
**ANNAPOLIS VALLEY FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014**

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INDEPENDENT AUDITORS' REPORT

To the Members of Annapolis Valley First Nation

We have audited the accompanying financial statements of Annapolis Valley First Nation, which comprise the consolidated statement of financial position as at March 31, 2014, and the consolidated statements of operations, change in net debt, cash flows and the accompanying schedules for the year then ended, and a summary of significant accounting policies and other explanatory information.

Band Management's Responsibility for the Financial Statements

Band management is responsible for the preparation and fair presentation of these financial statements in accordance with the Canadian generally accepted accounting principles, 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 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 of 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 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.

These consolidated financial statements include the Band Controlled Entities on a modified equity basis. For the current and prior fiscal year we provided audit reports without reservation for the Band Controlled Entities.

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 Annapolis Valley First Nation as at March 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

Other Matters

Annapolis Valley First Nation has also prepared another set of financial statements for the year ended March 31, 2014 in accordance with Canadian public sector accounting standards. However, these financial statements include unaudited supplementary schedules which present detailed program revenues and expenditures prepared to assist management of Annapolis Valley First Nation to meet the reporting requirements of various funding agencies. Our audit report on the other set of financial statements was issued to Chief and Council of Annapolis Valley First Nation and was dated July 30, 2014.

CHARTERED ACCOUNTANTS


Bridgewater, Nova Scotia
July 30, 2014

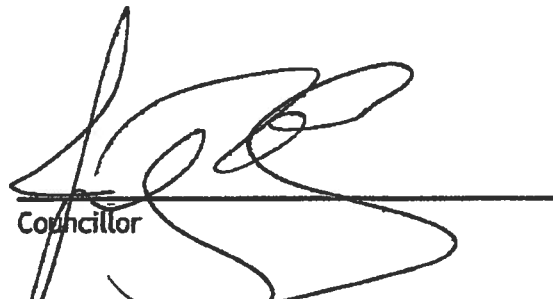
**ANNAPOLIS VALLEY FIRST NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2014**

	2014	2013
	\$	\$
ASSETS		
Restricted cash (Note 2)	132,000	133,532
Accounts receivable (Note 3)	54,710	84,414
Investment in First Nation controlled entities (Note 6)	2,245,550	1,892,653
	<u>2,432,260</u>	<u>2,110,599</u>
LIABILITIES		
Bank account overdrawn (Note 2)	99,216	52,653
Bank loan - operating - secured (Note 4)	200,000	190,000
Accounts payable and accruals (Note 11)	352,110	306,931
Deferred revenue (Note 7)	19,988	63,620
Current portion of long-term debt (Note 12)	103,767	104,110
Long term debt (Note 12)	875,967	979,862
	<u>1,651,048</u>	<u>1,697,176</u>
NET DEBT	<u>781,212</u>	<u>413,423</u>
NON-FINANCIAL ASSETS		
Housing Projects - Section 95 (Note 10)	1,189,932	1,299,613
Tangible Capital Assets (Notes 1 & 19)	1,251,804	1,317,351
	<u>2,441,736</u>	<u>2,616,964</u>
ACCUMULATED CONSOLIDATED SURPLUS	<u>3,222,948</u>	<u>3,030,387</u>

APPROVED BY:


Chief


Councillor


Councillor

The accompanying notes are an integral part of these financial statements.

**ANNAPOLIS VALLEY FIRST NATION
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2014**

	2014	2013
	\$	\$
REVENUE		
Aboriginal Affairs and Northern Development Canada	807,501	820,471
Canada Mortgage and Housing Corporation	73,719	66,921
Confederacy of Mainland Mi'kmaq	40,507	39,435
Department of Fisheries and Oceans	100,000	132,987
Health Canada	315,882	304,976
Income - Controlled Enterprises	449,801	129,154
METS	111,516	104,428
Miscellaneous revenues	180,494	283,857
Department of Health and Wellness	47,500	-
Mikmaq Kinamatnewey	136,162	159,570
	<u>2,263,082</u>	<u>2,041,799</u>
EXPENDITURES		
Administration	593,494	444,654
CMM/Economic Development	36,807	37,364
Community Operations & Capital	159,054	294,213
Department of Fisheries and Oceans	99,880	90,757
Education	138,380	125,583
Health Canada	317,191	286,337
Mi'kmaq Employment/Training Secretariat	75,978	75,159
Social Housing	386,829	210,890
Social Services	250,757	262,611
	<u>2,058,370</u>	<u>1,827,568</u>
ANNUAL SURPLUS	204,712	214,231
ACCUMULATED SURPLUS - beginning of year	2,802,173	2,602,902
ADJUSTMENT TO SURPLUS (Note 18)	<u>(7,919)</u>	<u>(14,960)</u>
ACCUMULATED SURPLUS - end of year	<u>2,998,966</u>	<u>2,802,173</u>
ACCUMULATED CONSOLIDATED SURPLUS CONSISTS OF:		
Housing Projects - Replacement Reserve (Note 13)	203,682	208,416
Accumulated Surplus	2,998,966	2,802,173
Ottawa Trust Funds (Note 2)	20,300	19,798
	<u>3,222,948</u>	<u>3,030,387</u>

The accompanying notes are an integral part of these financial statements.

**ANNAPOLIS VALLEY FIRST NATION
CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT
FOR THE YEAR ENDED MARCH 31, 2014**

	2014	2013
	\$	\$
ANNUAL SURPLUS (DEFICIT)	204,712	214,231
Adjustment to surplus	(7,919)	(14,960)
Acquisition of tangible capital assets	(43,080)	(113,640)
Amortization of tangible capital assets	214,076	192,442
	163,077	63,842
INCREASE (DECREASE) IN NET DEBT	367,789	278,073
NET DEBT - beginning of year	413,423	135,350
NET DEBT - end of year	781,212	413,423

The accompanying notes are an integral part of these financial statements.

**ANNAPOLIS VALLEY FIRST NATION
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2014**

	2014	2013
	\$	\$
CASH FLOWS FROM:		
OPERATING ACTIVITIES		
Annual (deficit) surplus	204,712	214,231
Items in earnings not involving cash		
Amortization	214,076	192,442
Adjustment to Surplus	(7,919)	(14,960)
	410,869	391,713
Net changes in working capital balances		
Accounts receivable	29,704	(7,012)
Accounts payable and accrued liabilities	45,179	126,700
Deferred revenue	(43,632)	11,170
	442,120	522,571
CAPITAL ACTIVITIES		
Purchase and transfer of tangible capital assets	(43,080)	(128,600)
INVESTING ACTIVITIES		
Increase in reserves	-	18,630
Decrease (increase) in investment in controlled enterprises	(352,897)	(324,660)
	(352,897)	(306,030)
FINANCING ACTIVITIES		
Net change in long-term debt	(104,238)	(101,830)
(NEGATIVE) CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	(58,095)	(13,889)
(NEGATIVE) CASH AND EQUIVALENTS - beginning of year	(109,121)	(95,232)
(NEGATIVE) CASH AND EQUIVALENTS - end of year	(167,216)	(109,121)
COMPRISED OF:		
Current account (overdrawn)	(99,216)	(52,653)
Bank loan - Operating	(200,000)	(190,000)
Replacement Reserve	111,700	113,734
Ottawa Trust Funds	20,300	19,798
	(167,216)	(109,121)

The accompanying notes are an integral part of these financial statements.

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014**

1. SIGNIFICANT ACCOUNTING POLICIES

Status and Nature of Activities

The Annapolis Valley First Nation reporting entity includes the Annapolis Valley First Nation government and all related entities that are controlled by the First Nation.

Accounting Principles

These financial statements have been prepared in accordance with PSAAB Canadian generally accepted accounting principles modified, where appropriate, for the special circumstances of Indian Bands. The modification to Canadian generally accepted accounting principles are:

Fund Accounting - A major portion of the Bands funding is from Federal Government Departments. A brief description of the funding by source and purpose are:

AANDC-

Band Support - to provide overhead costs of municipal type services on reserve

Social Services - to ensure that people's basic needs are met

Education - to provide for off reserve schools for children

Operations & Maintenance - to provide maintenance of capital structures

Capital - to provide funds for capital infrastructure

Health Canada - to provide health services

DFO - provides funding to Bands under the Native fishing initiative

CMHC - provides funding for new housing and maintenance thereof

This Band does not report budget figures as required by PSAAB.

These Summary Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles for local government entities, as defined in the CICA Public Sector Accounting and Auditing Handbook which encompasses the following principles.

a) Funding Accounting

The Annapolis Valley First Nation uses fund accounting procedures which result in a self-balancing set of accounts for each fund. The various funds have been amalgamated for the purposes of presentation in the Summary Financial Statements. Details of the operations of each fund are set out in the supplementary schedule. The Annapolis Valley First Nation maintains the following funds:

The Operating Fund - General Operations

The Social Housing Fund - Sec. 95 Housing

The Trust Fund - Ottawa Trust Funds

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014**

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Reporting Entity and Principles of Financial Reporting

The Annapolis Valley First Nation has prepared consolidated financial statements to include all related entities that are owned and controlled by the First Nation. Budget figures have not been shown for the Statement of Operations or the Statement of Change in Net Debt which is contrary to PSAAB reporting. A budget was only prepared for funding to be received.

c) Tangible Capital Assets

Tangible Capital Assets and infrastructure expenditures are valued at acquisition cost and amortized over their useful life using the straight line method for the following number of years:

Land Improvements	30 years
Wooden Buildings	25 years
Brick Buildings	40 years
Machinery & Equipment	10 years
Computers	4 years
Water & Sewer Networks	50 years
Band Housing	25 years

Tangible capital assets are written down when conditions indicate that they no longer contribute to Annapolis Valley First Nations' ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the statement of operations.

Contributed capital assets are recorded into revenues at their fair value on the date of donation, except in circumstances where fair value cannot be reasonably determined, in which case they are recognized at nominal value. Transfers of capital assets from related parties are recorded at carrying value.

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

d) Revenue Recognition

Admin - The majority of the revenue is provided by governments or their agencies. Revenue is recognized when the contract has been signed. Revenue is adjusted at year end to defer unspent funds that are not targeted or to write off unspent targeted funds.

Gaming - Revenue is recognized at the time of the sale transaction since ultimate collection is reasonably assured at that time.

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014**

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

2501745 Nova Scotia Limited - Revenue is recognized monthly based upon the lease contract with the Annapolis Valley First Nation Gaming Commission.

Commercial Fisheries - Catch sales are recognized when catch is delivered to the buyer and collection is reasonably assured. Quota leasing income is recognized when the lessee reports their catch to Annapolis Valley First Nation Fisheries.

Housing - Rental revenue is recognized monthly based on occupancy, grant/subsidy revenue is recognized when approved by CMHC.

e) Comparative Figures

Prior year's comparative amounts have been reclassified where necessary to conform to the current year's presentation.

g) Controlled Entities

The First Nation has three related entities which are accountable to it and are owned and controlled by the First Nation. These financial statements consolidate, on a modified equity basis, the investment by the First Nation in the entities. The following entities have been consolidated on a modified equity basis: Annapolis Valley Gaming Commission, 2501745 Nova Scotia Ltd. and Commercial Fisheries.

Impairment of Non-Financial Assets

Non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit.

Impairment of Financial Assets

At each reporting date the Band assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014**

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Assets and Financial Liabilities (Financial Instruments)

The Band has classified its financial instruments and liabilities as follows:

<u>Financial Asset/Liability Measurement</u>	<u>Classification</u>	<u>Subsequent</u>
Cash	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Due from related parties	Loans and receivables	Amortized cost
Accounts payable	Other financial liabilities	Amortized cost
Bank overdraft	Other financial liabilities	Amortized cost
Due to related parties	Other financial liabilities	Amortized cost
Long-term debt	Other financial liabilities	Amortized cost

2. CASH AND CASH EQUIVALENT

Under the terms of an agreement with Canada Mortgage and Housing Corporation, Annapolis Valley First Nation must set aside funds annually for the repair, maintenance and replacement of worn out assets. These funds are to be held in a separate bank account and invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as otherwise approved by the Canada Mortgage and Housing Corporation with any interest earned to be credited as revenue to the Replacement Reserve.

Annapolis Valley First Nation is also required to have Trust funds in Ottawa in a separate bank account. These funds increase annually by the interest earned. They can be withdrawn for their intended purposes if requested.

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014**

2. CASH AND CASH EQUIVALENT (continued)

	2014 \$	2013 \$
<u>Externally Restricted</u>		
Replacement Reserve	111,700	113,754
Ottawa Trust Funds	20,300	19,798
	<u>132,000</u>	<u>133,552</u>
<u>Unrestricted</u>		
Operating	(103,308)	(53,136)
Housing	4,092	483
	<u>(99,216)</u>	<u>(52,653)</u>

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks net of bank overdrafts and term deposits have a maturity of three months or less at acquisition which are held for the purpose of meeting short-term cash commitments.

3. ACCOUNTS RECEIVABLE

	2014 \$	2013 \$
<u>Description</u>		
Loans and advances to Band members	-	1,600
Government of Canada - AICFI	2,500	-
AANDC	18,142	11,166
Atlantic Policy Congress	-	1,114
Department of Fisheries and Oceans	7,505	45,447
METS	26,563	12,078
MK	-	5,462
Other	-	3,171
Valley Community Learning	-	1,376
Workers' Compensation Board	-	3,000
	<u>54,710</u>	<u>84,414</u>

4. OPERATING LOAN

The operating loan is secured by a Band Council Resolution. It has a maximum of \$200,000 with an interest rate of prime plus 0.7%.

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014**

5. ECONOMIC DEPENDENCE

The Annapolis Valley First Nation receives a major portion of its revenue pursuant to a funding arrangement with Aboriginal Affairs and Northern Development Canada which ends March 31, 2014.

6. INVESTMENT IN CONTROLLED ENTITIES

	2014 \$	2013 \$
GAMING COMMISSION		
Accumulated equity in earnings (Note 16)	1,672,914	1,448,467
Add: due to Gaming Commission (Note 16)	55,748	152,752
	<u>1,728,662</u>	<u>1,601,219</u>
 2501745 NOVA SCOTIA LTD.		
Accumulated equity in earnings	<u>172,029</u>	<u>191,384</u>
 COMMERCIAL FISHERIES		
Accumulated equity in earnings (deficit)	356,524	111,715
Add: due to Commercial Fisheries	(11,665)	(11,665)
	<u>344,859</u>	<u>100,050</u>
 TOTAL INVESTMENTS IN CONTROLLED ENTITIES	<u><u>2,245,550</u></u>	<u><u>1,892,653</u></u>

7. SCHEDULE OF DEFERRED REVENUE

	2014 \$	2013 \$
Air Canada Breakfast Program	3,698	3,000
CMM - MCH	-	33,349
Health Canada - AHSOR	-	12,422
MK ISSP	16,290	14,849
	<u>19,988</u>	<u>63,620</u>

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014**

8. PENSION AGREEMENT

The First Nation provides defined contribution plan for eligible members of its staff. Members are required to contribute 5% of their salary. The First Nation contributes 5% which contributions are directed to the Member's contribution account. The amount of retirement benefit to be received by the employees will be the amount of retirement annuity that could be purchased based on the Member's share of the pension plan at the time of the Member's withdrawal from the plan. Annapolis Valley First Nation contributed during the year \$20,209 (2013 - \$22,762) for retirement benefits.

9. CONTINGENCIES

Annapolis Valley First Nation has entered into contribution agreements with various federal government departments. Funding received under these contribution agreements is subject to repayment if the First Nation fails to comply with the terms and conditions of the agreements.

10. INVESTMENT IN HOUSING

a) Investment In Housing Projects - Section 95 National Housing Act.

A summary of the Housing Projects Balance Sheet, is as follows:

	2014 21 Projects \$	2013 21 Projects \$
ASSETS		
Current	4,092	483
Restricted	111,700	113,734
Property, Plant and Equipment (on next page)	1,189,932	1,299,614
	<u>1,305,724</u>	<u>1,413,831</u>
LIABILITIES		
Current	11,798	57,054
Current portion of debt	103,767	104,110
Long-term debt	875,967	979,862
	<u>991,532</u>	<u>1,141,026</u>
INVESTMENT IN HOUSING PROJECTS	<u>314,192</u>	<u>272,805</u>

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014**

10. INVESTMENT IN HOUSING (continued)

b) Property, Plant and Equipment

	Cost \$	Accumulated Amortization \$	2014 Net \$	2013 Net \$
<u>Housing Projects</u>				
Capital Repairs	10,500	1,470	9,030	9,450
Project #3	292,142	279,511	12,631	24,316
Project #4	164,495	150,250	14,245	20,825
Project #6	170,209	142,980	27,229	34,037
Project #7	134,596	109,910	24,686	30,070
Project #8	161,624	123,892	37,732	44,197
Project #9	127,348	83,616	43,732	48,826
Project #10	90,000	57,309	32,691	36,291
Project #11	192,615	123,284	69,331	77,035
Project #12	100,710	62,442	38,268	42,297
Project #14	102,407	55,251	47,156	51,253
Project #15	86,402	44,070	42,332	45,788
Project #16	101,462	46,663	54,799	58,858
Project #17	102,303	41,493	60,810	64,903
Project #18	146,793	51,387	95,406	101,278
Project #19	121,549	39,315	82,234	87,095
Project #20	105,123	30,283	74,840	79,044
Project #21	96,572	24,785	71,787	75,650
Project #22	199,478	39,896	159,582	167,561
Project #23	99,886	20,310	79,576	83,571
Project #24	135,832	23,997	111,835	117,268
	2,742,046	1,552,114	1,189,932	1,299,613

11. ACCOUNTS PAYABLE AND ACCRUALS

	2014 \$	2013 \$
Trade payables and accruals	90,091	259,678
Accrued interest	1,998	2,423
Housing due to Gaming	260,021	44,830
	352,110	306,931

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014**

12. LONG-TERM DEBT

	2014 \$	2013 \$
2.63% first mortgage payable to Canada Mortgage & Housing Corporation requires monthly installments of principal and interest of \$1,451. The loan is secured by a first mortgage over certain buildings with a carrying value of \$29,753 and a ministerial guarantee, Government of Canada. The loan matures in 2015.	12,948	29,753
2.76% first mortgage payable to Canada Mortgage & Housing Corporation requires monthly installments of principal and interest of \$847. The loan is secured by a first mortgage over certain buildings with a carrying value of \$31,573 and a ministerial guarantee, Government of Canada. The loan has a 2015 renewal date and matures in 2016.	22,208	31,573
2.76% first mortgage payable to Canada Mortgage & Housing Corporation requires monthly installments of principal and interest of \$639. The loan is secured by a first mortgage over certain buildings with a carrying value of \$36,337 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2015 and matures in 2018.	29,652	36,337
4.28% first mortgage payable to Royal Bank of Canada requires monthly installments of principal and interest of \$659. The loan is secured by a first mortgage over certain buildings with a carrying value of \$25,555 and a ministerial guarantee, Government of Canada. The loan has a 2013 renewal date and matures in 2018.	18,488	25,555
2.62% first mortgage payable to Royal Bank of Canada requires monthly installments of principal and interest of \$934. The loan is secured by a first mortgage over certain buildings with a carrying value of \$34,048 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2016 and matures in 2020.	23,606	34,048

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014**

12. LONG-TERM DEBT (continued)	2014 \$	2013 \$
3.02% first mortgage payable to Royal Bank of Canada requires monthly installments of principal and interest of \$544. The loan is secured by a first mortgage over certain buildings with a carrying value of \$47,206 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2015 and matures in 2022.	41,590	47,206
2.55% first mortgage payable to Royal Bank of Canada requires monthly installments of principal and interest of \$377. The loan is secured by a first mortgage over certain buildings with a carrying value of \$38,704 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2017 and matures in 2022. 34824	34,824	38,704
4.56% first mortgage payable to Royal Bank of Canada requires monthly installments of principal and interest of \$863. The loan is secured by a first mortgage over certain buildings with a carrying value of \$83,393 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2013 and matures in 2023.	76,743	83,393
4.36% first mortgage payable to Royal Bank of Canada requires monthly installments of principal and interest of \$504. The loan is secured by a first mortgage over certain buildings with a carrying value of \$40,685 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2013 and matures in 2023.	36,108	40,685
4.36% first mortgage payable to Royal Bank of Canada requires monthly installments of principal and interest of \$434. The loan is secured by a first mortgage over certain buildings with a carrying value of \$35,885 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2013 and matures in 2026.	31,956	35,884
1.80% mortgage payable to Canada Mortgage & Housing Corporation requires monthly installments of principal and interest of \$304. The loan is secured by a first mortgage over certain buildings with a carrying value of \$43,227 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2016 and matures in 2026.	40,392	43,227

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014**

12. LONG-TERM DEBT (continued)

	2014 \$	2013 \$
1.53% mortgage payable to Canada Mortgage & Housing Corporation requires monthly installments of principal and interest of \$291. The loan is secured by a first mortgage over certain buildings with a carrying value of \$45,658 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2017 and matures in 2027.	42,896	45,658
1.81% mortgage payable to Canada Mortgage & Housing Corporation requires monthly installments of principal and interest of \$279. The loan is secured by a first mortgage over certain buildings with a carrying value of \$46,689 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2014 and matures in 2029.	44,232	46,689
2.76% mortgage payable to Canada Mortgage & Housing Corporation requires monthly installments of principal and interest of \$330. The loan is secured by a first mortgage over certain buildings with a carrying value of \$54,391 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2015 and matures in 2030.	52,011	54,391
2.65% mortgage payable to Canada Mortgage & Housing Corporation requires monthly installments of principal and interest of \$338. The loan is secured by a first mortgage over certain buildings with a carrying value of \$58,143 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2016 and matures in 2031.	55,709	58,143
1.67% mortgage payable to Canada Mortgage & Housing Corporation requires monthly installments of principal and interest of \$326. The loan is secured by a first mortgage over certain buildings with a carrying value of \$63,682 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2017 and matures in 2032.	60,894	63,682

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014**

12. LONG-TERM DEBT (continued)

	2014 \$	2013 \$
1.53% mortgage payable to Canada Mortgage & Housing Corporation requires monthly installments of principal and interest of \$324. The loan is secured by a first mortgage over certain buildings with a carrying value of \$66,042 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2017 and matures in 2032.	63,222	66,042
2.17% mortgage payable to Canada Mortgage & Housing Corporation requires monthly installments of principal and interest of \$825. The loan is secured by a first mortgage over certain buildings with a carrying value of \$165,849 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2014 and matures in 2034.	159,751	165,849
3.09% mortgage payable to Canada Mortgage & Housing Corporation requires monthly installments of principal and interest of \$369. The loan is secured by a first mortgage over certain buildings with a carrying value of \$67,261 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2013 and matures in 2033.	64,900	67,261
2.57% mortgage payable to Canada Mortgage & Housing Corporation requires monthly installments of principal and interest of \$349. The loan is secured by a first mortgage over certain buildings with a carrying value of \$69,892 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2014 and matures in 2034.	67,604	69,892
	979,734	1,083,972
Current portion included in current liabilities	103,767	104,110
	875,967	979,862

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014**

12. LONG-TERM DEBT (continued)

The carrying value of all housing units equals the balance of the relative mortgages.

Approximate principal payments for the next 5 years are as follows:

	\$
2015	103,767
2016	92,884
2017	74,573
2018	61,125
2019	61,978

13. HOUSING PROJECTS - REPLACEMENT RESERVE

	2014 \$	2013 \$
Pre 1997 Program - Units #2-4 and 6-12:		
Balance - beginning of year	109,224	102,574
Current year allocation	6,300	6,650
Current year withdrawal	(6,389)	-
	<hr/> 109,135	<hr/> 109,224
Balance - end of year		
Post 1997 Program - Units #14-24:		
Balance - beginning of year	99,192	87,192
Current year allocation	12,000	12,000
Interest	(16,645)	-
	<hr/> 94,547	<hr/> 99,192
Balance - end of year		
TOTAL RESERVE	<hr/> 203,682	<hr/> 208,416

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014**

13. HOUSING PROJECTS - REPLACEMENT RESERVE (continued)

ACCUMULATED INTEREST

	Replacement Reserve Pre 1997 Units \$	Replacement Reserve Post 1997 Units \$
Balance - beginning of year	3,475	3,314
Balance - end of year	3,475	3,314

As at March 31, 2014 - \$111,700 (March 31, 2013 - \$113,774) was on deposit in separately funded reserve bank accounts. This account was underfunded at year end by \$91,982.

14. PAYROLL REMITTANCE

At year end Band payroll liabilities to Canada Revenue Agency of \$11,956 were owed which were paid subsequent to year end.

15. INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISES

The commercial government business enterprises that are included in the First Nation reporting entity, as described in note 2 to these financial statements includes: Annapolis Valley Gaming Commission, 2501745 Nova Scotia Ltd. and Annapolis Valley Commercial Fisheries.

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

	Annapolis Valley Gaming Commission \$	2501745 Nova Scotia Ltd. \$	Annapolis Valley Commercial Fisheries \$	2014 \$	2013 \$
Assets					
Cash and Investments	54,894	-	161,122	216,016	111,505
Accounts Receivable	373	100	257,228	257,701	307,686
Inventory	111,887	-	-	111,887	101,066
Prepays	4,281	-	4,690	8,971	3,576
Tangible Capital Assets	1,355,128	211,333	442,485	2,008,946	2,042,464
Due from Related Party	588,668	-	11,665	600,333	428,265
Other Assets	-	-	325,000	325,000	-
Total Assets	2,115,231	211,433	1,202,190	3,528,854	2,994,562

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014**

15. INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISES (continued)

	Annapolis Valley Gaming Commission \$	2501745 Nova Scotia Ltd. \$	Annapolis Valley Commercial Fisheries \$	2014 \$	2013 \$
Liabilities					
Accounts Payable	182,164	2,500	8,372	193,036	135,580
Bank Indebtedness	130,000	-	-	130,000	140,000
Long-term Debt	74,405	-	260,550	334,955	399,619
Due to Related Party	55,748	36,904	291,744	384,396	524,522
Other Liabilities	-	-	285,000	285,000	43,175
Total Liabilities	442,317	39,404	845,666	1,327,387	1,242,896
Equity	1,672,914	172,029	356,524	2,201,467	1,751,666
Total Liabilities and Equity	2,115,231	211,433	1,202,190	3,528,854	2,994,562

16. RISKS AND CONCENTRATIONS

The Band is exposed to various risks through its financial instruments, without being exposed to concentrations of risk. The following analysis provides a measure of the Band's risk exposure at the statement of financial position date, March 31, 2014.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Band is exposed to this risk mainly in respect of its accounts payable.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument fluctuate because of changes in market interest rates. The Band is exposed to interest rate risk for their loans.

Credit Risk

Credit risk arises from the possibility that the entities to which the Band provides products and services may experience financial difficulty and be unable to fulfil their obligations. The Band is exposed to financial risk that arises from the credit quality of the entities to which it provides products and services and from whom it receives revenues.

Management believes the Band's revenues are primarily from governments or their agencies and bad debts have not been significant. As such, credit risk is considered to be minimal.

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014**

17. FINANCIAL INSTRUMENTS

Financial instruments, consisting of cash, accounts receivable, bank indebtedness, operating loan and accounts payable and accrued liabilities, approximate their fair value due to the short-term maturity of such instruments. Unless otherwise noted, it is management's opinion that the Band is not exposed to significant interest, currency or credit risks arising from these financial instruments.

18. ADJUSTMENT TO SURPLUS

There was an adjustment to opening surplus which was related to transferring assets from Housing to Admin and the difference from accounting for tangible capital assets under PSAAB and under CHMCs reporting guidelines.

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014**

19. PROPERTY, PLANT & EQUIPMENT

	Cost				Accumulated Amortization			Net Book Value	
	Opening Balance	Additions	Disposals	Transfers of Assets	Closing Balance	Opening Balance	Disposals, Write- offs & Other Adjustments	Closing Balance	
	\$	\$	\$	\$	\$	\$	\$	\$	\$
CMHC Housing	2,742,046	-	-	-	2,742,046	1,442,432	109,682	1,552,114	1,189,932
Band Owned Housing	778,247	7,772	-	-	786,019	518,173	28,624	546,797	239,222
Commercial Buildings	1,114,946	10,410	-	-	1,125,356	371,609	37,376	408,985	716,371
Computer Equipment	21,322	2,776	-	-	24,098	4,111	5,259	9,370	14,728
Land & Improvements	71,240	4,188	-	-	75,428	9,714	2,444	12,158	63,270
Underground Networks	193,880	6,213	-	-	200,093	72,413	10,175	82,588	117,505
Vehicles & Equipment	469,479	7,487	-	-	476,966	355,740	20,518	376,258	100,708
	2,649,114	38,846	-	-	2,687,960	1,331,760	104,396	1,436,156	1,251,804
	5,391,160	38,846	-	-	5,430,006	2,774,192	214,078	2,988,270	2,441,736

ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

20. GOVERNMENT TRANSFERS

	2014			2013		
	Operating	Capital	Total	Operating	Capital	Total
Federal government transfers:						
Aboriginal Affairs and Northern Development Canada	750,669	56,831	807,500	924,177	55,864	980,041
Health Canada	299,531	10,410	309,941	286,337	18,639	304,976
Canada Mortgage and Housing Corporation	62,719	11,000	73,719	66,921	-	66,921
DFO	100,000	-	100,000	107,967	25,020	132,987
Total	1,212,919	78,241	1,291,160	1,385,402	99,523	1,352,371
Provincial grant transfer:						
MPAL	30,000	-	30,000	-	-	-
Total	1,242,919	78,241	1,321,160	-	-	-

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014**

21. SEGMENT DISCLOSURE

Annapolis First Nation provides a range of services to its members. For management reporting purposes, operations and activities are organized and reported by functions. These functions are band support, community health, social services, education, operations and maintenance, capital, economic development, fisheries, housing and other projects.

	2014	2013
BAND SUPPORT		
<u>Revenues:</u>		
Federal government operating transfers	199,250	206,006
Other	144,665	41,832
Total Revenue	<u>343,915</u>	<u>247,838</u>
<u>Expenses:</u>		
Salaries and benefits	253,587	178,085
Debt servicing	41,432	29,174
Amortization	104,393	90,617
Other Expenses	194,082	146,778
Total Expenses	<u>593,494</u>	<u>444,654</u>
Annual (Deficit)/Surplus	<u>(249,579)</u>	<u>(196,816)</u>

Note; \$6,964 of expenses were capitalized in 2014

COMMUNITY HEALTH

<u>Revenues:</u>		
Federal government operating transfers	305,473	286,337
Federal government capital transfers	10,410	18,639
Total Revenue	<u>315,883</u>	<u>304,976</u>
<u>Expenses:</u>		
Salaries and benefits	55,993	52,232
Other Expenses	261,198	234,105
Total Expenses	<u>317,191</u>	<u>286,337</u>
Annual (Deficit)/Surplus	<u>(1,308)</u>	<u>18,639</u>

Note: \$10,410 of expenses were capitalized in 2014

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014**

21. SEGMENT DISCLOSURE (continued)

	2014	2013
SOCIAL SERVICES		
<u>Revenues:</u>		
Federal government operating transfers	<u>444,160</u>	<u>436,605</u>
Total Revenue	<u>444,160</u>	<u>436,605</u>
<u>Expenses:</u>		
Salaries and benefits	20,702	16,688
Other Expenses	<u>230,055</u>	<u>245,923</u>
Total Expenses	<u>250,757</u>	<u>262,611</u>
Annual Surplus	<u>193,403</u>	<u>173,994</u>
 EDUCATION		
<u>Revenues:</u>		
Federal government operating transfers	136,162	159,570
Other	<u>29,599</u>	<u>29,599</u>
Total Revenue	<u>165,761</u>	<u>189,169</u>
<u>Expenses:</u>		
Other Expenses	<u>138,380</u>	<u>125,583</u>
Total Expenses	<u>138,380</u>	<u>125,583</u>
Annual Surplus	<u>27,381</u>	<u>63,586</u>

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014**

21. SEGMENT DISCLOSURE (continued)

	2014	2013
OPERATIONS AND MAINTENANCE		
<u>Revenues:</u>		
Federal government operating transfers	107,260	121,996
Other	-	39,663
Total Revenue	<u>107,260</u>	<u>161,659</u>
<u>Expenses:</u>		
Other Expenses	<u>159,054</u>	<u>294,213</u>
Total Expenses	<u>159,054</u>	<u>294,213</u>
Annual (Deficit)	<u>(51,794)</u>	<u>(132,554)</u>

Note: \$6,213 of expenses were capitalized in 2014

CAPITAL

<u>Revenues:</u>		
Federal government capital transfers	<u>56,831</u>	<u>55,864</u>
Total Revenue	<u>56,831</u>	<u>55,864</u>
Annual Surplus	<u>56,831</u>	<u>55,864</u>

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014**

21. SEGMENT DISCLOSURE (continued)

	2014	2013
ECONOMIC DEVELOPMENT		
<u>Revenues:</u>		
Other	40,507	39,435
Total Revenue	40,507	39,435
<u>Expenses:</u>		
Other Expenses	36,807	37,364
Total Expenses	36,807	37,364
Annual Surplus	3,700	2,071
 FISHERIES		
<u>Revenues:</u>		
Federal government operating transfers	100,000	132,987
Total Revenue	100,000	132,987
<u>Expenses:</u>		
Salaries and benefits	44,527	35,430
Other Expenses	55,353	55,327
Total Expenses	99,880	90,757
Annual Surplus	120	42,230

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014**

21. SEGMENT DISCLOSURE (continued)

	2014	2013
HOUSING		
<u>Revenues:</u>		
Transfer replacement reserve	23,034	-
Federal government operating transfers	62,719	66,921
Grants from band owned enterprises	9,889	10,129
Other	50,406	192,232
	<hr/>	<hr/>
Total Revenue	146,048	269,282
	<hr/>	<hr/>
<u>Expenses:</u>		
Debt servicing	27,049	33,393
Amortization	109,682	109,682
Other Expenses	250,098	67,815
	<hr/>	<hr/>
Total Expenses	386,829	210,890
	<hr/>	<hr/>
Annual (Deficit)/Surplus	(240,781)	58,392
	<hr/>	<hr/>
METS		
<u>Revenues:</u>		
Other	81,917	74,830
	<hr/>	<hr/>
Total Revenue	81,917	74,830
	<hr/>	<hr/>
<u>Expenses:</u>		
Other Expenses	75,978	75,159
	<hr/>	<hr/>
Total Expenses	75,978	75,159
	<hr/>	<hr/>
Annual Surplus/(Deficit)	5,939	(329)
	<hr/>	<hr/>

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014**

22. EXPENSES BY OBJECT

The following is a summary of expenses by object.

	2014 \$	2013 \$
Salaries and wages	731,803	739,829
Employee benefits	45,655	35,892
Staff development	-	6,833
Supplies and services	5,229	55,742
Bank charges and interest	68,614	62,926
Professional services	39,700	21,500
Grant to band enterprises	9,889	-
Other	943,404	712,404
Amortization	214,076	192,442
	<u>2,058,370</u>	<u>1,827,568</u>