Grant Thornton

Consolidated financial statements

Paqtnkek Mi'kmaw Nation

March 31, 2014

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Management's responsibility for financial reporting

The accompanying consolidated financial statements of the Paqtnkek Mi'kmaw Nation and all the information in this annual 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 judgments. 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 auditors' report.

The consolidated financial statements have been audited by Grant Thornton LLP in accordance with Canadian generally accepted auditing standards on behalf of the members. Grant Thornton LLP has full and free access to the Council.

Delphine LeviGould

Director of Operations

Chief

Grant Thornton

Independent auditor's report

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To the Chief and Councillors of

Paqtnkek Mi'kmaw Nation

We have audited the accompanying consolidated statement of financial position of the Paqtnkek Mi'kmaw Nation (the "First Nation") as at March 31, 2014, and the consolidated statement of operations, statement of changes in net financial liabilities, statement of fund balances, and statement of 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

The First Nation's management is responsible for the preparation and fair presentation of these 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 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 First Nation'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 First Nation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the First Nation's 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, these consolidated financial statements present fairly, in all material respects, the financial position of the Paqtnkek Mi'kmaw Nation as at March 31, 2014, and the results of its operations, changes in its net financial liabilities, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Port Hawkesbury, Canada

Grant Thornton LLP

October 16, 2014

Chartered accountants

Paqtnkek Mi'kmaw Nation
Consolidated statement of operations

Year ended March 31	Schedule	Budget	2014	2013
Revenue				
Education	B	$ 771,574	$ 837,601	$ 804,962
Social services	C	1,843,018	1,859,693	1,843,018
Capital	D	136,542	587,708	168,892
Operations and maintenance	E	79,879	96,602	95,878
Economic development and native employment	F	255,284	1,023,290	820,794
First Nation financial management	G	366,203	392,831	444,440
Health Canada programs	H	640,542	696,145	664,608
CMHC subsidized housing				
- 13 537 394	I	70,000	39,706	62,290
- 19 042 894	I	210,000	212,963	191,626
Non-subsidized housing	J	140,000	111,025	132,400
Gaming	K	120,000	95,673	84,992
Paqtnkek Tobacco Fund	L	1,400,000	1,638,686	1,447,123
Paqtnkek Fisheries	M	575,000	578,076	654,276
Paqtnkek Gas Bar	N	900,000	940,456	957,048
Paqtnkek VLT	O	3,200,000	4,873,353	4,110,026
		$ 10,708,042	$ 13,983,808	$ 12,482,373
Expenditures				
Education	B	$ 498,762	$ 837,222	$ 527,608
Social services	C	1,752,948	1,865,758	1,897,845
Capital	D	117,396	256,826	257,262
Operations and maintenance	E	160,669	179,308	177,387
Economic development and native employment	F	280,021	1,069,509	998,106
First Nation financial management	G	673,851	627,395	811,344
Health Canada programs	H	630,542	714,257	661,862
CMHC subsidized housing				
- 13 537 394	I	55,640	59,115	108,726
- 19 042 894	I	166,282	175,078	134,747
Non-subsidized housing	J	86,962	223,094	180,977
Gaming	K	10,000	20,992	33,410
Paqtnkek Tobacco Fund	L	1,100,000	1,290,473	1,146,835
Paqtnkek Fisheries	M	500,000	558,280	470,707
Paqtnkek Gas Bar	N	1,000,000	1,034,128	1,162,522
Paqtnkek VLT	O	3,006,000	4,446,149	3,913,427
Depreciation		519,969	529,156	548,033
		$ 10,559,042	$ 13,886,740	$ 13,030,798
Excess of revenue over (under) expenditure before debt forgiveness		$ 149,000	$ 97,068	$ (548,425)
Debt forgiveness		-	890,625	-
Excess of revenue over (under) expenditure		$ 149,000	$ 987,693	$ (548,425)

See accompanying notes to the consolidated financial statements.

Paqtnkek Mi'kmaw Nation
Consolidated statement of financial position

March 31	2014	2013
Financial assets		
Cash	$ 373,405	$ 487,458
Receivables (Note 2)	495,723	423,699
Restricted cash		
Replacement reserve fund (Note 3)	123	113,514
Funds held in trust (Note 4)	20,681	20,170
Investments	-	20,000
	889,932	1,064,841
Financial liabilities		
Payables and accruals (Note 6)	932,561	1,859,627
Deferred revenue (Note 7)	164,538	676,494
Long term debt (Note 8)	2,939,483	3,069,114
	4,036,582	5,605,235
Net financial liabilities	(3,146,650)	(4,540,394)
Non-financial assets		
Capital assets (Note 5)	8,807,313	9,081,413
Capital projects under construction	32,235	94,116
	8,839,548	9,175,529
Prepaids	25,436	34,046
Inventory	76,355	137,304
	8,941,339	9,346,879
Accumulated surplus	$ 5,794,689	$ 4,806,485
Net assets (Page 6)	$ 5,794,689	$ 4,806,485

Contingencies (Note 14)

On behalf of the Band Council

______________ Chief ______________ Councillor

See accompanying notes to the consolidated financial statements.

Paqtnkek Mi'kmaw Nation
Consolidated statement of accumulated surplus
Year ended March 31

			Net assets - externally restricted			2014	2013
	Investment in capital assets	Deficit	Funds on deposit with INAC	Replacement reserves	Operating reserve	Total	Total
Opening balance	$ 6,106,415	$ (1,702,552)	$ 20,170	$ 354,714	$ 27,738	$ 4,806,485	$ 5,354,461
Excess of revenue (under) over expenditure	(529,156)	1,516,849	-	-	-	987,693	(548,425)
Purchase of property and equipment	193,175	(193,175)	-	-	-	-	-
Increase in long term debt	(64,165)	64,165	-	-	-	-	-
Current year allocations	-	(33,767)	-	33,767	-	-	-
Withdrawals	-	174,303	-	(174,303)	-	-	-
Interest earned	-	-	511	-	-	511	449
Principal payments on long term debt	193,796	(193,796)	-	-	-	-	-
Ending balance	$ 5,900,065	$ (367,973)	$ 20,681	$ 214,178	$ 27,738	$ 5,794,689	$ 4,806,485

See accompanying notes to the consolidated financial statements.

Paqtnkek Mi'kmaw Nation

Consolidated statement of changes in net financial liabilities

March 31	Budget	2014	2013
Excess of revenue over (under) expenditure	$ 149,000	$ 987,693	$ (548,425)
Depreciation	519,969	529,156	548,033
Purchase of property and equipment	-	(193,175)	(203,495)
	668,969	1,323,674	(203,887)
Trust allocations and interest	-	511	449
Acquisition of inventory, net of usage	-	60,949	(63,688)
Acquisition of prepaid expenses, net of usage	-	8,610	(23,760)
	-	70,070	(86,999)
Change in net financial liabilities	668,969	1,393,744	(290,886)
Net financial liabilities, beginning of year	(4,540,394)	(4,540,394)	(4,249,508)
Net financial liabilities, end of year	$ (3,871,425)	$ (3,146,650)	$ (4,540,394)

See accompanying notes to the consolidated financial statements.

Paqtnkek Mi'kmaw Nation
Consolidated statement of cash flows

Year ended March 31	2014	2013
Decrease in cash and cash equivalents		
Operating		
Excess of revenue over (under) expenditure	$ 987,693	$ (548,425)
Depreciation	529,156	548,033
	1,516,849	(392)
Change in non-cash operating working capital		
Receivables	(72,024)	344,510
Inventory	60,949	(63,688)
Prepaids	8,610	(23,760)
Payables and accruals	(927,066)	(507,805)
Deferred revenue	(511,956)	217,728
	75,362	(33,407)
Financing		
Trust contributions and interest	511	449
Proceeds of long term debt	64,165	271,388
Repayment of long term debt	(193,796)	(250,053)
	(129,120)	21,784
Investing		
Disposal (purchase) of investments	20,000	(10,000)
Purchase of property and equipment	(193,175)	(203,495)
	(173,175)	(213,495)
Net decrease in cash and cash equivalents	(226,933)	(225,118)
Cash and cash equivalents, beginning of year	621,142	846,260
Cash and cash equivalents, end of year	$ 394,209	$ 621,142

Cash and cash equivalents, consists of:		
Cash	$ 373,405	$ 487,458
Restricted cash		
Replacement reserve fund	123	113,514
Funds in trust	20,681	20,170
	$ 394,209	$ 621,142

See accompanying notes to the consolidated financial statements.

1. Summary of significant accounting policies

Reporting entity and principles of financial reporting
These financial statements have been prepared in accordance with Canadian public sector accounting standards, which encompass the principles common with First Nations.

The consolidated financial statements of the Paqtnkek Mi'kmaw Nation 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.

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

The various funds have been amalgamated for the purpose of presentation in the consolidated financial statements. The Paqtnkek Mi'kmaw Nation maintains the following funds and unincorporated entities:

- The Operating Fund which reports the general activities of the First Nation Administration, including social services, band support, education, operations capital, operating and maintenance, economic development, community health and welfare, employment training, and miscellaneous.
- The Paqtnkek Mi'kmaw Nation Canada Mortgage and Housing Projects Fund which reports the social housing assets of the First Nation, together with related activities.
- The Paqtnkek Tobacco Fund which reports the First Nation's tobacco activities.
- The Paqtnkek Fisheries which reports the First Nation's commercial fishing operation.
- The Paqtnkek Gas Bar which reports the First Nation's commercial operations.
- The Paqtnkek VLT which reports the First Nation's gaming operations.

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

Principles of consolidation
The First Nation maintains a separate self-balancing set of accounts for the Operating Fund, the Capital Fund, and the Canada Mortgage and Housing Projects Fund. The Operating Fund includes the following statement of operations:

Social development	Education program
Band government	Economic development
Capital projects	Employment development
Operations and maintenance	Health Canada programs
Band operated school	Gaming
Miscellaneous	

Cash and cash equivalents
Cash and cash equivalents include cash on hand, balances with banks, and term deposits net of bank overdraft.

1. Summary of significant accounting policies (continued)

Inventory

The cost of inventories is comprised of directly attributable costs and includes the purchase price plus other costs incurred in bringing the inventories to their present location and condition, such as freight. The cost is reduced by the value of rebates and allowances received from vendors. The First Nation estimates net realizable value as the amount that inventories are expected to be sold. Inventories are written down to net realizable value when the cost of inventories is not estimated to be recoverable due to obsolescence, damage or declining selling prices. When circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in selling price, the amount of the write-down previously recorded is reversed. Costs that do not contribute to bringing inventories to their present location and condition, such as storage and administrative overheads, are specifically excluded from the cost of inventories and are expensed in the period incurred.

The cost of inventory recognized as an expense in these financial statements during fiscal 2014 was $2,086,427 (2013 - $1,888,115). There were no write downs of inventory below cost to net realizable value during the year. There were no reversals of inventories written down previously that are no longer estimated to sell below cost.

Capital assets

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. Depreciation, at rates noted below, is expensed in the current year.

Rates and methods of depreciation applied to write off the cost of capital assets over their estimated useful lives are as follows:

Buildings	2.5 - 5%, declining balance
Housing properties	25 years, straight line
Infrastructure and roads	4 - 10%, declining balance
Equipment	20%, declining balance
Motor vehicles	30%, declining balance
Vessels	15%, declining balance

In the year of acquisition, depreciation of capital assets is calculated at half the full annual rate as stated above.

Investments

Investments are recorded at the lower of cost and net realizable value.

1. Summary of significant accounting policies (continued)

Revenue recognition
Paqtnkek Mi'kmaw Nation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when recovered or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Use of estimates
In preparing the First Nation'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 at the date of the financial statements, and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

Income taxes
The Band Council is exempt from income taxes under Section 149(l)(c) of the *Canadian Income Tax Act.*

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

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.

2. Receivables

	2014	2013
Aboriginal Affairs and Northern Development Canada	$ -	$ 17,233
Health Canada	-	3,024
Mi'kmaq Employment Training Secretariat	23,450	16,538
Mi'kmaw Kina'matnewey	11,239	10,838
Canada Mortgage and Housing Corporation	473	480
Members	344,363	357,034
Province of Nova Scotia	92,724	84,991
Service Canada	63,560	-
Commodity taxes	79,914	-
Trade receivables	73,196	126,032
	688,919	616,170
Less: allowance for doubtful accounts	(193,196)	(192,471)
	$ 495,723	$ 423,699

3. Replacement reserve fund

Under the terms of the agreement with the CMHC, the replacement reserve account is to be increased by annual charges to equity. The charge in the current year is $33,767 (2013 - $34,456). 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 the CMHC from time to time. The funds in the account may only be used as approved by the CMHC. Withdrawals are credited to interest first and then principal. At year end, the funds in reserve consisted of the following:

	2014	2013
Cash	$ 123	$ 113,514
Replacement reserve funds:		
13 537 394 Series		
Balance, beginning of year	$ 174,463	$ 169,507
Annual appropriation	2,867	4,973
Withdrawals	(88,355)	-
Interest earned during the year	-	(17)
Balance, end of year	$ 88,975	$ 174,463
19 042 894 Series		
Balance, beginning of year	$ 180,251	$ 150,785
Annual appropriation	30,900	29,483
Withdrawals	(85,948)	-
Interest earned during the year	-	(17)
Balance, end of year	$ 125,203	$ 180,251
	$ 214,178	$ 354,714

As of March 31, 2014, there was a shortfall of $214,055 (2013 - $241,200) in the replacement reserve accounts. Accordingly, the projects are not in compliance with the agreement.

4. Funds held in trust

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 Sections 63 to 69 of the *Indian Act*.

The changes in net assets of the Trust Fund during the year are as follows:

	2014	2013
Net assets, beginning of year	$ 20,170	$ 19,687
Interest earned	511	483
Net assets, end of year	$ 20,681	$ 20,170

5. Capital assets

			2014	2013
	Cost	Accumulated depreciation	Net book value	Net book value
Land	$ 200,176	$ -	$ 200,176	$ 200,176
Buildings and housing properties	9,586,964	3,902,527	5,684,437	5,846,366
Equipment	574,514	369,261	205,253	227,170
Motor vehicles	430,401	362,109	68,292	50,325
Vessels	475,327	352,359	122,968	109,668
Infrastructure and roads	3,783,590	1,257,403	2,526,187	2,647,708
	$ 15,050,972	$ 6,243,659	$ 8,807,313	$ 9,081,413

6. Payables and accruals

	2014	2013
Aboriginal Affairs and Northern Development Canada	$ 22,648	$ 46,323
Health Canada	13,053	32,379
Commodity taxes	231,879	199,537
Trade payables and accruals	664,981	1,581,388
	$ 932,561	$ 1,859,627

7. Deferred revenue	2014	2013
Aboriginal Affairs and Northern Development Canada		
Education	$ 60,369	$ 60,369
Communication promotion	11,500	-
Community buildings	-	200,000
	71,869	260,369
CMHC		
Housing renovations	28,033	29,405
Health Canada		
Aboriginal headstart	64,636	64,636
Multi-year workplan	-	34,000
	64,636	98,636
Province of Nova Scotia		
Skills and Partnership program	-	248,084
Other	-	40,000
	$ 164,538	$ 676,494

8. Long term debt	2014	2013
Canada Mortgage and Housing Corporation		
2.61% mortgage maturing in September 2014, payable in equal monthly instalments of principal and interest of $415	$ 44,431	$ 48,202
2.26% mortgage maturing in August 2016, payable in equal monthly instalments of principal and interest of $391	49,343	52,885
1.67% mortgage maturing in April 2017, payable in equal monthly instalments of principal and interest of $1,153	160,756	171,820
1.62% mortgage maturing in March 2018, payable in equal monthly instalments of principal and interest of $363	54,053	57,512
1.92% mortgage maturing in April 2019, payable in equal monthly instalments of principal and interest of $350	55,101	58,272
2.61% mortgage maturing in September 2014, payable in equal monthly instalments of principal and interest of $758	115,944	121,944
2.56% mortgage maturing in December 2015, payable in equal monthly instalments of principal and interest of $755	123,380	129,213
2.26% mortgage maturing in August 2016, payable in equal monthly instalments of principal and interest of $443	76,321	79,882
1.71% mortgage maturing in September 2017, payable in equal monthly instalments of principal and interest of $716	135,131	141,359
1.67% mortgage maturing in June 2018, payable in equal monthly instalments of principal and interest of $1,218	203,034	211,600
1.67% mortgage maturing in June 2018, payable in equal monthly instalments of principal and interest of $1,907	376,684	392,567

8. Long term debt (continued)	2014	2013
2.57% mortgage maturing in December 2014, payable in equal monthly instalments of principal and interest of $384	74,086	76,760
2.84% mortgage maturing in April 2015, payable in equal monthly instalments of principal and interest of $860	163,894	169,504
2.75% mortgage maturing in June 2016, payable in equal monthly instalments of principal and interest of $1,497	297,992	307,658
1.65% mortgage maturing in June 2017, payable in equal monthly instalments of principal and interest of $371	32,358	36,239
1.39% mortgage maturing in August 2017, payable in equal monthly instalments of principal and interest of $299	71,617	74,189
1.62% mortgage maturing in March 2018, payable in equal monthly instalments of principal and interest of $527	125,714	127,636
Loan advance, terms not yet finalized	82,201	20,400
Bank of Nova Scotia		
4.25% mortgage maturing in July 2014, payable in equal monthly instalments of principal and interest of $1,109	4,397	17,223
4.19% mortgage maturing in December 2014, payable in equal monthly instalments of principal and interest of $894	9,634	19,734
4.39% mortgage maturing in January 2017, payable in equal monthly instalments of principal and interest of $920	83,980	91,199

8. Long term debt (continued)	2014	2013
4.05% mortgage maturing in June 2015, payable in equal monthly instalments of principal and interest of $497	63,423	66,764
4.05% mortgage maturing in June 2015, payable in equal monthly instalments of principal and interest of $497	63,423	66,764
4.05% mortgage maturing in June 2015, payable in equal monthly instalments of principal and interest of $497	63,423	66,764
4.19% mortgage maturing in December 2016, payable in equal monthly instalments of principal and interest of $327	42,751	44,838
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4.19% mortgage maturing in December 2016, payable in equal monthly instalments of principal and interest of $327	42,751	44,838

8. Long term debt (continued)	2014	2013
Ulnooweg Development Group Inc.		
8.00% loan maturing in 2016, payable in annual instalments of $3,043, including interest	81,185	110,179
8.00% loan maturing in 2016, payable in annual instalments of $1,077, including interest	28,721	38,979
	2,939,483	3,069,114
Less: Current portion of long term debt Principal payments due within one year	192,481	185,539
	$ 2,747,002	$ 2,883,575

As security, the Band has provided a Band Council Resolution providing an irrevocable authorization to the Aboriginal Affairs and Northern Development Canada to assign all funding until all loans are repaid to the bank and a floating charge on the assets of the Band Council.

The aggregate maturities of long term debt, assuming mortgages are renewed under the same terms and conditions currently in effect, for each of the next five years subsequent to March 31, 2014, are as follows:

2015	$ 192,481
2016	$ 185,501
2017	$ 165,633
2018	$ 147,287
2019	$ 151,172

9. Operating reserve fund

After the payment of all costs and expenses, including the allocation to the Replacement Reserve, any surplus revenue will be retained by the First Nation within an Operating Reserve fund. Interest earnings must accrue to and be maintained in the Operating Reserve fund. The Project's Operating Reserve fund may only be used for the ongoing operating costs of the housing projects committed under the 1997 On-Reserve Program (19 042 894 series housing projects). Accordingly, future years' deficits may be recovered from the Operating Reserve fund. The First Nation agrees to maintain Operating Reserve funds in a separate bank account and/or invested only in accounts or instruments insured by the CDIC, or as may otherwise be mutually agreed to by the First Nation and CMHC.

10. Subsidy surplus reserve fund

Under the terms of the agreement with the CMHC, excess Federal assistance payments received may be retained in a subsidy surplus reserve up to a maximum of $500 per unit plus interest. The reserve is to be comprised of monies deposited in a separate bank account and/or invested only in accounts or instruments insured by the CMHC from time to time. The funds in the account may only be used to meet future subsidy requirements of income-tested occupants over and above the maximum Federal assistance. Withdrawals are credited to interest first and then principal. When the fund has attained the maximum $500 per unit, 100% of the excess assistance during the 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.

11. Capital management

Paqtnkek Mi'kmaw Nation's objectives when managing capital are: i) ensure sufficient liquidity to support its financial obligations and execute its operating and strategic plans, ii) to minimize the cost of capital while taking into consideration current and future industry, market and economic risks and conditions and iii) to maintain an optimal capital structure that provides necessary financial flexibility and returns to the Paqtnkek Mi'kmaw Nation, while also ensuring compliance with any financial covenants.

Paqtnkek Mi'kmaw Nation monitors and makes adjustments to its capital structure when necessary, in light of changes to economic conditions, the objectives of the Paqtnkek Mi'kmaw Nation and the cash requirements of the entity.

Paqtnkek Mi'kmaw Nation considers its total capitalization to include all interest-bearing debt including long term debt and the current portion thereof, equity, net of cash. The calculation is set out in the following table:

	2014	2013
Long term debt	$ 2,939,483	$ 3,069,114
Add: bank indebtedness (cash)	(394,209)	(621,142)
Net funded debt	2,545,274	2,447,972
Equity	5,794,689	4,806,485
Capital under management	$ 8,339,963	$ 7,254,457

Although Paqtnkek Mi'kmaw Nation does not include operating leases in its definition of capital, the entity does give consideration to its obligations under operating leases when assessing its total capitalization.

11. Capital management (continued)

The primary investments undertaken by Paqtnkek Mi'kmaw Nation include improvements and additions to housing properties, buildings, and infrastructure. The entity relies largely on its cash flow from operations to fund its capital investment program. The cash flow is supplemented, when necessary, through the borrowing of additional debt. No changes were made to these objectives in the current period.

For the year ended March 31, 2014, there were no externally imposed capital restrictions for the First Nation, and the Paqtnkek Mi'kmaw Nation is in compliance with the covenants relating to the revolving term credit facility.

12. Financial Instruments

Credit risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligation. The First Nation's financial instruments that are exposed to concentrations of credit risk are primarily accounts receivable.

The First Nation's maximum exposure to credit risk corresponds to the carrying amount for all receivables.

Liquidity risk

Liquidity risk is the risk that the First Nation may not have cash available to satisfy its liabilities as they come due. The First Nation actively maintains a committed credit facility to ensure that it has sufficient available funds to meet current and foreseeable future financial requirements at a reasonable cost.

The First Nation monitors capital markets and the related conditions. Market conditions allowing, the First Nation will access debt capital markets for various long-term debt maturities and as other liabilities come due or as assessed to be appropriate in order to minimize risk and optimize pricing.

The contractual maturities of the principal portion of significant financial liabilities as at March 31, 2014, is outlined in Note 8.

Fair value of financial statements

The fair value of a financial instrument is the estimated amount that the First Nation would receive or pay to settle the financial assets and financial liabilities at the reporting date.

The book value of cash and cash equivalents, receivables, and payables and accruals approximate fair values at the balance sheet date due to their short term to maturity. The fair value of the variable rate long term debt is assumed to approximate its carrying amount.

13. Measurement uncertainty

The Paqtnkek Gas Bar is required to pay commodity tax on sales to non-native customers and the First Nation is not currently registered for HST purposes with Canada Revenue Agency. In order to accrue the liability, management has estimated the amount of exempt sales. Management believes the amount accrued is reasonable; although, no penalties or interest has been recorded. It is possible that the percentage of non-native sales could be adjusted by the Canada Revenue Agency upon review and result in a material gain or loss.

14. Contingencies

a) The Band has entered into a two year alternative funding arrangement with the Aboriginal Affairs and Northern Development Canada, effective April 1, 2012. These funds may be repayable if any of the following conditions are not met:

1) minimum program requirements are not met;
2) capital funds are not expended for capital purposes; and
3) any mandatory capital projects are not completed.

b) The Band has entered into contribution agreements with various government departments. Funding received under these contribution agreements is subject to repayment if the Band fails to comply with the terms and conditions of the agreements.

15. Line of credit

The First Nation has a $50,000 operating line of credit with Bank of Nova Scotia at a rate of prime plus 2%. The balance of the line of credit as at March 31, 2014, was nil (2013 – nil).

16. Pension costs and obligations

The First Nation is required to match contributions to a group registered retirement savings plan for certain full time employees. Total contributions during the year amounted to $41,913 (2013 - $39,496).

17. Subsequent events

Subsequent to year end, there was an oil spill on a property located on the reserve which has resulted in oil contamination at the site. The First Nation is currently undergoing an environmental site assessment to determine the related costs associated with the clean up and it is uncertain whether the costs associated with the clean up will be covered by the First Nation's insurance policy.

18. Government transfers

	2014 Operating	2014 Capital	2014 Total	2013 Operating	2013 Capital	2013 Total
Aboriginal Affairs and Northern Development Canada	$ 2,583,462		$ 2,583,462	$ 2,383,011	$ 9,732	$ 2,392,743
Health Canada	692,233		692,233	640,279	14,403	654,682
Canada Mortgage and Housing Corporation	92,244	-	92,244	133,666	-	133,666
Mi'kmaw Kina'matnewey	837,301	-	837,301	785,954	-	785,954
Other	260,150	-	260,150	258,356	-	258,356
Total Federal Government Transfers	4,465,390	-	4,465,390	4,201,266	24,135	4,225,401
Province of Nova Scotia	752,725	-	752,725	575,070		575,070
Total Government Transfers	$ 5,218,115	$ -	$ 5,218,115	$ 4,776,336	$ 24,135	$ 4,800,471

19. Expenditures by object

	2014	2013
Business development and promotion	$ 48,619	$ 66,298
Cash shortages	(67,893)	122,825
Community support	145,940	235,412
Contracted services	229,606	174,801
Depreciation	529,156	548,029
Doubtful accounts provision	-	4,759
Due and fees	163,487	159,591
Education and training	1,290,808	1,140,047
Fuel, bait, and boat maintenance	221,433	147,198
Health programs	215,500	281,322
Infrastructure	328,782	309,385
Insurance	115,112	88,566
Interest	113,412	135,870
Purchases	2,108,281	1,904,229
Repairs and maintenance	323,731	281,737
Salaries, wages, and benefits	2,072,929	$ 2,086,302
Social	1,822,485	1,759,750
Supplies	177,400	133,675
Travel	46,696	75,947
VLT payouts	4,001,256	3,375,055
	$ 13,886,740	$ 13,030,798

20. Segment disclosure

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

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

- Social services – social assistance provided to qualifying members.
- Financial management- all associated with the administration of the Band operations
- Capital Projects – provides capital construction projects for the community.
- Operations and Maintenance – repairs and maintenance carried out during the year to the community buildings.
- Economic Development – specified development projects undertaken by the Band.
- Education – providing elementary, secondary, and post-secondary tuition for qualifying members along with related programs and support.
- Health Canada – activity of the Health Centre which provides a variety of health care programs and support.
- Housing Fund – Section 95 and non-subsidized housing operations.
- Tobacco Fund – the Band's tobacco sales operation.
- Commercial Fishing – encompasses the fisheries activities of the Band.
- Gaming Commission – represents the Band's share of Casino Nova Scotia revenues.
- Gas bar – the gas bar operations of the band.
- VLT – the VLT operations of the Band.

See financial data on Pages 39 – 41.

21. Comparative figures

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

Paqtnkek Mi'kmaw Nation

Schedule of Segment Disclosure
Year ended March 31, 2014

	Social		First Nation Financial Management		Capital		Operations and Maintenance		Economic Development and Native Employment	
	Actual 2014	Actual 2013	Actual 2014	Actual 2013	Actual 2014	Actual 2013	Actual 2014	Actual 2013	Actual 2014	Actual 2013
Revenues										
Federal government operating transfers	$ 1,859,693	$ 1,843,018	$ 239,588	$ 237,444	$ 337,778	$ 136,543	$ 96,602	$ 95,878	$ 34,800	$ 62,626
Federal government capital transfers						19,500			15,000	9,732
Provincial government operating transfers									547,052	490,078
Provincial government capital transfers										
Contributed assets										
Economic activities										
Income from Investment in GBE's										
Other			153,242	206,996	249,930	12,849			426,438	258,356
	1,859,693	1,843,018	392,831	444,440	587,708	168,892	96,602	95,878	1,023,290	820,794
Expenses										
Salaries and benefits	93,757	131,617	447,279	432,412	133,869	115,814	-	26,462	243,533	166,616
Amortization							-		-	
Interest				17,240	17,746	18,829	-	-	-	
Other	1,772,001	1,766,228	180,116	361,692	105,211	122,619	179,308	150,925	825,976	831,290
	1,865,758	1,897,845	627,395	811,344	256,826	257,262	179,308	177,387	1,069,509	998,106
Surplus (deficit) for the year	$ (6,065)	$ (54,827)	$ (234,564)	$ (366,904)	$ 330,882	$ (88,370)	$ (82,706)	$ (81,509)	$ (46,219)	$ (177,312)

Paqtnkek Mi'kmaw Nation

Schedule of Segment Disclosure
Year ended March 31, 2014

	Education		Gaming		Health Canada Programs		Tobacco Fund		Gas Bar	
	Actual 2014	Actual 2013	Actual 2014	Actual 2013	Actual 2014	Actual 2013	Actual 2014	Actual 2013	Actual 2014	Actual 2013
Revenues										
Federal government operating transfers	$ 837,301	$ 785,954			$ 692,233	$ 640,279				
Federal government capital transfers						14,403				
Provincial government operating transfers			$ 95,673	$ 84,992						
Provincial government capital transfers										
Contributed assets										
Economic activities										
Income from investment in GBE's										
Other	300	19,008			3,912	9,926	$ 1,638,686	$ 1,447,123	$ 940,456	$ 957,048
	837,601	804,962	95,673	84,992	696,145	664,608	1,638,686	1,447,123	940,456	957,048
Expenses										
Salaries and benefits	208,728	207,585			308,443	326,853	48,188	49,992	88,241	88,384
Amortization	-	-						-		-
Interest	-	-					2,278	2,115	5,974	5,888
Other	628,494	320,023	20,992	33,410	405,814	335,009	1,240,007	1,094,728	939,913	1,068,250
	637,222	527,608	20,992	33,410	714,257	661,862	1,290,473	1,146,835	1,034,128	1,162,522
Surplus (deficit) for the year	$ 379	$ 277,354	$ 74,681	$ 51,582	$ (18,112)	$ 2,746	$ 348,213	$ 300,288	$ (93,672)	$ (205,474)

Paqtnkek Mi'kmaw Nation

Schedule of Segment Disclosure
Year ended March 31, 2014

	Non-Subsidized Housing		Fisheries		VLT		Subsidized Housing		Other		Total	
	Actual 2014	Actual 2013	Actual 2014	Actual 2013	Actual 2014	Actual 2013	Actual 2014	Actual 2013	Actual 2014	Actual 2013	Actual 2014	Actual 2013
Revenues												
Federal government operating transfers							$ 92,244	$ 121,666		-	$ 4,190,240	$ 3,923,410
Federal government capital transfers											15,000	43,635
Provincial government operating transfers											642,725	575,070
Provincial government capital transfers											-	-
Contributed assets											-	-
Economic activities											-	-
Other	$ 111,025	$ 132,400	$ 578,076	$ 654,276	$ 4,873,353	$ 4,110,026	160,425	132,250	890,625		10,026,468	7,940,258
	111,025	132,400	578,076	654,276	4,873,353	4,110,026	252,669	253,916	890,625	-	14,874,433	12,482,373
Expenses												
Salaries and benefits			308,741	267,720	192,150	256,546		16,100			2,072,929	2,086,301
Amortization									529,156	548,033	529,156	548,033
Interest	20,690	25,579	10,957	14,548	2,900	3,015	52,867	48,656			113,412	135,870
Other	202,404	155,398	238,582	188,439	4,251,099	3,653,866	181,326	178,717			11,171,243	10,260,594
	223,094	180,977	558,280	470,707	4,446,149	3,913,427	234,193	243,473	529,156	548,033	13,886,740	13,030,798
Surplus (deficit) for the year	$ (112,069)	$ (48,577)	$ 19,796	$ 183,569	$ 427,204	$ 196,599	$ 18,476	$ 10,443	$ 361,469	$ (548,033)	$ 987,693	$ (548,425)