



**Grant Thornton**

**Consolidated financial statements**

**Paqtnkek Mi'kmaw Nation**

**March 31, 2015**

## Management's responsibility for financial reporting

The accompanying consolidated financial statements of the Paqtnekek 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.

  
Director of Operations

  
Chief

## Independent auditor's report

Grant Thornton LLP  
Unit 2  
301 Pitt Street  
Port Hawkesbury, NS  
B9A 2T6  
T (902) 625-5383  
F (902) 625-5242  
[www.GrantThornton.ca](http://www.GrantThornton.ca)

To the Chief and Councillors of

Paqtnekek Mi'kmaw Nation

We have audited the accompanying consolidated statement of financial position of the Paqtnekek Mi'kmaw Nation (the "First Nation") as at March 31, 2015, 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 Paqtnekek Mi'kmaw Nation as at March 31, 2015, 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

July 29, 2015

*Grant Thornton LLP*

Chartered accountants

# Paqtnkek Mi'kmaw Nation

## Consolidated statement of operations

Year ended March 31      Schedule      Budget      2015      2014

### Revenue

Education	B	\$ 860,991	\$ 950,439	\$ 837,601
Social services	C	1,859,692	2,126,282	1,859,693
Capital	D	248,448	183,387	587,708
Operations and maintenance	E	185,607	217,494	96,602
Economic development and native employment	F	286,427	596,768	1,023,290
First Nation financial management	G	747,735	695,348	392,831
Health Canada programs	H	653,233	604,878	696,145
CMHC subsidized housing				
- 13 537 394	I	60,000	42,829	39,706
- 19 042 894	I	250,000	242,774	212,963
Non-subsidized housing	J	140,000	194,078	111,025
Gaming	K	80,000	95,835	95,673
Paqtnkek Tobacco Fund	L	1,450,000	1,784,907	1,638,686
Paqtnkek Fisheries	M	575,000	856,437	578,076
Paqtnkek Gas Bar	N	950,000	841,900	940,456
Paqtnkek VLT	O	588,000	893,860	872,097
		<u>\$ 8,935,133</u>	<u>\$ 10,327,016</u>	<u>\$ 9,982,552</u>

### Expenditures

Education	B	\$ 858,161	\$ 947,184	\$ 837,222
Social services	C	1,859,692	2,065,571	1,865,758
Capital	D	248,448	211,539	256,826
Operations and maintenance	E	195,607	162,061	179,308
Economic development and native employment	F	286,427	567,048	1,069,509
First Nation financial management	G	725,565	643,435	627,395
Health Canada programs	H	678,233	604,878	714,257
CMHC subsidized housing				
- 13 537 394	I	99,250	26,313	59,115
- 19 042 894	I	200,750	126,859	175,078
Non-subsidized housing	J	140,000	180,345	223,094
Gaming	K	50,000	1,036	20,992
Paqtnkek Tobacco Fund	L	1,370,000	1,549,834	1,290,473
Paqtnkek Fisheries	M	525,000	664,738	558,280
Paqtnkek Gas Bar	N	1,050,000	959,165	1,034,128
Paqtnkek VLT	O	538,000	504,678	444,893
Depreciation		-	551,144	529,156
		<u>\$ 8,825,133</u>	<u>\$ 9,765,828</u>	<u>\$ 9,885,484</u>

Excess of revenue over (under) expenditure  
before debt forgiveness

\$ 110,000      \$ 561,188      \$ 97,068

Debt forgiveness

-      -      890,625

Excess of revenue over (under) expenditure

\$ 110,000      \$ 561,188      \$ 987,693

See accompanying notes to the consolidated financial statements.

# **Paqtnekek Mi'kmaw Nation**

## **Consolidated statement of financial position**

March 31

2015

2014

### **Financial assets**

Cash	\$ 544,166	\$ 373,405
Receivables (Note 2)	817,061	495,723
Restricted cash		
Replacement reserve fund (Note 3)	123	123
Funds held in trust (Note 4)	21,266	20,681
Investments	-	-
	<u>1,382,616</u>	<u>889,932</u>

### **Financial liabilities**

Payables and accruals (Note 6)	1,025,288	932,561
Deferred revenue (Note 7)	112,375	164,538
Long term debt (Note 8)	<u>2,782,107</u>	<u>2,939,483</u>
	<u>3,919,770</u>	<u>4,036,582</u>

### **Net financial liabilities**

<u>(2,537,154)</u>	<u>(3,146,650)</u>
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### **Non-financial assets**

Capital assets (Note 5)	8,793,742	8,807,313
Capital projects under construction	-	32,235
	<u>8,793,742</u>	<u>8,839,548</u>
Prepays	39,436	25,436
Inventory	<u>60,438</u>	<u>76,355</u>
	<u>8,893,616</u>	<u>8,941,339</u>

### **Accumulated surplus**

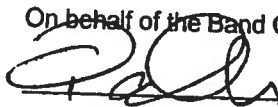
<u>\$ 6,356,462</u>	<u>\$ 5,794,689</u>
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### **Net assets (Page 6)**

<u>\$ 6,356,462</u>	<u>\$ 5,794,689</u>
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Contingencies (Note 14)

On behalf of the Band Council

 Chief

 Councillor

See accompanying notes to the consolidated financial statements.

# Paqtneq Mi'kmaw Nation

## Consolidated statement of accumulated surplus

Year ended March 31

2015 2014

	Investment in capital assets	Deficit	Funds on deposit with INAC	Net assets - externally restricted		Total	Total
				Replacement reserves	Operating reserve		
Opening balance	\$ 5,900,065	\$ (367,973)	\$ 20,681	\$ 214,178	\$ 27,738	\$ 5,794,689	\$ 4,806,485
Excess of revenue (under) over expenditure	(551,144)	1,112,332	-	-	-	561,188	987,693
Purchase of property and equipment	504,000	(504,000)	-	-	-	-	-
Increase in long term debt	(37,384)	37,384	-	-	-	-	-
Current year allocations	-	(33,767)	-	33,767	-	-	-
Withdrawals	-	-	-	-	-	-	-
Interest earned	-	-	585	-	-	585	511
Principal payments on long term debt	196,099	(196,099)	-	-	-	-	-
Ending balance	\$ 6,011,636	\$ 47,877	\$ 21,266	\$ 247,945	\$ 27,738	\$ 6,356,462	\$ 5,794,689

See accompanying notes to the consolidated financial statements.

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**Paqtnkek Mi'kmaw Nation****Consolidated statement of changes in net financial liabilities**

<u>March 31</u>	<u>Budget</u>	<u>2015</u>	<u>2014</u>
Excess of revenue over expenditure	\$	\$ 561,188	\$ 987,693
Depreciation		551,144	529,156
Purchase of property and equipment	-	(504,000)	(193,175)
		<u>608,332</u>	<u>1,323,674</u>
Trust allocations and interest	-	585	511
Acquisition of inventory, net of usage	-	15,917	60,949
Acquisition of prepaid expenses, net of usage	-	(15,338)	8,610
	-	<u>1,164</u>	<u>70,070</u>
Change in net financial liabilities		609,496	1,393,744
Net financial liabilities, beginning of year		<u>(3,146,650)</u>	<u>(4,540,394)</u>
Net financial liabilities, end of year	\$	\$ <u>(2,537,154)</u>	\$ <u>(3,146,650)</u>

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See accompanying notes to the consolidated financial statements.



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**Paqtnkek Mi'kmaw Nation****Consolidated statement of cash flows**

Year ended March 31

2015

2014

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## Decrease in cash and cash equivalents

<b>Operating</b>		
Excess of revenue over (under) expenditure	\$ 561,188	\$ 987,693
Depreciation	<u>551,144</u>	<u>529,156</u>
	1,112,332	1,516,849
Change in non-cash operating working capital		
Receivables	(321,338)	(72,024)
Inventory	15,918	60,949
Prepays	(14,000)	8,610
Payables and accruals	92,727	(927,066)
Deferred revenue	<u>(52,163)</u>	<u>(511,956)</u>
	833,476	75,362
<b>Financing</b>		
Trust contributions and interest	585	511
Proceeds of long term debt	37,384	64,165
Repayment of long term debt	<u>(196,099)</u>	<u>(193,796)</u>
	(158,130)	(129,120)
<b>Investing</b>		
Disposal (purchase) of investments	-	20,000
Purchase of property and equipment	<u>(504,000)</u>	<u>(193,175)</u>
	(504,000)	(173,175)
Net decrease in cash and cash equivalents	171,345	(226,933)
Cash and cash equivalents, beginning of year	<u>394,209</u>	<u>621,142</u>
Cash and cash equivalents, end of year	<u>\$ 565,555</u>	<u>\$ 394,209</u>
<hr/> Cash and cash equivalents, consists of:		
Cash	\$ 544,166	\$ 373,405
Restricted cash		
Replacement reserve fund	123	123
Funds in trust	<u>21,266</u>	<u>20,681</u>
	<u>\$ 565,555</u>	<u>\$ 394,209</u>

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See accompanying notes to the consolidated financial statements.

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# **Paqtnkek Mi'kmaw Nation**

## **Notes to the consolidated financial statements**

March 31, 2015

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### **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  
Band government  
Capital projects  
Operations and maintenance  
Band operated school  
Miscellaneous

Education program  
Economic development  
Employment development  
Health Canada programs  
Gaming

#### **Cash and cash equivalents**

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

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# **Paqtnkek Mi'kmaw Nation**

## **Notes to the consolidated financial statements**

March 31, 2015

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### **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 2015 was \$2,062,365 (2014 - \$2,086,427). 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.

# **Paqtnekek Mi'kmaw Nation**

## **Notes to the consolidated financial statements**

March 31, 2015

### **1. Summary of significant accounting policies (continued)**

#### **Revenue recognition**

Paqtnekek 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.

Gaming revenue from video lottery net of corresponding direct expenses are recognized at the time of play and are recorded net of commissions and credits paid out. Other gaming revenues are recognized as earned when received or receivable as long as 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.

<b>2. Receivables</b>	<b>2015</b>	<b>2014</b>
Aboriginal Affairs and Northern Development Canada	\$ 271,616	\$ -
Health Canada	23,324	-
Mi'kmaq Employment Training Secretariat	99,268	23,450
Mi'kmaw Kina'matnewey	13,489	11,239
Canada Mortgage and Housing Corporation	480	473
Members	279,531	344,363
Province of Nova Scotia	95,635	92,724
Service Canada	-	63,560
Commodity taxes	83,146	79,914
Trade receivables	129,455	73,196
	<u>995,944</u>	<u>688,919</u>
Less: allowance for doubtful accounts	<u>(178,883)</u>	<u>(193,196)</u>
	<b>\$ 817,061</b>	<b>\$ 495,723</b>

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# Paqtnkek Mi'kmaw Nation

## Notes to the consolidated financial statements

March 31, 2015

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### 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 (2014 - \$33,767). 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:

	<u>2015</u>	<u>2014</u>
Cash	\$ <u>123</u>	\$ <u>123</u>
Replacement reserve funds:		
<u>13 537 394 Series</u>		
Balance, beginning of year	\$ 88,975	\$ 174,463
Annual appropriation	2,284	2,867
Withdrawals	-	(88,355)
Interest earned during the year	-	-
Balance, end of year	\$ <u>91,259</u>	\$ <u>88,975</u>
<u>19 042 894 Series</u>		
Balance, beginning of year	\$ 125,203	\$ 180,251
Annual appropriation	31,483	30,900
Withdrawals	-	(85,948)
Interest earned during the year	-	-
Balance, end of year	\$ <u>156,686</u>	\$ <u>125,203</u>
	\$ <u>247,945</u>	\$ <u>214,178</u>

As of March 31, 2015, there was a shortfall of \$247,822 (2014 - \$214,055) in the replacement reserve accounts. Accordingly, the projects are not in compliance with the agreement.

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# **Paqtnkek Mi'kmaw Nation**

## **Notes to the consolidated financial statements**

March 31, 2015

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### **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:

	<u>2015</u>	<u>2014</u>
Net assets, beginning of year	\$ 20,681	\$ 20,170
Interest earned	<u>585</u>	<u>511</u>
Net assets, end of year	<u>\$ 21,266</u>	<u>\$ 20,681</u>

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### **5. Capital assets**

			<u>2015</u>	<u>2014</u>
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net book value</u>	<u>Net book value</u>
Land	\$ 277,176	\$ -	\$ 277,176	\$ 200,176
Buildings and housing properties	9,834,201	4,225,275	5,608,926	5,684,437
Equipment	587,356	412,415	174,941	205,253
Motor vehicles	629,557	412,470	217,087	68,292
Vessels	475,327	370,804	104,523	122,968
Infrastructure and roads	<u>3,783,590</u>	<u>1,372,501</u>	<u>2,411,089</u>	<u>2,526,187</u>
	<u>\$ 15,587,207</u>	<u>\$ 6,793,465</u>	<u>\$ 8,793,742</u>	<u>\$ 8,807,313</u>

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### **6. Payables and accruals**

	<u>2015</u>	<u>2014</u>
Aboriginal Affairs and Northern Development Canada	\$ 22,648	\$ 22,648
Health Canada	9,751	13,053
Commodity taxes	262,354	231,879
Trade payables and accruals	<u>730,535</u>	<u>664,981</u>
	<u>\$ 1,025,288</u>	<u>\$ 932,561</u>

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# **Paqtnkek Mi'kmaw Nation**

## **Notes to the consolidated financial statements**

March 31, 2015

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<b>7. Deferred revenue</b>	<b><u>2015</u></b>	<b><u>2014</u></b>
Aboriginal Affairs and Northern Development Canada		
Education	\$ -	\$ 60,369
Communication promotion	-	11,500
	-	71,869
CMHC		
Housing renovations	29,405	28,033
Health Canada	82,970	64,636
	<b><u>\$ 112,375</u></b>	<b><u>\$ 164,538</u></b>

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**Paqtnkek Mi'kmaw Nation****Notes to the consolidated financial statements**March 31, 2015

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<b>8. Long term debt</b>	<b><u>2015</u></b>	<b><u>2014</u></b>
<b>Canada Mortgage and Housing Corporation</b>		
1.82% mortgage maturing in September 2019, payable in equal monthly instalments of principal and interest of \$400	\$ 40,489	\$ 44,431
2.26% mortgage maturing in August 2016, payable in equal monthly instalments of principal and interest of \$391	45,720	49,343
1.67% mortgage maturing in April 2017, payable in equal monthly instalments of principal and interest of \$1,153	149,506	160,756
1.62% mortgage maturing in March 2018, payable in equal monthly instalments of principal and interest of \$363	50,539	54,053
1.92% mortgage maturing in April 2019, payable in equal monthly instalments of principal and interest of \$352	51,898	55,101
1.82% mortgage maturing in September 2019, payable in equal monthly instalments of principal and interest of \$716	109,599	115,944
2.56% mortgage maturing in December 2015, payable in equal monthly instalments of principal and interest of \$755	117,396	123,380
2.26% mortgage maturing in August 2016, payable in equal monthly instalments of principal and interest of \$443	72,679	76,321
1.71% mortgage maturing in September 2017, payable in equal monthly instalments of principal and interest of \$716	128,792	135,131
1.67% mortgage maturing in June 2018, payable in equal monthly instalments of principal and interest of \$1,035	193,918	203,034
1.67% mortgage maturing in June 2018, payable in equal monthly instalments of principal and interest of \$1,907	359,943	376,684



# Paqtnkek Mi'kmaw Nation

## Notes to the consolidated financial statements

March 31, 2015

<b>8. Long term debt (continued)</b>	<b><u>2015</u></b>	<b><u>2014</u></b>
1.83% mortgage maturing in December 2019, payable in equal monthly instalments of principal and interest of \$358	71,290	74,086
2.84% mortgage maturing in April 2015, payable in equal monthly instalments of principal and interest of \$860	158,122	163,894
2.75% mortgage maturing in June 2016, payable in equal monthly instalments of principal and interest of \$1,497	288,058	297,992
1.65% mortgage maturing in June 2017, payable in equal monthly instalments of principal and interest of \$371	28,409	32,358
1.39% mortgage maturing in August 2017, payable in equal monthly instalments of principal and interest of \$299	69,010	71,617
1.62% mortgage maturing in March 2018, payable in equal monthly instalments of principal and interest of \$527	121,387	125,714
1.85% mortgage maturing in August 2019, payable in equal monthly instalments of principal and interest of 500	117,776	82,201
<b>Bank of Nova Scotia</b>		
4.25% mortgage maturing in July 2014, payable in equal monthly instalments of principal and interest of \$1,109	-	4,397
4.19% mortgage maturing in December 2014, payable in equal monthly instalments of principal and interest of \$894	-	9,634
4.39% mortgage maturing in January 2017, payable in equal monthly instalments of principal and interest of \$920	76,440	83,980

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# **Paqtnkek Mi'kmaw Nation**

## **Notes to the consolidated financial statements**

March 31, 2015

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<b>8. Long term debt (continued)</b>	<b><u>2015</u></b>	<b><u>2014</u></b>
4.05% mortgage maturing in June 2015, payable in equal monthly instalments of principal and interest of \$497	<b>59,945</b>	63,423
4.05% mortgage maturing in June 2015, payable in equal monthly instalments of principal and interest of \$497	<b>59,945</b>	63,423
4.05% mortgage maturing in June 2015, payable in equal monthly instalments of principal and interest of \$497	<b>59,945</b>	63,423
4.19% mortgage maturing in December 2016, payable in equal monthly instalments of principal and interest of \$327	<b>40,558</b>	42,751
4.19% mortgage maturing in December 2016, payable in equal monthly instalments of principal and interest of \$327	<b>40,558</b>	42,751
4.19% mortgage maturing in December 2016, payable in equal monthly instalments of principal and interest of \$327	<b>40,558</b>	42,751
4.19% mortgage maturing in December 2016, payable in equal monthly instalments of principal and interest of \$327	<b>40,558</b>	42,751
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# Paqtnkek Mi'kmaw Nation

## Notes to the consolidated financial statements

March 31, 2015

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8. Long term debt (continued)	2015	2014
<b>Ulnooweg Development Group Inc.</b>		
8.25% loan maturing in 2016, repayable in monthly instalments of \$3,043, including interest	49,783	81,185
8.00% loan maturing in 2016, repayable in monthly instalments of \$1,077, including interest	<u>17,612</u>	<u>28,721</u>
	2,782,107	2,939,483
Less: Current portion of long term debt		
Principal payments due within one year	<u>193,150</u>	<u>192,481</u>
	<u>\$ 2,588,957</u>	<u>\$ 2,747,002</u>

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, 2015, are as follows:

2016	\$ 193,150
2017	\$ 164,278
2018	\$ 150,117
2019	\$ 154,028
2020	\$ 150,324

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### 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.

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# **Paqtnkek Mi'kmaw Nation**

## **Notes to the consolidated financial statements**

March 31, 2015

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### **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.

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### **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:

	<u>2015</u>	<u>2014</u>
Long term debt	\$ 2,782,107	\$ 2,939,483
Add: bank indebtedness (cash)	<u>(565,555)</u>	<u>(394,209)</u>
Net funded debt	2,216,552	2,545,274
Equity	<u>6,356,462</u>	<u>5,794,689</u>
Capital under management	<u>\$ 8,573,015</u>	<u>\$ 8,339,963</u>

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.

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# **Paqtnkek Mi'kmaw Nation**

## **Notes to the consolidated financial statements**

March 31, 2015

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### **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, 2015, 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.

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### **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 in the amount of \$817,016 (2014 - \$495,723).

#### **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, 2015, 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.

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# **Paqtnkek Mi'kmaw Nation**

## **Notes to the consolidated financial statements**

March 31, 2015

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### **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.

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### **14. Contingencies**

- a) The Band has entered into a one year alternative funding arrangement with the Aboriginal Affairs and Northern Development Canada, effective April 1, 2015. 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.
  - c) 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.
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### **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, 2015, was nil (2014 - nil).

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### **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 \$21,806 (2014 - \$41,913).

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## **Paqtnkek Mi'kmaw Nation**

### **Notes to the consolidated financial statements**

March 31, 2015

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<b>17. Expenditures by object</b>	<b><u>2015</u></b>	<b><u>2014</u></b>
Business development and promotion	\$ 346,565	\$ 48,619
Cash shortages (overage)	4,452	(67,893)
Community support	491,572	145,940
Contracted services	251,753	229,606
Depreciation	551,144	529,156
Doubtful (Recoverable) accounts provision	(12,550)	-
Due and fees	154,696	163,487
Education and training	624,393	1,290,808
Fuel, bait, and boat maintenance	260,821	221,433
Health programs	217,695	215,500
Infrastructure	316,257	328,782
Insurance	110,280	115,112
Interest	109,327	113,412
Purchases	2,129,918	2,108,281
Repairs and maintenance	183,867	323,731
Salaries, wages, and benefits	1,844,023	2,072,929
Social	1,880,007	1,822,485
Supplies	82,107	177,400
Travel	219,501	46,696
	<u>\$ 9,765,828</u>	<u>\$ 9,885,484</u>

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# Paqtnkek Mi'kmaw Nation

## Notes to the consolidated financial statements

March 31, 2015

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### 18. 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.

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### 19. Government transfers

	Operating	2015 Capital	Total	Operating	2014 Capital	Total
Aboriginal Affairs and Northern Development Canada	\$ 2,811,647	\$ -	\$ 2,811,647	\$ 2,583,462	\$ -	\$ 2,583,462
Health Canada	604,878	1,295	606,173	692,233	-	692,233
Canada Mortgage and Housing Corporation	88,028	-	88,028	92,244	-	92,244
Mi'kmaw Kina'matnewey	901,085	-	901,085	837,301	-	837,301
Other	212,316	-	212,316	260,150	-	260,150
Total	4,617,954	1,295	4,619,249	4,465,390	-	4,465,390
Province of Nova Scotia	401,392	-	401,392	575,070	-	575,070
	\$ 5,019,346	\$ 1,295	\$ 5,020,641	\$ 5,040,460	\$ -	\$ 5,040,460

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# **Paqtnkek Mi'kmaw Nation**

## **Notes to the consolidated financial statements**

**March 31, 2015**

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### **20. Comparative figures**

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for 2015.

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