



Consolidated Financial Statements

Acadia First Nation

March 31, 2014

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Independent Auditors' Report

To the Chief and Council of
Acadia First Nation

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We have audited the accompanying consolidated financial statements of Acadia First Nation, which comprise the consolidated statement of financial position as at March 31, 2014, the consolidated statements of operations, accumulated surplus, changes in net debt and changes in cash flows 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 consolidated financial position of the Acadia First Nation as at March 31, 2014, and the results of its operations, changes in net debt and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Our audit was conducted for the purposes of forming an opinion on the financial statements taken as a whole. The Schedules of revenues and expenditures on pages 24 to 32 are presented for purposes of additional information and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied, only to the extent necessary to express an opinion, in the audit of the financial statements taken as a whole.

Grant Thornton LLP

Yarmouth, Canada
July 17, 2014

Chartered Accountants

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Acadia First Nation and all the information in this report are the responsibility of management and have been approved by the Chief and Council.

The consolidated financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards. Consolidated financial statements are not precise since they include certain amounts based on estimates and judgements. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the consolidated financial statements are presented fairly, in all material respects.

The band maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the band's assets are appropriately accounted for and adequately safeguarded.

The band council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements.

The 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 annual report, the consolidated financial statements and the external auditor's report.

The external auditors, Grant Thornton LLP, conduct an independent examination, in accordance with Canadian generally accepted auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of Acadia First Nation and meet when required.

On behalf of Acadia First Nation:

Chief



Band Manager

Acadia First Nation
Consolidated Statement of Operations
Year Ended March 31

	<u>Budget</u> <u>2014</u>	<u>Actual</u> <u>2014</u>	<u>Actual</u> <u>2013</u>
Revenues			
Federal government operating transfers	\$ 3,194,309	\$ 3,259,514	\$ 3,518,636
Federal government capital transfers	24,000	111,634	450,076
Provincial government operating transfers	200,000	219,888	267,220
Provincial government capital transfers	-	-	-
Contributed assets	-	-	-
Economic activities	7,058,822	6,867,603	6,081,789
Income from investment in GBE's (Note 21)	189,057	499,607	356,982
Other	185,000	99,729	455,656
	<u>10,849,188</u>	<u>11,057,875</u>	<u>11,130,359</u>
Expenses			
Band Management and Support	5,517,500	4,372,547	5,194,533
Education	657,000	607,070	625,421
Community maintenance	270,000	517,612	638,952
Social services	557,750	876,585	895,050
Community health	289,750	387,012	500,241
Housing	568,250	501,888	594,089
Fisheries	1,710,500	1,880,488	1,840,077
Training	508,500	449,263	444,515
Forestry	50,350	144,419	107,527
Other	-	-	-
	<u>10,137,800</u>	<u>9,735,882</u>	<u>10,840,405</u>
Annual surplus	<u>\$ 711,588</u>	<u>\$ 1,322,093</u>	<u>\$ 289,954</u>

See accompanying notes to the consolidated financial statements.

Acadia First Nation
Consolidated Statement of Accumulated Surplus
Year Ended March 31

	2014			2013		
	Investment In Capital Assets	Unrestricted Fund	Net Assets - externally restricted	Funds on deposit with IMAC	Replacement Reserve	Total
Opening balance, as previously reported	\$ 8,821,260	\$ (7,183,959)	\$ 8,907	\$ 208,051	\$ 1,845,259	\$ 1,778,853
Surplus	-	1,322,083	-	-	1,322,083	289,954
Change in prepaid expenses	-	(13,798)	-	-	(13,798)	(223,548)
Current year allocations	-	(370)	-	(340)	(710)	(621)
Interest earned	-	251	-	459	710	821
Ending balance	\$ 8,821,260	\$ (5,888,034)	\$ 10,158	\$ 208,170	\$ 3,153,554	\$ 1,845,259

See accompanying notes to the consolidated financial statements.

**Acadia First Nation
Consolidated Statement of Financial Position**

March 31

2014

2013

Financial assets

Receivables (Note 6)	\$ 519,351	\$ 586,163
Investments in government business enterprises (Note 21)	7	7
Receivable from government business enterprises (Note 21)	189,590	913,375
Surplus in government business enterprises (Note 21)	8,311	-
Inventory held for resale	121,768	102,915
Restricted cash and deposits		
Funds on deposit at AANDC (Note 15)	10,158	9,907
CMHC reserves	208,170	208,051
	1,087,355	1,820,418

Financial liabilities

Bank indebtedness	476,027	997,213
Payables and accruals (Note 9)	1,008,805	1,198,988
Deficiency in government business enterprises (Note 21)	-	491,296
Deferred revenue	16,628	29,874
Assessment of sales tax, penalties and interest (Note 1)	3,855,973	3,855,973
Long-term debt (Note 8)	5,033,861	5,290,002
	10,191,294	11,983,346

Net debt

	(9,123,839)	(10,142,928)
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Non-financial assets

Tangible capital assets (Note 7)	12,246,493	11,943,389
Prepaid expenses	31,000	44,798
	12,277,493	11,988,187

Accumulated surplus

\$ 3,153,554	\$ 1,845,259
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Accumulated surplus (Page 4)

\$ 3,153,554	\$ 1,845,259
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Contingencies (Note 17)

On behalf of the Band

Chief O. Johnson Chief

Band Manager Band Manager

See accompanying notes to the consolidated financial statements.

Acadia First Nation
Consolidated Statement of Changes in Net Debt

March 31	Budget	2014	2013
Surplus	\$ 711,588	\$ 1,322,083	\$ 289,954
Tangible capital asset additions	(1,000,000)	(1,169,272)	(1,430,908)
Amortization of tangible capital assets	<u>830,000</u>	<u>865,168</u>	<u>823,311</u>
Decrease (increase) in net debt	<u>\$ 541,588</u>	<u>1,018,989</u>	<u>(317,643)</u>
Net debt, beginning of year		<u>(10,142,928)</u>	<u>(9,825,285)</u>
Net debt, end of year		<u>\$ (9,123,939)</u>	<u>\$ (10,142,928)</u>

See accompanying notes to the consolidated financial statements.

**Acadia First Nation
Consolidated Statement of Cash Flows**

March 31

2014

2013

Decrease (Increase) in bank indebtedness

Operations	2014	2013
Surplus	\$ 1,322,093	\$ 289,954
Amortization	865,168	823,311
Change in non-cash operating working capital balances (Note 11)	(455,840)	(385,744)
	<u>1,731,421</u>	<u>727,521</u>
Financing		
Advances of long-term debt - net	(256,141)	745,299
Advances from government business enterprises - net	713,785	86,185
	<u>457,644</u>	<u>831,494</u>
Investing		
Purchase of tangible capital assets	(1,168,272)	(1,430,908)
Decrease in deficiency in 100% owned Government Business Enterprises	(499,607)	(356,984)
	<u>(1,667,879)</u>	<u>(1,787,892)</u>
Decrease (increase) in bank indebtedness	521,186	(228,877)
Bank indebtedness		
Beginning of year	(997,213)	(768,338)
End of year	<u>\$ (476,027)</u>	<u>\$ (997,213)</u>

See accompanying notes to the consolidated financial statements.

Acadia First Nation

Notes to the Consolidated Financial Statements

Year Ended March 31, 2014

1. Going concern

These financial statements have been prepared on the basis of a going concern which assumes Acadia First Nation will be able to realize its assets and settle its obligations in the normal course of operations. However, certain adverse conditions exist, which cast doubt on this assumption.

In prior years, a long standing matter, arising between 1997 and 2002, with respect to the payment by the Band of HST on certain of its activities was confirmed. Acadia First Nation is a self-governing authority that has implemented an aboriginal taxation system which, it proposes, has dominance over the HST on the basis of the aboriginal right of self-government. Canada Revenue Agency disputed this belief.

As a result of the dispute, taxes including penalties and interest were assessed in the amount of \$8,392,939. Of this amount, taxes total approximately \$4,565,504 and the remaining \$3,827,435 is represented by the interest and penalties.

A wholly owned subsidiary, Your Winners World – AFN, was assessed by Canada Revenue Agency under the same conditions as above. As the result, taxes including penalties and interest have been assessed in the amount of \$678,431. Of this amount, taxes total approximately \$190,852 and the remaining \$487,579 is represented by the interest and penalties.

The recording of these obligations in 2009 resulted in the creation of a deficit for the Band.

During 2010, the Band filed an appeal under the provisions of the Fairness Legislation to seek administrative relief from some or all of the penalties and interest. Canada Revenue Agency authorized relief for penalties and interest in written correspondence dated April 22, 2010 for both Your Winners World – AFN and the Acadia First Nation. Penalty and interest relief can only be granted back for 10 years, as this liability was initiated in 1999, the first year of penalties and interest will be included in the necessary repayment. As well, they have agreed to accept payments of \$25,000 per month until the original HST liability has been fulfilled.

The authorization of Canada Revenue Agency was recognized in prior years' financial statements as a Government Transfer, reversing \$3,749,161 in penalties and interest in Acadia First Nation and \$372,431 in the wholly owned subsidiary.

The HST liability in the subsidiary has been fully repaid and all required payments have been made by the Band to date. During the current year, the Band made all 12 payments as required by CRA. In order for the Band to continue as a going concern it will be necessary that they make the required payments and meet all the conditions of Canada Revenue Agency's waiver, each year.

Were the going concern assumption not appropriate for the Band's financial statements, adjustments to the carrying values of reported assets and equity would be required and these amounts could be material.

2. Summary of significant accounting policies

Reporting entity and principles of financial reporting

The consolidated financial statements of the Band are the representations of management prepared in accordance with Canadian generally accepted accounting principles for local governments, as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

Acadia First Nation

Notes to the Consolidated Financial Statements

Year Ended March 31, 2014

2. Summary of significant accounting policies (continued)

The focus of PSAB financial statements is on the financial position of the Band and the changes thereto. The consolidated statement of financial position includes all the assets and liabilities of the Band.

Significant aspects of the accounting policies adopted by the First Nation are as follows:

Principles of consolidation

The consolidated financial statements include the accounts of all funds and operations in which the Band has a controlling interest, after the elimination of inter-fund transactions and balances. The entities include the following Acadia First Nation Funds - Operating Fund, Capital Fund, Housing Fund, Development Fund, Fisheries Fund, Forestry Fund, Training Fund, Social Fund, Education Fund and Recreation Fund.

100% owned government business enterprises are recorded using the modified equity method. The enterprises recorded in this manner are Your Winner's World - AFN, Gold Reserves - AFN, Medway Entertainment - AFN, The Gold Nugget - AFN, Kespwick Fisheries Incorporated, AFN Entertainment Centre/Winner's Corner - AFN and Wildcat Entertainment - AFN.

Budget

The budget was approved by Chief and Council on March 28, 2013.

Revenues and expenditures – Canada Mortgage and Housing Corporation (CMHC) Housing Projects

Revenues and expenditures are recorded according to the accrual basis of accounting. Rental revenue is recorded at a flat monthly rate and not on a rent-to-income basis as set out in the agreement with CMHC.

Rental revenue is only being collected from tenants on social assistance and all uncollected rental revenue is treated as bad debts. As part of consolidation, \$313,660 (2013 - \$325,159) of rental revenue of the Housing Fund and \$132,374 (2013 - \$109,159) rental expense of the Social Services Fund and \$181,286 (2013 - \$216,000) in contributions from the General Fund were eliminated.

Operating surplus reserve

The operating surplus reserve account is funded by an appropriation of surplus, including the annual charge to the replacement reserve as opposed to an annual charge to earnings for projects entered into under the 1997 Section 95 On-Reserve Housing Program.

Replacement reserve

The replacement reserve account is funded by an annual charge against earnings as opposed to an appropriation of surplus.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks, bank overdrafts, and highly liquid temporary money market instruments with original maturities of three months or less. Bank borrowings are considered to be financing activities.

Tangible capital assets

Tangible capital assets are recorded at cost, which includes all amounts directly attributable to their acquisition, construction or betterment of the asset. Interest on construction is also included in cost. Amortization, at the rates noted below, is expensed in the current year.

Acadia First Nation

Notes to the Consolidated Financial Statements

Year Ended March 31, 2014

2. Summary of significant accounting policies (continued)

Rates and bases of amortization applied to write-off the cost of property and equipment over their estimated lives are as follows:

Buildings	25 yrs straight line basis
Health centres	25 yrs straight line basis
Furniture and equipment	10 yrs straight line basis
Paving and roads	30 yrs straight line basis
Forestry equipment	10 yrs straight line basis
Playground	10 yrs straight line basis
Equipment	10 yrs straight line basis
Motor vehicles	5 yrs straight line basis
Computers	4 yrs straight line basis
Fishing equipment and vessels	10 yrs straight line basis

Donated assets are recorded at a nominal value of \$1, unless otherwise noted. In the year of acquisition amortization of capital assets is calculated at the full annual rate as stated above.

RRAP expenditures

Repairs and renovations incurred under the CMHC Residential Renovations Assistance Program (RRAP) are expensed in the Operating Fund in the year incurred.

Inventory held for resale

Inventory is valued at the lower of cost and net realizable value. The cost of inventories includes the cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Costs such as storage costs, administrative overheads that do not contribute to bringing the inventories to their present location and condition, and selling costs are specifically excluded from the cost of inventories and are expensed in the period incurred. Inventory consists of tobacco products and general retail products.

Investments

Investments, when held, are made up of treasury accounts with longer term maturities. Investments are recorded at cost which approximated market value. Share capital of the government business enterprises are recorded as long-term investments.

Interest rate risk

The Band has interest bearing loans on which general interest rate fluctuations apply. The financial risk is the risk to the Band's earnings that arises from fluctuations in interest rates and the degree of volatility of these rates. The Band does not use derivative instruments to reduce its exposure to interest and foreign currency risk.

Use of estimates

In preparing the Band's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and reported amounts of revenue and expenses. Actual amounts could differ from these estimates.

Trust funds

The Trust Funds being administered by the First Nation are not consolidated with the accounts of the First Nation. At March 31, 2014, the equity in Trust Funds under its trusteeship amounted to \$511,762 (2013 - \$583,400), see page 35.

Acadia First Nation

Notes to the Consolidated Financial Statements

Year Ended March 31, 2014

2. Summary of significant accounting policies (continued)

Concentrations of credit risk

Concentrations of credit risk exist if a number of customers are engaged in similar economic activities or are located in the same geographic region, and indicate the relative sensitivity of the Band's performance to developments affecting a particular segment of borrowers or geographic region. Geographic credit risk exists for the Band due to most of the fish buyers they are dealing with are all located in South West Nova Scotia. The exposure to credit risk associated with the non-performance of these customers can be directly impacted by a decline in economic conditions which would impair the buyers' ability to satisfy their obligations to the Band.

Financial Instruments

The Band's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and long-term debt. The carrying value of the other financial instruments approximates their fair market value at March 31, 2014.

Net debt

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

Revenue

All revenue is recorded on the accrual basis whereby amounts received or recorded as receivable but not earned by the end of the fiscal year are recorded as deferred revenue. Funding received under the terms of contribution agreements with the federal government is recognized as revenue once eligibility criteria have been met. Funding is recorded as deferred revenue if it has been restricted by the federal government for a stated purpose, such as a specific program or the purchase of tangible capital assets. Deferred revenue is recognized in revenue over time as the recognition criteria are met.

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 the Band's services, may be consumed in normal operations and are not for resale. Non-financial assets include tangible capital assets, prepaid expenses and inventories of supplies.

3. Future accounting standards

Effective for the fiscal period beginning on April 1, 2014, Acadia First Nation will be required to adopt Section 3260 Liability for Contaminated Sites which establishes the recognition, measurement, and disclosure requirements for reporting liabilities associated with the remediation of contaminated sites. Management is currently assessing the impact of this new standard.

Acadia First Nation

Notes to the Consolidated Financial Statements

Year Ended March 31, 2014

4. Replacement reserve

Under the terms of the agreement with Canada Mortgage and Housing Corporation (CMHC), the replacement reserve account is to be credited annually with an amount established by CMHC as a charge against earnings plus interest. For projects entered into under the pre 1997 Section 95 On-Reserve Housing Program (Projects 1 to 11) a combined amount of \$8,021 is charged annually, and for projects entered into under the 1997 Section 95 On-Reserve Housing Program (Projects 12+) an amount of \$1,000 per unit is charged annually unless otherwise specified by Acadia First Nation.

These funds, along with accumulated interest, must be held 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 the account may only be used as approved by CMHC under the pre 1997 Section 95 On-Reserve Program. Under the 1997 Section 95 On-Reserve Program, funds may be withdrawn in accordance with Replacement Reserve Criteria, CMHC 3022. Withdrawals are credited to interest first and then principal.

5. Operating surplus reserve

Under the terms of the agreement with Canada Mortgage and Housing Corporation, excess revenues over expenditures, including the annual allocation to the Replacement Reserve, for projects entered into under the 1997 Sections 95 On-Reserve Program (projects 12+) are to be maintained as an operating reserve fund. The fund is to be credited annually with future surpluses of such projects plus interest. The projects operating reserve fund may only be used for the on-going operating costs of the housing projects and future years' deficits.

This 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 Canada Mortgage and Housing Corporation from time to time.

6. Receivables	2014	2013
Receivable – D. Coulton	\$ 80,701	\$ 168,461
Health Canada	2,484	3,772
Mi'kmaq Kina'matnewey	30,114	3,769
Province of Nova Scotia	217,485	207,936
Aboriginal Affairs and Northern Development Canada	15,803	70,813
Canada Revenue Agency	57,857	70,801
Mi'kmaq Employment/Training Secretariat	30,863	39,796
Other	74,054	20,715
	<hr/>	<hr/>
	<u>\$ 519,351</u>	<u>\$ 586,163</u>

Acadia First Nation
Notes to the Consolidated Financial Statements
Year Ended March 31, 2014

7. Tangible capital assets

Cost	Land	Building	Bingo Hall	Health Centres	Furniture and Equipment	Permit and Lease	Inventory	Software	Music	Business Equipment	Business Fares and
<u>Cost</u>											
Balance, beginning	\$ 578,879	\$ 7,839,057	\$ 620,919	\$ 880,277	\$ 266,326	\$ 638,145	\$ 162,835	\$ 6,756,792	\$ 17,742,231		
of the year											
Depreciation during the year	-	124,103	753,575	-	2,450	6,579	-	-	99,400	986,212	
Net additions											
Balance, end of the year	578,879	7,962,165	1,374,494	880,277	268,776	644,825	162,835	6,856,192	18,728,443		
<u>Accumulated Depreciation</u>											
Balance, beginning	-	4,005,286	-	456,978	225,940	203,040	144,703	2,314,973	7,350,320		
of the year											
Depreciation during the year	-	268,851	54,980	35,211	7,769	21,494	14,580	258,442	661,331		
Net additions											
Balance, end of the year	-	4,274,137	54,980	492,189	233,109	224,534	159,297	2,572,415	8,011,651		
<u>Net Book Value</u>	\$ 578,879	\$ 3,688,028	\$ 1,319,514	\$ 388,088	\$ 35,667	\$ 420,291	\$ 9,548	\$ 4,282,777	\$ 10,716,792		
<u>Fishing</u>											
<u>Cost</u>											
Balance, beginning											
of the year											
Depreciation during the year											
Net additions											
Balance, end of the year											
<u>Net Book Value</u>	\$ 18,728,443	102,940	562,486	2,329,520	9,000	962,591	112,587	22,798,067	21,629,795		
<u>Accumulated Depreciation</u>											
Balance, beginning											
of the year											
Depreciation during the year											
Net additions											
Balance, end of the year											
<u>Net Book Value</u>	\$ 10,716,792	\$ 92,105	\$ 47,773	\$ 681,978	\$ -	\$ 698,640	\$ 704	\$ 12,246,493	\$ 11,943,389		

Acadia First Nation
Notes to the Consolidated Financial Statements
Year Ended March 31, 2014

8. Long-term debt	<u>2014</u>	<u>2013</u>
3.7% mortgage, matured during the year	\$ -	\$ 1,292
1.81% mortgage, maturing April 1, 2014, payable in monthly instalments of \$283, including principal and interest.	283	3,641
1.81% mortgage, maturing April 1, 2014, payable in monthly instalments of \$268, including principal and interest.	268	3,452
2.31% mortgage, maturing March 1, 2018, payable in monthly instalments of \$1,597, including principal and interest.	9,518	28,225
Partially disbursed mortgage funds	211,267	188,747
1.45% mortgage, maturing January 1, 2017, payable in monthly instalments of \$1,268, including principal and interest.	32,428	47,057
2.56% mortgage, maturing November 1, 2017, payable in monthly instalments of \$734, including principal and interest.	25,426	33,478
1.92% mortgage, maturing April 1, 2019, payable in monthly instalments of \$447, including principal and interest.	25,981	30,818
2.75% mortgage, maturing January 1, 2021, payable in monthly instalments of \$541, including principal and interest.	37,703	43,084
2.11% mortgage, maturing October 1, 2033, payable in monthly instalments of \$654, including principal and interest.	125,911	130,725
BMO construction loan, partially disbursed, maturing in January 2029, payable in monthly instalment of \$ 5,874, including principal and interest	648,401	415,692
1.92% mortgage, maturing April 1, 2034, payable in monthly instalments of \$1,009, including principal and interest.	<u>201,691</u>	<u>209,955</u>
Total carried forward	<u><u>\$1,318,956</u></u>	<u><u>\$ 1,114,166</u></u>

Acadia First Nation
Notes to the Consolidated Financial Statements
Year Ended March 31, 2014

8. Long-term debt (continued)	<u>2014</u>	<u>2013</u>
Balance carried forward	\$ 1,318,958	\$ 1,114,166
2.56% mortgage, maturing December 1, 2022, payable in monthly instalments of \$366, including principal and interest.	33,572	37,066
1.92% mortgage, maturing April 1, 2024, payable in monthly instalments of \$301, including principal and interest.	33,080	36,023
2.04% mortgage, maturing January 1, 2024, payable in monthly instalments of \$353, including principal and interest	37,175	40,560
2.56% mortgage, maturing August 1, 2025, payable in monthly instalments of \$324, including principal and interest.	38,428	41,292
1.64% mortgage, maturing October 1, 2026, payable in monthly instalments of \$296, including principal and interest.	40,388	43,256
1.65% mortgage, maturing May 1, 2027, payable in monthly instalments of \$300, including principal and interest.	42,589	45,463
4.55% mortgage, maturing September 1, 2026 payable in monthly payments of \$963 including principal and interest.	109,731	116,287
1.53% mortgage, maturing December 1, 2027, payable in monthly instalments of \$292, including principle and interest.	43,458	46,276
2.37% mortgage, maturing July 1, 2038, payable in monthly instalments of \$1,589, including principle and interest.	330,630	341,762
0% loan, matured during the year	-	3,583
0% loan, matured during the year	-	4,908
Total carried forward	<u>\$ 2,027,985</u>	<u>\$ 1,670,642</u>

Acadia First Nation
Notes to the Consolidated Financial Statements
Year Ended March 31, 2014

8. Long-term debt (continued)	2014	2013
Balance carried forward	\$ 2,027,985	\$ 1,870,642
7.55% loan, maturing August 1, 2028, with monthly payments of \$1,992, including principal and interest.	209,063	217,187
2.35% mortgage, maturing August 1, 2028, payable in monthly instalments of \$300, including principal and interest.	44,035	46,500
1.92% mortgage, maturing January 1, 2029, payable in monthly instalments of \$297, including principal and interest.	48,068	48,751
2.28% mortgage, maturing July 1, 2031, payable in monthly instalments of \$448, including principal and interest.	77,067	80,662
4.55% mortgage, maturing in July, 2028 payable in monthly instalments of \$2,158, including principal and interest.	243,367	258,280
2.75% mortgage, maturing in February 1, 2031, payable in monthly instalments of \$1,001 including principal and interest.	162,554	170,013
2.69% mortgage, maturing July 1, 2030 payable in monthly instalments of \$852 including principal and interest.	103,423	108,407
1.65% mortgage, maturing April 1, 2032 payable in monthly instalments of \$1,337 including principal and interest.	250,792	262,605
1.64% mortgage, maturing December 1, 2031 payable in monthly instalments of \$648 including principal and interest.	119,809	125,581
1.64% mortgage, maturing February 1, 2032 payable in monthly instalments of \$2,059 including principal and interest.	383,500	401,777
2.87% mortgage, maturing November 1, 2034 payable in monthly instalments of \$2,262 including principal and interest.	422,509	437,387
10.75% Ulnooweg bridge loan, matured during the year	-	250,285
8% Ulnooweg loan, maturing in March 2015 payable in monthly instalments of \$2,322 including principal and interest.	28,671	51,336
2.78% mortgage, maturing June 1, 2035 payable in monthly instalments of \$1,111 including principal and interest.	214,477	221,813
Total carried forward	\$ 4,331,318	\$ 4,551,196

Acadia First Nation**Notes to the Consolidated Financial Statements****Year Ended March 31, 2014**

8. Long-term debt (continued)	<u>2014</u>	<u>2013</u>
Balance carried forward	\$ 4,331,318	\$ 4,551,196
2.68% mortgage, maturing January 1, 2038, payable in monthly instalments of \$548, including principle and interest.	108,765	112,394
1.71% mortgage, maturing September 1, 2037, payable in monthly instalments of \$1,475, including principle and interest.	342,419	354,169
1.65% mortgage, maturing June 1, 2037, payable in monthly instalments of \$976, including principle and interest.	226,185	234,119
6.39% loan, maturing March 2016, payments \$685, including principal and interest. The vehicle for which the loan was secured, is pledged as security.	15,389	22,380
6.99% loan, maturing October 2016, payments \$574, including principal and interest. The vehicle for which the loan was secured, is pledged as security.	9,775	15,744
	<u>\$ 5,033,861</u>	<u>\$ 5,290,002</u>

The Minister of Aboriginal Affairs and Northern Development Canada has provided guarantees for all Canada Mortgage and Housing Corporation mortgages.

Principal instalments required in the next five years are as follows:

2015	\$302,537
2016	\$270,540
2017	\$254,024
2018	\$250,181
2019	\$257,830

9. Payables and accruals

	<u>2014</u>	<u>2013</u>
Vendors	\$ 259,811	\$ 344,518
Severance accrual	617,500	657,500
Accruals	105,250	81,751
Harmonized sales tax	8,605	7,502
Government remittances	15,367	20,692
Other	2,372	87,025
	<u>\$ 1,008,905</u>	<u>\$ 1,198,988</u>

**Acadia First Nation
Notes to the Consolidated Financial Statements
Year Ended March 31, 2014**

10. Funded reserves

The Acadia First Nation operates thirty-two (32) CMHC subsidized housing projects. Replacement reserves for the first eleven projects are funded through a Joint Replacement Reserve bank account and replacement reserves for Projects 12 and up are to be funded through a second joint replacement reserve bank account.

As at March 31, 2014, the Acadia First Nation has provided for funding of Reserves as follows:

(Pre 1997)	(1997 Agreement)	
Projects 1 to 11	Projects 12 and 13	
<u>Amount of reserve</u>	<u>Amount of reserve</u>	<u>Amount funded</u>
\$ (8,937)	\$ 8,597	\$ (340)

At March 31, 2014, an amount of \$152,128 has been underfunded (2013 - \$172,736 underfunded). These balances have been eliminated upon consolidation.

11. Non-cash operating working capital balances

Decrease (increase) in receivables	\$ 68,812	\$ (75,276)
Increase in restricted cash and deposits	(370)	(81,305)
Increase in inventory held for resale	(18,883)	(8,388)
(Decrease) increase in payables and accruals	(190,083)	255,421
Decrease in deferred revenue	(13,348)	(12,589)
Decrease in assessment of sales tax, penalties and interest	(300,000)	(463,607)
	\$ (455,840)	\$ (385,744)

12. Economic dependence

The Band receives a major portion of its revenues pursuant to a funding arrangement with Aboriginal Affairs and Northern Development Canada and other federal departments.

13. Federal assistance payments

The housing projects have received assistance through CMHC pursuant to Section 56.1 of the National Housing Act to reduce mortgage interest expense to enable the project to provide housing to low-income individuals. The amount of assistance received in the year ended March 31, 2014 was \$162,260 (2013 - \$162,605).

Acadia First Nation Notes to the Consolidated Financial Statements

Year Ended March 31, 2014

14. Non compliance

The Band does not apply the rent-to-income scale with respect to Section 95 housing units.

15. Funds on deposit with AANDC

The Trust fund arises from monies derived from capital or revenue sources as outlined in Section 62 of the Indian Act. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada and are subject to audit by the Office of the Auditor General of Canada. The management of these funds is primarily governed by Section 63 to 69 of the Indian Act.

The changes in net assets of the Funds on deposit during the year are as follows:

	<u>2014</u>	<u>2013</u>
Net assets, beginning of year	\$ 9,907	\$ 9,670
Interest earned	<u>251</u>	<u>237</u>
	<u><u>\$ 10,158</u></u>	<u><u>\$ 9,907</u></u>
Represented by		
Restricted for capital projects	\$ 4,362	\$ 4,362
Unrestricted	<u>5,796</u>	<u>5,545</u>
	<u><u>\$ 10,158</u></u>	<u><u>\$ 9,907</u></u>

16. Related party transactions

The Band had the following transactions with related parties:

Building rental charged to related companies	\$ 67,872 (2013 - \$ 62,472)
Royalties received from Government Business Enterprises	\$3,297,877 (2013 - \$3,403,987)
Acadia Commodity Taxes charged	\$ 693,242 (2013 - \$ 654,716)
Agency fee charged from Government Business Enterprises	\$ 45,000 (2013 - \$ 45,000)

The consolidation of funds and operations in which the Band has a controlling interest has resulted in the elimination of certain transactions. Administration fees, building rentals, rental charges paid by various funds, licensing fees paid by the Fisheries Fund and Acadia Commodity Tax paid by the Fisheries Fund have been eliminated in the financial statements.

The rental charges, royalties and agency fees are charged on the basis of contractual agreement. The Acadia Commodity Tax is charged on the basis of the legal authority of the Band.

Acadia First Nation
Notes to the Consolidated Financial Statements
Year Ended March 31, 2014

17. Contingencies

The Band has guaranteed bank indebtedness of the Gaming Commission, which, at the balance sheet date totalled \$nil (2013 - \$nil).

With respect to the HST liability described in Note 1, if the Band fails to make their monthly payments, the penalties and interest that were waived will become payable. Management believes that all future payments will be made on time and that no future repayment of penalties and interest will be required.

18. Comparative figures

Certain of the 2013 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2014.

19. Pothook land claim settlement

During 2003, the Band ratified a settlement agreement with Her Majesty The Queen in Right of Canada (Canada) in connection with compensation for the illegal alienation of reserve lands. Under the terms of the settlement, Canada agreed to pay to the Band the sum of \$1,956,450 subject to the repayment of \$105,903 previously advanced by Canada to the Band.

During the year, \$80,000 was withdrawn from the trust to reimburse the Band for expenses approved through the trust agreement.

The remaining funds (see page 35) are to be held in trust for the Band and the Band members. The trustees of the trust were originally the Chief and Council of the Band and subsequently four members of the Band and three external trustees. The funds held by the trust were invested as follows:

- i) The majority in a "fixed income account" that will distribute to the Acadia First Nation approximately one fifth of the original principal per year for five years. The funds so distributed are restricted by the terms of the trust agreement for use by Acadia First Nation in specified purposes consistent with the objectives of the Acadia First Nation; and
- ii) Approximately \$175,000 in a "land acquisition account" to be held for up to fifteen years for the purpose of distributing to the Acadia First Nation to acquire land. Any unexpended funds in the land acquisition account after fifteen years are to be used for the same specified purposes as the funds in the fixed income account.

Acadia First Nation
Notes to the Consolidated Financial Statements
Year Ended March 31, 2014

20. Post employment benefits

During 2006, the Band approved a resolution initiating a retirement benefit where each of the Chief and Councillors will receive \$5,000 for each year of service that they have provided to the Acadia First Nation. During the year, \$40,000 was paid out to a former councillor and the current year's allocation was \$nil. As at March 31, 2014, the total amount recorded as a liability is \$617,500 (2013 - \$657,500).

During the current year, Chief and Council approved to cease accumulating any future amounts.

21. Surplus (Deficiency) in government business enterprises

Your Winners World - AFN, Winners Corner - AFN, Gold Reserves - AFN, The Gold Nugget - AFN, Kespwick Resources Incorporated, Wildcat Entertainment - AFN and Medway Entertainment - AFN are wholly-owned and controlled government business enterprises and are accounted for using the modified equity basis of accounting.

The related party transactions with these enterprises are summarized in Note 16. All transactions are in the normal course of operations and are recorded at the exchange value based on contractual agreements.

The Government Business Enterprises operate a combination of VLT operations, convenience stores and gas bars.

Kespwick Resources manages the Fisheries operations on behalf of the Band.

At year end, the receivable balance consists of the following:

	<u>2014</u>	<u>2013</u>
Your Winners World - AFN	\$ (1,509,458)	\$ (1,061,148)
Gold Reserves - AFN	(156,385)	148,477
AFN Entertainment Centre/Winners Corner - AFN	242,384	135,029
Gold Nugget - AFN	680,753	720,855
Medway River Entertainment - AFN	1,420,213	1,267,233
Wildcat Entertainment - AFN	177,788	72,409
Kespwick Resources Inc.	<u>(855,685)</u>	<u>(367,480)</u>
	<u>\$ 199,590</u>	<u>\$ 913,375</u>

Acadia First Nation
Notes to the Consolidated Financial Statements
Year Ended March 31, 2014

21. Surplus (Deficiency) in government business enterprises (continued)

The following provides the condensed supplementary financial information for the enterprises:

Financial position:	<u>2014</u>	<u>2013</u>
Total assets		
Wildcat Entertainment – AFN	\$ 55,805	\$ 52,775
Medway Entertainment – AFN	108,578	112,456
Your Winners World – AFN	2,060,712	1,491,197
Winners Corner – AFN	575,240	396,909
Gold Reserves – AFN	712,909	547,136
The Gold Nugget – AFN	145,289	85,442
Kespuwick Resources Incorporated	<u>5,101,996</u>	<u>5,549,226</u>
	<u><u>\$ 8,769,539</u></u>	<u><u>\$ 8,235,141</u></u>
Total liabilities		
Wildcat Entertainment – AFN	\$ 199,235	\$ 93,009
Medway Entertainment – AFN	1,455,646	1,307,228
Your Winners World – AFN	441,826	310,877
Winners Corner – AFN	754,683	477,891
Gold Reserves – AFN	482,846	606,747
The Gold Nugget – AFN	787,935	802,397
Kespuwick Resources Incorporated	<u>4,506,992</u>	<u>4,999,223</u>
	<u><u>\$ 8,829,163</u></u>	<u><u>\$ 8,597,372</u></u>
Results of operations:		
Revenues		
Wildcat Entertainment – AFN	\$ 218,810	\$ 236,456
Medway Entertainment – AFN	694,931	592,198
Your Winners World – AFN	6,539,924	6,276,205
Winners Corner – AFN	1,731,755	1,645,354
Gold Reserves – AFN	3,392,010	3,501,349
The Gold Nugget – AFN	837,849	789,946
Kespuwick Resources Incorporated	<u>45,000</u>	<u>45,000</u>
	<u><u>13,459,279</u></u>	<u><u>13,086,508</u></u>
Expenditures		
Wildcat Entertainment – AFN	\$ 322,006	\$ 294,214
Medway Entertainment – AFN	847,227	788,106
Your Winners World – AFN	6,094,360	5,863,539
Winners Corner – AFN	1,830,216	1,741,413
Gold Reserves – AFN	3,102,333	3,268,240
The Gold Nugget – AFN	<u>783,530</u>	<u>774,012</u>
	<u><u>12,959,672</u></u>	<u><u>12,729,524</u></u>
Net earnings	499,607	358,984
Deficiency in government business enterprises		
Beginning	<u>(491,296)</u>	<u>(848,280)</u>
Ending	<u><u>\$ 8,311</u></u>	<u><u>\$ (491,296)</u></u>

Acadia First Nation
Notes to the Consolidated Financial Statements
Year Ended March 31, 2014

22. Segmented Information

Acadia First Nation provides a wide range of services to its members, including training, education, social, health care and housing. For management reporting purposes Acadia First Nation's operations and activities are organized and reported by Fund. Funds were created for the purpose of recording activities to comply with specific regulations and requirements.

Funds that have been separately disclosed in the consolidated schedules of revenues and expenditures on the following pages are:

Band Support – all other activities not described in another fund. Mainly centralized and shared activities.

Education – providing elementary, secondary and post-secondary tuition for qualifying members along with related programs and support.

Community Maintenance – repairs and maintenance carried out during the year to Acadia First Nation's fixed assets. This includes garbage and snow removal.

Social Services – social assistance provided to qualifying members.

Community Health Representative – activity of the two Health Centres which provide a variety of health care programs and support.

Development Fund – inactive at this time.

Housing Fund – Section 95 housing and related expenditures.

Fisheries Fund – encompasses the fisheries activities of Acadia First Nation.

Training Fund – activities related to job training and skills.

Forestry Fund – logging and mill activities of Acadia First Nation.

See financial data on Page 33.

Acadia First Nation
Schedule of Segment Disclosure
Year Ended March 31

	Band M&S	2014	2013	2014	2013	Education	2014	2013	Maintenance	2014	2013	Social	2014	2013	CHR	2014	2013
Revenues																	
Federal government operating transfers	\$ 518,379	\$ 597,891	\$ 631,830	\$ 678,757	\$ 109,285	\$ 108,867	\$ 1,032,989	\$ 1,029,209	\$ 309,418	\$ 313,245							
Federal government capital transfers	-	-	-	-	111,634	191,238	-	-	-	-	8,840	-	-	-	-	-	-
Provincial government operating transfers	219,888	287,220	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Provincial government capital transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributed assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Economic activities	4,525,100	4,211,763	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Income from Investment	499,607	356,982	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
In GBE's	89,129	432,089	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	5,882,103	5,885,845	631,630	679,757	220,899	300,103	1,032,989	1,029,209	309,418	313,245							322,085
Expenses																	
Salaries	1,765,359	1,867,948	-	-	346,248	338,849	62,053	65,235	-	-	-	-	-	-	-	-	-
Amortization	606,726	568,508	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	109,932	89,771	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	1,880,530	2,670,308	607,070	625,421	171,384	300,103	813,542	829,815	387,012	390,241							
4,372,547	5,194,533	607,070	625,421	517,812	628,852	875,585	885,050	387,012	390,241								
Surplus (deficit) for the year	\$ 1,489,558	\$ 671,412	\$ 24,580	\$ 54,338	\$ (286,713)	\$ (338,849)	\$ 167,374	\$ 134,159	\$ (77,584)	\$ (178,158)							
Eliminated Interfund charges	60,982	(13,978)	(25,000)	(25,000)	-	-	-	-	(157,374)	(134,159)	-	-	-	-	-	-	-
Surplus (deficit)	\$ 1,550,518	\$ 658,334	\$ (440)	\$ 29,338	\$ (286,713)	\$ (338,849)	\$ -	\$ -	\$ -	\$ -	\$ (77,584)	\$ (178,158)					

Acadia First Nation
Schedule of Segment Disclosure
Year Ended March 31

	Housing		Fisheries		Training		Forestry		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Revenues										
Federal government										
Operating transfers	\$ 162,260	\$ 162,605	\$ 102,549	\$ 246,013	\$ 393,044	\$ 381,049	\$ -	\$ -	\$ 3,259,514	\$ 3,518,636
Federal government capital transfers	-	-	-	250,000	-	-	-	-	111,634	450,078
Provincial government										
Operating transfers	-	-	-	-	-	-	-	-	219,888	267,220
Provincial government capital transfers	-	-	-	-	-	-	-	-	-	-
Contributed assets	-	-	-	-	-	-	-	-	-	-
Economic activities	-	-	2,253,112	1,800,539	-	-	89,391	69,487	6,857,603	6,081,789
Income from Investment in GBE's	-	-	-	-	600	23,587	-	-	499,667	356,082
Other	162,260	162,605	2,355,661	2,296,552	393,644	404,616	89,391	89,487	11,057,875	11,139,359
Expenses										
Salaries			266,447	244,947	250,055	368,855	116,948	93,698	2,807,110	2,977,532
Amortization	258,442	256,803	-	-	-	-	-	-	865,168	823,311
Interest	81,352	83,881	-	-	-	-	-	-	191,284	173,452
Other	162,104	253,805	1,614,019	1,595,130	199,208	77,680	27,471	13,828	5,872,320	6,086,110
Surplus (deficit) for the year	501,898	594,089	1,880,486	1,840,077	449,283	444,515	144,419	107,527	9,735,892	10,840,405
Surplus (deficit) for the year	(339,638)	(431,484)	475,195	458,475	(55,619)	(39,889)	(55,028)	(38,040)	1,322,083	289,954
Eliminated Interfund charges	288,680	300,159	(167,249)	(127,922)	-	-	-	-	-	-
Surplus (deficit)	\$ (50,978)	\$ (131,325)	\$ 307,947	\$ 328,553	\$ (55,019)	\$ (39,889)	\$ (55,028)	\$ (38,040)	\$ 1,322,083	\$ 289,954

**Acadia First Nation
Ponhook Trust
Statement of Financial Position**

March 31

2014 2013

Assets

Restricted investments	<u>\$ 511,762</u>	<u>\$ 583,400</u>
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Trust Equity

Restricted funds on deposit with Scotia McLeod	<u>\$ 511,762</u>	<u>\$ 583,400</u>
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**Acadia First Nation
Statement of Changes in Ponhook Trust Equity**

Year Ended March 31

2014 2013

Balance, beginning of year	<u>\$ 583,400</u>	<u>\$ 881,403</u>
Capital gains on disposal/dividends	<u>1,984</u>	<u>2,263</u>
Withdrawals	<u>(80,000)</u>	<u>(309,999)</u>
Interest earned	<u>6,378</u>	<u>9,733</u>
Balance, end of year	<u><u>\$ 511,762</u></u>	<u><u>\$ 583,400</u></u>

This statement is included for information purposes only, the balances are not consolidated as the amounts are in trust.



Grant Thornton

Schedule of Honoraria, Travel Expenses and Other
Remuneration Paid To Chief and Council
(Unaudited)

Acadia First Nation

March 31, 2014

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Review Engagement Report

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To the Chief and Council of
Acadia First Nation

We have reviewed the Schedule of Honoraria, Travel Expenses and Other Remuneration paid to Chief and Council of Acadia First Nation as at March 31, 2014. This schedule has been prepared in accordance with the reporting requirements of Aboriginal Affairs and Northern Development Canada's year end reporting handbook. Our review was made in accordance with generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the entity.

A review does not constitute an audit and consequently we do not express an audit opinion on this schedule

Based on our review, nothing has come to our attention that causes us to believe that this schedule is not, in all material respects, in accordance with the reporting requirements of Aboriginal Affairs and Northern Development Canada's year end reporting handbook.

The Schedule of Honoraria, Travel Expenses and Other Remuneration paid to Chief and Council is presented for purposes of additional information to the membership and Aboriginal Affairs and Northern Development Canada

A handwritten signature in black ink that reads "Grant Thornton LLP".

Yarmouth, Canada
July 17, 2014

Chartered Accountants