating interest rates on certain bank loans.

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

2014 **2013**

AANDC Funding per Financial Statements	\$ 11,039,860	\$ 10,628,100
Less: prior year deferred revenue in revenue	(97,637)	(119,530)
Add: current year deferred revenue	67,161	90,881
Add: Prevention/Least Disruptive Measures - 02388	4,491	34,203
Add: Membership Governance Capacity Development - 01841	-	14,500
Less: Maintenance - Foster Homes - 02371	-	(130,002)
 Total AANDC funding per consolidated financial statements	<u>\$ 11,013,875</u>	<u>\$ 10,518,152</u>
Funding per AANDC revenue confirmation	<u>\$ 11,013,875</u>	<u>\$ 10,518,152</u>

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Chartered Accountants**

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13. Trust Funds Held by Federal Government

Trust fund accounts arise from moneys 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.

	Opening Balance	Additions	Withdrawals	Closing Balance	2014 Total	2013 Total
Revenue	\$ 2,531	\$ 104	\$ -	\$ 2,635	\$ 2,635	\$ 2,531
Capital	1,555	-	-	1,555	1,555	1,555
Fund Total					\$ 4,190	\$ 4,086

14. Investment in Government Business Enterprises

The commercial enterprises that are included in the First Nation reporting entity, as described in note 2 - Principles of Consolidation to these financial statements includes:

- Retail Sales Program Operation - fully consolidated.
- Saint Mary's Leasing Company Ltd. - fully consolidated.
- Saint Mary's Economic Development Corporation (SMEDC) - modified equity.

The following table presents condensed financial information for these commercial enterprises.

	Retail Sales				2014	2013
	Program Operation	Saint Mary's Leasing Company	SMEDC		Total	Total
Cash	\$ 2,316,383	\$ -	\$ 2,222,357	\$ 4,538,740	\$ 3,450,465	
Accounts receivable	684,611	2,201	412,119	1,098,931	905,812	
Inventory	922,835	-	18,555	941,390	705,079	
Tangible capital assets	2,656,019	4,023,777	2,324,552	9,004,348	9,180,886	
Other assets	2,782,430	21,112	1,096,253	3,899,795	3,734,064	
Total assets	\$ 9,362,278	\$ 4,047,090	\$ 6,073,836	\$ 19,483,204	\$ 17,976,306	
Accounts payable	\$ 1,141,040	\$ 18,160	\$ 353,002	\$ 1,512,202	\$ 1,488,870	
Long-term debt	130,000	1,413,457	3,385,403	4,928,860	5,855,861	
Other liabilities	224,752	3,128,228	651,112	4,004,092	3,469,563	
Total liabilities	1,495,792	4,559,845	4,389,517	10,445,154	10,814,294	
Equity	7,866,486	(512,755)	1,684,318	10,063,559	7,162,012	
Total Liabilities and Equity	\$ 9,362,278	\$ 5,072,600	\$ 6,073,835	\$ 20,508,713	\$ 17,976,306	
Revenue	\$ 40,870,332	\$ 692,746	\$ 52,077,519	\$ 93,640,597	\$ 86,833,063	
Expenses	38,828,759	839,238	51,704,694	91,372,691	85,148,885	
Debt servicing	14,537	110,076	190,062	314,675	422,823	
Total Expenses	38,843,296	949,314	51,894,756	91,687,366	85,571,708	
Net Income (Loss)	\$ 2,027,036	\$ (256,568)	\$ 182,763	\$ 1,953,231	\$ 1,261,355	

SAINT MARY'S FIRST NATION
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14. Investment in Government Business Enterprises (cont'd)

Contractual obligations and contingencies to be disclosed:

Saint Mary's Economic Development Corporation

Saint Mary's Economic Development Corporation is contingently liable for guaranteed loans of \$3,845,873 on debt owing from Saint Mary's First Nation to Canadian Imperial Bank of Commerce. The loans guaranteed are supported by general security agreements.

Retail Sales Program Operation

Saint Mary's First Nation Retail Sales Program Operation has entered into supply agreement with its most significant supplier as follows:

- Agreement reached in principle, but not yet signed, with TRA Atlantic to purchase virtually all merchandise for sale in the Saint Mary's Grocery Store for a fifteen year period ending May, 2018.

This entity is a division of Saint Mary's First Nation (the Band) and as such its assets are subject to the provisions of general security arrangements entered into by the Band. The Band has entered into general security arrangements with CIBC to secure loans and other liabilities in the amount of approximately \$6,000,000.

15. Inventories for Resale

	2014	2013
Retail Sales Program Operation	\$ 922,835	\$ 683,524

16. Changes In Non-Cash Operating Working Capital

	2014	2013
Accounts receivable	\$ 42,267	\$ 93,655
Contributions receivable	(17,734)	33,870
Inventory	(239,311)	(10,637)
Prepaid expenses	54,036	(47,321)
Accounts payable	(2,396,988)	(70,363)
Deferred revenue	(57,198)	66,443
	<u>\$(2,614,928)</u>	<u>\$ 65,647</u>

17. Eligible Education Deductions

The Saint Mary's First Nation has recorded a realized gain from the Province of New Brunswick in the amount of \$4,162,547 for eligible education deductions. The deductions were made against the First Nation's tuition liability as negotiations have been finalized allowing for the settlement of the Tuition Arrears Repayment Agreement between the Province of New Brunswick and Saint Mary's First Nation.

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18. Expenses by Object

The following is a summary of expenses by object:

	<u>2014</u>	<u>2013</u>
Salaries, wages, honoraria and pension	\$ 4,041,864	\$ 3,905,185
Tuition	2,790,815	2,625,982
Professional services	97,366	57,723
Supplies and services	338,313	377,042
Interest and bank charges	23,391	19,740
Travel and training	76,335	49,252
Insurance & health	155,203	175,694
Telephone, utilities, and occupancy costs	161,922	172,765
Repairs and maintenance	669,167	593,933
Social assistance and assisted living	5,077,965	5,043,207
Royalty distributions	3,146,202	3,663,726
Gaming payouts	1,752,700	1,840,879
Other	5,088,026	4,828,843
Retail sales program	38,638,496	33,615,876
Leasing company	781,657	841,356
Amortization	<u>861,161</u>	<u>862,077</u>
	<u><u>\$ 63,700,583</u></u>	<u><u>\$ 58,673,280</u></u>

19. 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		Housing		Community Services	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Revenue										
Federal Government	\$ 4,039,387	\$ 3,934,068	\$ 1,250,532	\$ 1,218,705	\$ 507,859	\$ 419,130	\$ 394,919	\$ 365,510	\$ 327,846	\$ 327,846
Provincial Government	4,390,753	240,600			818,681	1,115,888				
Economic Activities					47,541,338	41,685,186				
Net income from investment in St. Mary's Economic Development Corporation	180,565	239,549	16,019	76,619			1,881,134	2,182,872	76,996	129,758
Other Revenue										
Total Revenues	8,610,705	4,414,216	1,266,551	1,295,324	48,867,878	43,220,134	2,276,053	2,548,381	404,842	457,604
Expenses										
Salaries and benefits	1,248,322	1,237,484	-	-	34,085	372,456	382,086	314,109	82,239	306,474
Amortization	40,953	40,953	-	-					902,408	
Debt Servicing	3,095	3,995	-	-						
Other Expenses	3,194,692	2,934,802	1,097,933	1,155,201	44,848,409	40,380,967	2,084,763	1,745,945	604,397	501,951
Total Expenses	4,446,109	4,217,234	1,097,933	1,189,286	45,220,865	40,763,053	2,481,308	2,730,592	910,871	822,958
Annual Surplus (Deficit)	\$ 4,164,596	\$ 196,982	\$ 168,618	\$ 106,038	\$ 3,647,013	\$ 2,457,081	\$ (205,255)	\$ (182,211)	\$ (506,030)	\$ (365,354)

19. Segment Disclosure (continued)

	Social Services 2014	Social Services 2013	Band Government 2014	Band Government 2013	Other 2014	Other 2013	Consolidated Totals 2014	Consolidated Totals 2013
Revenues								
Federal Government	\$ 5,278,286	\$ 5,036,609	\$ 968,816	\$ 940,922	\$ 648,912	\$ 678,342	\$ 13,416,557	\$ 12,921,131
Provincial Government					22,516	53,377	5,231,950	1,409,795
Economic Activities			78,521	13,150	1,490,184	1,297,760	49,110,043	42,996,095
Net income from investment in St. Mary's Economic Development Corporation								
Other Revenue	97,846	61,000	426,912	603,821	10,000	10,000	2,689,472	3,303,619
Total Revenues	5,376,132	5,097,609	1,657,013	2,197,607	2,171,612	2,039,478	70,630,786	61,270,353
Expenses								
Salaries and benefits	336,773	252,313	783,496	809,106	860,516	864,504	3,618,017	3,541,533
Amortization						67,300	686,565	1,452,053
Debt Servicing							3,095	3,995
Other Expenses	5,471,298	5,255,024	694,888	783,084	1,298,987	918,725	59,295,367	53,675,699
Total Expenses	5,808,071	5,507,337	1,478,384	1,592,190	2,159,503	1,850,628	63,603,044	58,673,279
Annual Surplus (Deficit)	\$ (431,939)	\$ (409,729)	\$ 178,629	\$ 605,416	\$ 12,109	\$ 188,850	\$ 7,027,742	\$ 2,597,073

20. Government Transfers

	2014			2013		
	Operating	Capital	Total	Operating	Capital	Total
Federal Government Transfers						
Aboriginal Affairs and Northern Development Canada	\$ 10,739,811	\$ 300,048	\$ 11,039,859	\$ 10,333,156	\$ 294,944	\$ 10,628,100
Health Canada	1,266,553	-	1,266,553	1,295,324	-	1,295,324
Canadian Mortgage and Housing Corporation	418,083	-	418,083	442,546	-	442,546
Department of Fisheries	363,847	208,177	572,024	362,138	254,552	616,690
Aboriginal Skills and Employment Training Strategies	565,618	-	565,618	461,907	-	461,907
RRAP	50,812	-	50,812	90,766	-	90,766
Total Federal Government Transfers	13,353,912	508,225	13,862,137	12,895,071	549,496	13,444,567
Provincial Government Transfers						
	<u>5,003,745</u>	-	<u>5,003,745</u>	<u>1,169,195</u>	-	<u>1,169,195</u>
	\$ 18,357,657	\$ 508,225	\$ 18,865,882	\$ 14,064,266	\$ 549,496	\$ 14,613,762