

MALISEET NATION AT TOBIQUE

Consolidated Financial Statements

Year Ended March 31, 2014

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SAUNDERS
DOYLE & CO.**
Chartered Accountants

MALISEET NATION AT TOBIQUE
Index to Consolidated Financial Statements
Year Ended March 31, 2014

	Page
MANAGEMENT REPORT	1
INDEPENDENT AUDITOR'S REPORT	2
FINANCIAL STATEMENTS	
Financial Statement Review and Approval	3
Consolidated Statement of Financial Position	4
Consolidated Statement of Changes in Net Debt	5
Consolidated Statement of Operations	6
Consolidated Statement of Cash Flows	7
Notes to Consolidated Financial Statements	8 - 20
Schedule of Salaries, Allowances and Travel Expenses Paid to Elected Officials	21

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Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Chief and Band Councillors of Maliseet Nation at Tobique

We have audited the accompanying consolidated financial statements of Maliseet Nation at Tobique, which comprise the statements of financial position as at March 31, 2014 and the statements of operations and, changes in net debt and cash flows for the year then ended March 31, 2014, 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 the reporting provisions of the Aboriginal Affairs and Northern Development Canada Year End Reporting Handbook (fiscal year 2013-2014), 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 audits. We conducted our audits 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 in our audits 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 Maliseet Nation at Tobique as at March 31, 2014 and the results of its operations and its cash flows for the years then ended in accordance with the Aboriginal Affairs and Northern Development Canada Year End Reporting Handbook (fiscal year 2013-2014).

Fredericton, New Brunswick
July 30, 2014

TEED Saunders Doyle & Co.
CHARTERED ACCOUNTANTS

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

MALISEET NATION AT TOBIQUE
Financial Statement Review and Approval
Year Ended March 31, 2014

The accompanying financial statements of Maliseet Nation at Tobique are the responsibility of management and have been reviewed and approved by:

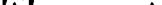
~~Chief Reader Test Chiles~~

Freya Sappi Councillor

Councillor

Christopher G. Johnson

Councillor

 I. H. Kelly Councillor

Councillor

 Councillor

Councillors

Tim Nicholas Councillor

Councillor

Councillor

Councillor

Joseph J. Agostino Third Party Manager

Councillor

 Jan T. Twardy

MALISEET NATION AT TOBIQUE
Consolidated Statement of Financial Position
Year Ended March 31, 2014

	2014	2013
		<i>Revised</i>
FINANCIAL ASSETS		
Cash (<i>Note 3</i>)	\$ 1,257,063	\$ 2,208,820
Accounts receivable (<i>Note 6</i>)	1,994,168	1,489,848
Inventory	94,445	90,288
Trust funds held by federal governments (<i>Note 4</i>)	<u>30,818</u>	<u>30,057</u>
	<u>3,376,494</u>	<u>3,819,013</u>
LIABILITIES		
Accounts payable (<i>Note 7</i>)	6,343,754	6,340,508
Deferred revenue (<i>Note 8</i>)	266,361	329,880
Long term debt (<i>Note 10</i>)	<u>16,158,164</u>	<u>16,899,874</u>
	<u>22,768,279</u>	<u>23,570,262</u>
NET DEBT		
	<u>(19,391,785)</u>	<u>(19,751,249)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (<i>Note 16</i>)	50,638,755	\$ 1,736,931
Prepaid expenses (<i>Note 5</i>)	<u>64,249</u>	<u>179,231</u>
	<u>50,703,004</u>	<u>\$ 1,916,162</u>
ACCUMULATED SURPLUS	<u>\$ 31,311,219</u>	<u>\$ 32,164,913</u>

MALISEET NATION AT TOBIQUE
Consolidated Statement of Changes in Net Debt
Year Ended March 31, 2014

	2014	2013
		<i>Revised</i>
(EXCESS) DEFICIENCY OF REVENUE OVER EXPENSES	\$ (853,694)	\$ 97,164
Acquisition of tangible capital assets	(1,367,329)	(2,657,166)
Amortization of tangible capital assets	2,465,505	2,597,142
Proceeds on disposal of capital assets	-	355,000
Decrease (Increase) in prepaid expenses	<u>114,982</u>	<u>(131,965)</u>
DECREASE IN NET DEBT	359,464	260,175
NET DEBT - BEGINNING OF YEAR		
As previously reported	(19,303,264)	(20,011,424)
Prior period adjustments (<i>Note 15</i>)	<u>(447,985)</u>	-
NET DEBT - BEGINNING OF YEAR - AS RESTATED	<u>(19,751,249)</u>	<u>(20,011,424)</u>
NET DEBT - END OF YEAR	<u><u>\$ (19,391,785)</u></u>	<u><u>\$ (19,751,249)</u></u>

MALISEET NATION AT TOBIQUE
Consolidated Statement of Operations
Year Ended March 31, 2014

	Budget 2014	Actual 2014	Actual 2013 <i>Revised</i>
REVENUE			
Aboriginal Affairs and Northern Development			
Canada	\$ 10,049,749	\$ 10,502,057	\$ 13,785,341
Province of New Brunswick	72,000	2,714,886	2,762,691
Other	1,307,231	2,861,035	2,793,349
Health Canada		2,592,813	2,717,673
Maliseet Gas Bar Ltd.	3,852,000	3,972,531	3,738,268
Tobique High Stakes V.T.	12,530,340	13,521,871	13,413,445
Canada Mortgage and Housing Corporation (CMHC)		153,218	209,161
Department of Fisheries and Oceans Canada	110,000	545,139	417,150
Heritage Canada		86,000	136,130
	<hr/> 27,921,320	<hr/> 36,949,550	<hr/> 39,973,208
EXPENSES			
Band administration	879,576	941,239	1,043,417
Capital	814,754	2,878,805	3,990,759
Education	4,196,205	4,891,064	4,691,634
Headstart			220,707
Social assistance	3,594,524	3,729,686	3,603,566
Maliseet Gas Bar Ltd.	3,627,623	3,905,830	3,721,105
Tobique High Stakes V.T.	11,719,171	13,698,841	13,765,822
Health		3,283,131	3,518,730
Own source	724,001	4,129,337	4,981,269
CMHC		345,311	339,035
	<hr/> 25,555,854	<hr/> 37,803,244	<hr/> 39,876,044
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES			
	<hr/> \$ 2,365,466	<hr/> \$ (853,694)	<hr/> \$ 97,164

MALISEET NATION AT TOBIQUE
Consolidated Statement of Cash Flows
Year Ended March 31, 2014

	<u>2014</u>
OPERATING ACTIVITIES	
Deficiency of revenue over expenses	\$ (853,694)
Items not affecting cash:	
Amortization	<u>2,465,505</u>
	<u>1,611,811</u>
Changes in non-cash working capital:	
Accounts receivable	(504,320)
Inventory	(4,157)
Accounts payable	3,247
Deferred revenue	(63,519)
Prepaid expenses	<u>114,982</u>
	<u>(453,767)</u>
	<u>1,158,044</u>
INVESTING ACTIVITIES	
Purchase of property and equipment	(1,367,329)
Trust funds held by federal governments	<u>(761)</u>
	<u>(1,368,090)</u>
FINANCING ACTIVITIES	
Proceeds from long term debt	44,620
Repayment of long term debt	<u>(786,331)</u>
	<u>(741,711)</u>
DECREASE IN CASH	(951,757)
CASH - BEGINNING OF YEAR	<u>2,208,820</u>
CASH - END OF YEAR	<u>\$ 1,257,063</u>

MALISEET NATION AT TOBIQUE
Notes to Consolidated Financial Statements
Year Ended March 31, 2014

1. DESCRIPTION OF ENTITY

The Maliseet Nation at Tobique operates a First Nation Band in Tobique, New Brunswick for the benefit of its members.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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 and principals of consolidation

The consolidated financial statements include the accounts of the Maliseet Nation at Tobique government, and its wholly-owned subsidiaries, Maliseet Gar Bar Ltd. and Tobique High Stakes V.T. Interdivisional and inter-organizational balances and transactions are eliminated on consolidation.

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.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks net of bank overdrafts.

Inventories for resale

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

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.

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MALISEET NATION AT TOBIQUE
Notes to Consolidated Financial Statements
Year Ended March 31, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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. Opening net book values of residential and commercial buildings and other infrastructure as at April 1, 2012 have been determined by an appraisal report prepared by an independent engineering consulting firm. Contributions received to assist in the acquisition of tangible capital assets are reported as current revenue.

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.

Items inherited by right of the Crown, such as lands, forests, water and mineral resources, are not recognized in these financial statements.

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

Commercial buildings	30 and 40 years	straight-line method
Residential buildings	40 and 50 years	straight-line method
Boats	15%	declining balance method
Vehicles	30%	declining balance method
Shoreline erosion	40 years	straight-line method
Computer equipment	55%	declining balance method
Other equipment	8, 10 and 20%	declining balance method
Roads	4%	declining balance method
Infrastructure	4 and 20%	declining balance method

Amortization of Section 95.1 Housing is provided on buildings and equipment purchased on loans insured by CMHC at a rate equal to the annual principal reduction of the mortgage.

The Maliseet Nation at Tobique regularly reviews its property and equipment to eliminate obsolete items.

Income taxes

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

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, through discussions with management, assessment of 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.

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MALISEET NATION AT TOBIQUE
Notes to Consolidated Financial Statements
Year Ended March 31, 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net debt

The First Nation's consolidated 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 (deficit).

Measurement uncertainty

The preparation of financial statements in conformity with Canadian public sector accounting standards 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 following:

- 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 CMHC - Replacement reserve (Note 11)	\$ 102,980	\$ 83,973
Unrestricted Operating	<u>1,154,083</u>	<u>2,124,847</u>
	<u><u>\$ 1,257,063</u></u>	<u><u>\$ 2,208,820</u></u>

4. TRUST FUNDS HELD BY FEDERAL GOVERNMENT

	<u>March 31, 2013</u>	<u>Additions 2014</u>	<u>Withdrawals 2014</u>	<u>March 31, 2014</u>
Revenue	\$ 24,632	\$ 761	\$ -	\$ 25,393
Capital	<u>5,425</u>	<u>-</u>	<u>-</u>	<u>5,425</u>
	<u><u>\$ 30,057</u></u>	<u><u>\$ 761</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 30,818</u></u>

The trust funds 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.

MALISEET NATION AT TOBIQUE
Notes to Consolidated Financial Statements
Year Ended March 31, 2014

5. PREPAID EXPENSES

	2014	2013
Insurance	\$ 45,961	\$ 74,151
Other	<u>18,288</u>	<u>105,080</u>
	<u>\$ 64,249</u>	<u>\$ 179,231</u>

6. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	2014	2013
Due from members:		
Employee advances	\$ 13,989	\$ 15,633
Due from others:		
Aboriginal Affairs and Northern Development Canada (2013-2014)	1,084,687	-
Aboriginal Affairs and Northern Development Canada (2012-2013)	242,477	569,985
Aboriginal Affairs and Northern Development Canada (2011-2012)	18,487	68,487
Department of Fisheries and Oceans	123,040	40,415
Canada Mortgage and Housing Corporation	27,200	3,600
Health Canada	-	53,250
Province of New Brunswick	311,516	193,701
Other	<u>172,772</u>	<u>544,777</u>
	<u>\$ 1,994,168</u>	<u>\$ 1,489,848</u>

7. ACCOUNTS PAYABLE

	2014	2013
Aboriginal Affairs and Northern Development Canada - recoverable funding	\$ 113,281	\$ 103,976
Suppliers	<u>1,208,891</u>	<u>1,563,203</u>
Accrued salaries	15,133	30,479
HST	914,364	867,967
Payroll deductions	<u>3,783,322</u>	<u>3,406,715</u>
Other accrued liabilities	<u>289,757</u>	<u>368,168</u>
	<u>\$ 6,324,748</u>	<u>\$ 6,340,508</u>

MALISEET NATION AT TOBIQUE
Notes to Consolidated Financial Statements
Year Ended March 31, 2014

8. DEFERRED REVENUE

	2014	2013
Aboriginal Affairs and Northern Development Canada	\$ -	\$ 54,653
MAWIW Council Inc.	- -	65,000
Province of New Brunswick	126,200	91,000
Heritage Canada	9,175	-
Other	130,986	119,227
	<u>\$ 266,361</u>	<u>\$ 329,880</u>

9. RECONCILIATION OF ABORIGINAL AFFAIRS AND NORTHERN DEVELOPMENT CANADA (AANDC) FUNDING

	2014	2013
AANDC Funding per Consolidated Financial Statements	\$ 10,502,057	\$ 13,785,341
Less: Prior year deferred revenue	- -	(628,763)
Plus: Current year recovered funding	113,551	(106,007)
Plus: Current year deferred revenue (Note 6)	- -	54,653
	<u>\$ 10,615,608</u>	<u>\$ 13,105,224</u>

10. LONG TERM DEBT

	2014	2013
Aboriginal Affairs and Northern Development Canada loan bearing interest at 2.7%, repayable in 15 monthly blended payments of \$20,000 starting January 2015 with payment of \$37,761 starting in April 2016 until loan repaid. The loan matures on July 1, 2025.	\$ 3,709,400	\$ 3,709,400
Aboriginal Affairs and Northern Development Canada loan bearing interest at various rates, repayable in monthly blended payments of \$34,000. The loan matures on July 1, 2025.	3,721,987	3,657,087
CIT Financial Ltd. loan bearing interest at 10.95% per annum, repayable in monthly blended payments of \$2,158. The loan was repaid during the year.	- -	12,435
CMHC loan bearing interest at 1.67% per annum, repayable in monthly blended payments of \$370. The loan matures on April 1, 2017 and is secured by a first mortgage on buildings.	52,111	55,647
CMHC loan bearing interest at 2.84% per annum, repayable in monthly blended payments of \$1,426. The loan matures on April 1, 2015 and is secured by a first mortgage on buildings.	148,884	161,591
CMHC loan bearing interest at 1.71% per annum, repayable in monthly blended payments of \$1,041. The loan matures on September 1, 2017 and is secured by a first mortgage on buildings.	149,726	159,575

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MALISEET NATION AT TOBIQUE
Notes to Consolidated Financial Statements
Year Ended March 31, 2014

10. LONG TERM DEBT (continued)

	2014	2013
CMHC loan bearing interest at 2.56% per annum, repayable in monthly blended payments of \$1,434. The loan matures on December 1, 2015 and is secured by a first mortgage on buildings.	171,427	184,098
CMHC loan bearing interest at 1.8% per annum, repayable in monthly blended payments of \$1,535. The loan matures on October 1, 2016 and is secured by a first mortgage on buildings.	203,671	218,296
CMHC loan bearing interest at 2.76% per annum, repayable in monthly blended payments of \$2,208. The loan matures on June 1, 2015 and is secured by a first mortgage on buildings.	308,756	326,518
Ford Credit loan bearing interest at 5.69% per annum, repayable in monthly blended payments of \$856. The loan matures on November 17, 2018 and is secured by a vehicle.	41,366	-
Peace Hills Trust loan bearing interest at 5.85% per annum, repayable in monthly blended payments of \$2,491. The loan was repaid during the year.	-	29,221
Peace Hills Trust loan bearing interest at 5.85% per annum, repayable in monthly blended payments of \$700. The loan matures on March 6, 2015 and is secured by a first mortgage on buildings.	59,172	64,036
Peace Hills Trust loan bearing interest at 3.75% per annum, repayable in monthly blended payments of \$500. The loan matures on November 1, 2017 and is secured by a general security agreement.	87,271	89,974
Peace Hills Trust loan bearing interest at 5.85% per annum, repayable in monthly blended payments of \$1,135. The loan matures on March 1, 2015 and is secured by a first mortgage on buildings.	95,981	103,871
Peace Hills Trust loan bearing interest at 5.85% per annum, repayable in monthly blended payments of \$2,900. The loan matures on September 1, 2014 and is secured by a first mortgage on buildings.	151,733	177,130
Peace Hills Trust loan bearing interest at 5.85% per annum, repayable in monthly blended payments of \$2,361. The loan matures on March 1, 2015 and is secured by a first mortgage on buildings.	199,637	216,049
Peace Hills Trust loan bearing interest at 5.85% per annum, repayable in monthly blended payments of \$3,955. The loan matures on August 1, 2014 and is secured by a first mortgage on buildings.	484,125	503,228

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MALISEET NATION AT TOBIQUE
Notes to Consolidated Financial Statements
Year Ended March 31, 2014

10 LONG TERM DEBT (continued)

	<u>2014</u>	<u>2013</u>
Peace Hills Trust loan bearing interest at 3.75% per annum, repayable in monthly blended payments of \$4,500. The loan matures on December 1, 2017 and is secured by a general security agreement.	615,924	721,410
Peace Hills Trust loan bearing interest at 5.85% per annum, repayable in monthly blended payments of \$6,282. The loan matures on February 1, 2015 and is secured by a general security agreement.	785,221	814,649
Peace Hills Trust loan bearing interest at 3.75% per annum, repayable in monthly blended payments of \$40,000. The loan matures on November 27, 2017 and is secured by a general security agreement.	4,203,234	4,520,462
Ulnooweg Development Group Inc. loan bearing interest at 12.75% per annum. The loan matures on June 1, 2014 and is secured by a general security agreement.	4,539	72,798
Ulnooweg Development Group Inc. loan bearing interest at 5.75% per annum with no specified repayment terms currently in place.	9,916	9,548
Ulnooweg Development Group Inc. loan bearing interest at 12.75% per annum, repayable in weekly blended payments of \$625. The loan matures on July 22, 2014 and is secured by a general security agreement.	10,758	40,020
Ulnooweg Development Group Inc. loan bearing interest at 5.75% per annum with no specified repayment terms currently in place.	55,600	53,596
Ulnooweg Development Group Inc. loan bearing interest at 12.75% per annum with no specified repayment terms currently in place.	79,831	75,255
Ulnooweg Development Group Inc. loan bearing interest at 0% per annum with no specified repayment terms currently in place.	115,330	115,330
Ulnooweg Development Group Inc. loan bearing interest at 6% per annum, repayable in weekly blended payments of \$270. The loan is secured by a general security agreement.	127,361	134,191
Ulnooweg Development Group Inc. loan bearing interest at 0% per annum with no specified repayment terms currently in place.	135,197	135,197
Ulnooweg Development Group Inc. loan bearing interest at 12.75% per annum with no specified repayment terms currently in place.	165,334	155,751
Ulnooweg Development Group Inc. loan bearing interest at 12.75% per annum, repayable in weekly blended payments of \$730. The loan is secured by a general security agreement.	264,672	275,112
Ulnooweg Development Group Inc. loan bearing interest at 6.5% per annum. The loan was repaid during the year.	98,894	

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MALISEET NATION AT TOBIQUE
Notes to Consolidated Financial Statements
Year Ended March 31, 2014

10. LONG TERM DEBT (continued)

	<u>2014</u>	<u>2013</u>
Ulnooweg Development Group Inc. loan bearing interest at 6.5% per annum. The loan was repaid during the year	<u>9,505</u>	
	<u>16,158,164</u>	<u>16,899,874</u>
Amounts payable within one year	<u>(3,392,421)</u>	<u>(1,102,842)</u>
	<u>\$ 12,765,743</u>	<u>\$ 15,797,032</u>

Principal repayment terms are approximately:

2015	\$ 3,392,421
2016	1,395,076
2017	1,218,355
2018	4,598,827
2019	994,240
Thereafter	<u>4,559,245</u>
	<u>\$ 16,158,164</u>

11. SUBSIDY SURPLUS RESERVE

Under the terms of the agreement with Canada Mortgage and Housing Corporation, excess federal assistance payments received may be retained in a subsidy reserve up to a maximum of \$500 per unit plus interest. This reserve is to be comprised of monies deposited in a separate bank account and/or invested only in accounts or instruments insured by Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time. The funds in this account may only be used to meet future subsidy requirements of income-tested occupants over and above the maximum federal assistance. Withdrawals are credited to interest first and then principal. When the fund has attained the maximum of \$500 per unit, up to 10% of the excess assistance during a year may be transferred to other projects owned by the borrower requiring additional assistance if they are within the same municipality or area and are assisted under the same program. As of March 31, 2014, there were \$8,077 in the subsidy surplus reserve.

12. OPERATING RESERVE

Under the terms of the agreements with Canada Mortgage and Housing Corporation, excess federal assistance payments received may be retained in an operating reserve fund. 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 as may otherwise be approved by CMHC from time to time. The funds in this account may only be used to meet future subsidy requirements of income-tested occupants over and above the maximum federal assistance. As of March 31, 2014, there were not funds in the operating reserve.

MALISEET NATION AT TOBIQUE
Notes to Consolidated Financial Statements
Year Ended March 31, 2014

13. CASH - CMHC REPLACEMENT RESERVE

Under the terms of the agreement with the Canada Mortgage and Housing Corporation, the Replacement Reserve account is to be credited in the amount of \$40,154 annually. 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. Withdrawals are credited to interest first and then principal.

	2014	2013
Balance, beginning of year	\$ 83,973	\$ 223,086
Contributions	40,154	40,779
Withdrawals	-	(179,892)
Transfer to operating reserve	<u>(21,147)</u>	-
Balance, end of year	<u>\$ 102,980</u>	<u>\$ 83,973</u>

As at March 31, 2014 the cash related to the replacement reserve was not held in a segregated bank account. These funds are combined with the bank accounts of the Band which are under third party management with Aboriginal Affairs and Northern Development Canada.

14. EXPENSES BY OBJECT

	2014	2013
Amortization	\$ 2,465,505	\$ 2,597,142
Consulting fees	1,000,864	1,117,134
Insurance	209,984	200,611
Interest and bank charges	287,321	132,574
Interest on long term debt	517,004	881,773
Office	188,476	160,302
Other	21,043,839	22,528,880
Professional fees	315,757	291,733
Repairs and maintenance	675,982	788,397
Salaries and wages	7,817,094	8,040,746
Supplies	185,741	183,058
Travel and vehicle	324,344	279,595
Tuition	2,391,980	2,239,897
Utilities and telephone	379,353	434,202
	<u>\$ 37,803,244</u>	<u>\$ 39,876,044</u>

15. PRIOR PERIOD ADJUSTMENT

Prior period adjustments represents previously unrecorded loans, overdrafts and adjustments to AANDC funding amounts.

MALISSET NATION AT TOBIQUE
 Notes to Consolidated Financial Statements
 Year Ended March 31, 2014

16 TANGIBLE CAPITAL ASSETS

	Cost						Accumulated Amortization				Net Book Value
	Opening Balance	Additions	Deposits	Transfers of Assets	Closing Balance	Opening Balance	Amortization	Disposals	Write-offs	Chng. Balance	
Transfers Capital Assets											
Commercial buildings	\$ 24,872,612	\$ 43,370	\$ -	\$ -	\$ 24,916,482	\$ 6,321,634	5	\$ 703,536	\$ -	\$ 17,860,192	\$ 18,193,979
Residential land	50,934	-	-	-	50,934	-	-	-	-	50,934	50,934
Residential buildings	24,945,301	124,352	-	-	25,069,653	6,575,253	560,438	-	-	17,935,962	18,370,069
Boats	6,000	-	-	-	6,000	5,515	73	-	-	5,588	4,483
Vehicle	854,938	53,620	-	-	910,578	581,776	90,298	-	-	672,074	273,182
Shareholders' interest	3,072,838	1,116,776	-	-	4,190,614	50,863	90,826	-	-	4,041,960	3,072,960
Computer equipment	17,726	1,144	-	-	18,829	12,497	2,948	-	-	15,445	4,788
Other equipment	2,080,939	23,569	-	-	2,106,228	876,568	220,984	-	-	1,097,562	1,204,391
Roads	5,721,050	-	-	-	5,721,050	234,417	220,153	-	-	454,570	5,266,490
Infrastructure	5,503,615	-	-	-	5,503,615	700,145	576,159	-	-	1,276,284	4,277,331
Total	\$ 67,126,602	\$ 1,367,331	\$ -	\$ -	\$ 68,493,933	\$ 15,389,673	\$ 2,465,505	\$ -	\$ -	\$ 17,855,178	\$ 51,736,931

MALISEET NATION AT TOBIQUE
Notes to Consolidated Financial Statements
Year Ended March 31, 2014

17. GOVERNMENT TRANSFERS

	Operating	Capital	2014
Aboriginal Affairs and Northern Development Canada	\$ 10,338,457	\$ 163,600	\$ 10,502,057
Health Canada	2,592,813	-	2,592,813
Canada Mortgage and Housing Corporation	153,218	-	153,218
Department of Fisheries and Oceans Canada	545,139	-	545,139
Heritage Canada	86,000	-	86,000
 Federal government transfers	 \$ 13,715,627	 \$ 163,600	 \$ 13,879,227
 Provincial government transfers	 \$ 1,485,998	 \$ 1,228,888	 \$ 2,714,886
 Total government transfers	 \$ 15,201,625	 \$ 1,392,488	 \$ 16,594,113
 <hr/>			
	Operating	Capital	2013
Aboriginal Affairs and Northern Development Canada	\$ 11,314,833	\$ 2,470,508	\$ 13,785,341
Health Canada	2,717,673	-	2,717,673
Canada Mortgage and Housing Corporation	209,161	-	209,161
Department of Fisheries and Oceans Canada	417,150	-	417,150
Heritage Canada	136,130	-	136,130
 Federal government transfers	 \$ 14,794,947	 \$ 2,470,508	 \$ 17,265,455
 Provincial government transfers	 \$ 2,762,690	 \$ -	 \$ 2,762,690
 Total government transfers	 \$ 17,557,637	 \$ 2,470,508	 \$ 20,028,145

18. CONTINGENCIES

Maliseet Nation at Tobique 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.

In addition, in the normal course of its operations, Maliseet Nation at Tobique may become involved in legal actions. Some other potential liabilities may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded on Maliseet Nation at Tobique's consolidated financial statements.

The Band is defending various legal actions. Counsel is unable to form an opinion at this date in regard to the amount and merits of these claims.

MALISEET NATION AT TOBIQUE
Notes to Consolidated Financial Statements
Year Ended March 31, 2014

19. INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISES

The commercial enterprises are included in the First Nation reporting entity, as described in note 2 - Reporting Entity and of Consolidation includes:

- Maliseet Gas Bar Ltd.
- Tobique High Stakes V.T.

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

	Maliseet Gas Bar Ltd.	Tobique High Stakes V.T.	2014	2013
Cash	\$ 16,706	\$ 119,774	\$ 136,480	\$ 277,875
Accounts receivable	129,478	14,176	143,654	224,339
Inventory	94,445	94,445	94,445	90,288
Tangible capital assets	736,373	1,872,903	2,609,276	2,793,207
Other assets	-	-	-	10,778
Total assets	\$ 977,002	\$ 2,006,853	\$ 2,983,855	\$ 3,396,487
Accounts payable	\$ 1,123,171	\$ 906,893	\$ 2,030,064	\$ 1,919,260
Long term debt	392,033	52,124	444,157	449,323
Total liabilities	\$ 1,515,204	\$ 959,017	\$ 2,474,221	\$ 2,368,583
Accumulated Surplus	\$ (538,202)	\$ 1,047,836	\$ 509,634	\$ 1,027,904
Revenue	\$ 3,972,531	\$ 13,521,871	\$ 17,494,402	\$ 17,168,213
Expenses	3,905,830	13,694,847	17,600,677	17,480,160
Debt servicing	-	3,995	3,995	6,771
Total Expenses	\$ 3,905,830	\$ 13,698,842	\$ 17,604,672	\$ 17,486,931
Net Income (loss)	\$ 66,701	\$ (176,971)	\$ (110,270)	\$ (318,718)

20. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

MALSEET NATION AT TOBIQUE
 Notes to Consolidated Financial Statements
 Year Ended March 31, 2014

21. 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 2. 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	2014	2013	2014	2013	2014	2013	2014	2013	2014	
REVENUE																				
Federal Government	\$ 4,932,437	\$ 4,982,388	\$ 2,678,813	\$ 2,853,813	\$ 131,030	\$ 131,030	\$ -	\$ 16,200	\$ 107,798	\$ 114,161	\$ 117,485	\$ 4,412,134	\$ 100,650	\$ 100,650	\$ 100,650	\$ 100,650	\$ 100,650	\$ 100,650		
Provincial Government	170,286	207,725	106,745	106,745					17,494,402	17,151,713	259,344	253,118								
Economic Activities																				
Other Revenue	22,564	22,564	251,500	291,479																
	5,133,287	4,728,677	3,037,058	3,276,282	17,494,402	17,168,213	367,342	367,279												
EXPENSES																				
Salaries and Benefits	1,471,788	1,436,590	1,741,779	1,750,509	2,024,026	2,148,120			244,336	259,334	174,038	157,406	239,615	231,482						
Amortization	254,577	252,927	256,884	280,934					39,775	42,501	84,005	98,376	143,752	150,384	213,089	211,621				
Debt Servicing									1,487,207	15,266,382	15,037,272	87,268	82,253	920,379	1,756,762					
Other Expenses	3,164,659	3,002,117	1,284,468	1,283,131	3,283,131	3,518,750	17,604,669	17,886,227												
	4,891,064	4,691,654																		
	5 242,223	5 37,043	5 (265,073)	5 (242,448)	5 (110,267)	5 (318,714)	5 (22,031)	5 (26,244)	5 (1,582,968)	5 (505,013)										
SURPLUS (DEFICIT)																				
Social Services																				
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	
REVENUE																				
Federal Government	\$ 3,555,185	\$ 3,905,574	\$ 884,369	\$ 1,047,744	\$ 545,139	\$ 417,150	\$ 13,879,227	\$ 17,255,455												
Provincial Government									2,320,204	2,123,965	51,505	27,714,886	2,762,690							
Economic Activities									899,972	449,051	18,644,918	17,853,882								
Other Revenue									1,411,592	1,593,499	1,710,519	2,091,181								
	3,555,185	3,905,574	889,130	1,047,744	5,177,307	4,983,665	36,949,560	39,973,208												
EXPENSES																				
Salaries and Benefits	216,320	349,600	317,221	367,777	1,905,719	1,863,082	7,917,488	8,147,160												
Amortization	20,085	34,441	14,356	-	65,479	51,505	2,465,507	2,577,141												
Debt Servicing					179,570	295,691	516,489	879,189												
Other Expenses	3,493,281	3,440,232	609,662	675,640	1,977,669	2,770,981	26,963,760	28,252,554												
	3,729,686	3,824,273	941,239	1,043,417	4,129,337	4,981,269	37,803,244	39,876,044												
	\$ (174,501)	\$ 81,301	\$ (52,109)	\$ 4,327	\$ 1,047,970	\$ 2,396	\$ (853,694)	\$ 97,164												