

ANNAPOLEIS VALLEY FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015

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ANAPOLIS VALLEY FIRST NATION

Management's Responsibility for the Consolidated Financial Statements March 31, 2015

The accompanying consolidated financial statements of Annapolis Valley First Nation are the responsibility of management and have been approved by the Council.

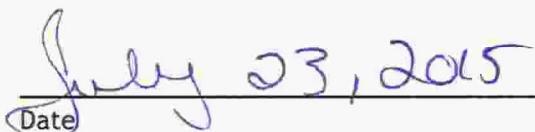
These consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board. Management is responsible for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

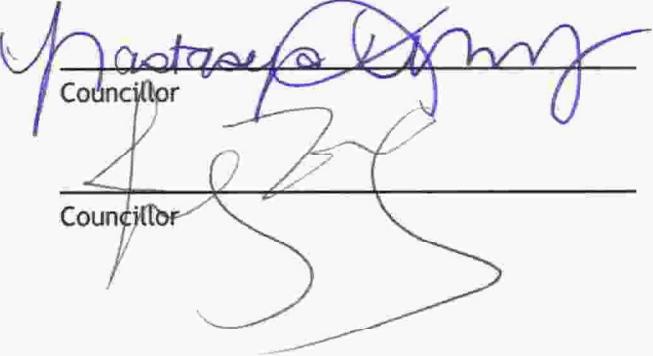
The Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and is ultimately responsible for reviewing and approving the consolidated financial statements.

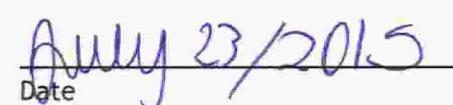
The external auditors, BDO Canada LLP, conduct an audit, in accordance with Canadian generally accepted auditing standards, and express their opinion on the consolidated financial statements. The external auditors have access to financial management of Annapolis Valley First Nation and meet when required.

On behalf of Annapolis Valley First Nation:


Chief


Date


Councillor


Date


Councillor


Date



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INDEPENDENT AUDITOR'S 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, 2015, and the consolidated statements of operations, change in net financial assets, 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 Consolidated Financial Statements

Band management is responsible for the preparation and fair presentation of these financial statements in accordance with the 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 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.

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, 2015, and its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matters

Annapolis Valley First Nation has also prepared another set of financial statements for the year ended March 31, 2015 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 23, 2015.

CHARTERED ACCOUNTANTS

Bridgewater, Nova Scotia
July 23, 2015

ANNEAPOLIS VALLEY FIRST NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2015

	2015	2014
	\$	\$
ASSETS		
Restricted cash (Note 2)	152,574	132,000
Accounts receivable (Note 4)	156,755	54,710
Investment in First Nation controlled entities (Note 5)	<u>2,307,995</u>	<u>2,245,550</u>
	<u>2,617,324</u>	<u>2,432,260</u>
LIABILITIES		
Bank indebtedness (Note 2)	48,152	99,216
Bank operating loan (Note 6)	70,000	200,000
Accounts payable and accrued liabilities (Note 8)	69,981	352,110
Deferred revenue (Note 7)	15,625	19,988
Long-term debt (Note 10)	<u>876,608</u>	<u>979,734</u>
	<u>1,080,366</u>	<u>1,651,048</u>
NET FINANCIAL ASSETS	<u>1,536,958</u>	<u>781,212</u>
NON-FINANCIAL ASSETS		
Tangible Capital Assets (Notes 11)	<u>2,312,813</u>	<u>2,441,736</u>
ACCUMULATED SURPLUS	<u>3,849,771</u>	<u>3,222,948</u>

ANAPOLIS VALLEY FIRST NATION
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2015

	Budget		
	2015	2015	2014
REVENUE		\$	\$
Aboriginal Affairs and Northern Development Canada	852,336	835,507	807,501
Canada Mortgage and Housing Corporation	-	62,461	73,719
Confederacy of Mainland Mi'kmaq	-	41,411	40,507
Department of Fisheries and Oceans	100,000	100,020	100,000
Department of Health and Wellness	50,000	50,000	47,500
Health Canada	298,530	301,560	315,882
Income - Controlled Enterprises (Note 5)	-	779,480	449,801
Miscellaneous revenues	84,399	152,718	180,494
Mi'kmaq Employment Training Secretariat	111,517	104,314	111,516
Mi'kmaw Kina'matnewey	132,531	155,856	136,162
Replacement reserve withdrawal (allocation)	-	1,840	(4,734)
Amounts earned and held in trust by federal government (Note 3)	-	574	502
	1,629,313	2,585,741	2,258,850
EXPENDITURES			
Administration	420,570	510,381	562,705
Community Health	298,530	305,814	313,728
Courses and summer students	115,008	114,864	112,259
Economic Development	37,911	41,396	40,272
Education	128,333	152,699	132,886
Fisheries	100,000	74,819	99,880
Operations, Capital & Maintenance	206,242	180,331	159,054
Social Housing	-	311,328	394,748
Social Services	254,575	267,286	250,757
	1,561,169	1,958,918	2,066,289
ANNUAL SURPLUS	68,144	626,823	192,561
ACCUMULATED SURPLUS - beginning of year	3,222,948	3,222,948	3,030,387
ACCUMULATED SURPLUS - end of year	3,291,092	3,849,771	3,222,948

ANNEAPOLIS VALLEY FIRST NATION
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED MARCH 31, 2015

	Budget	2015	2014
	\$	\$	\$
ANNUAL SURPLUS	68,144	626,823	192,561
Acquisition of tangible capital assets	-	(66,508)	(38,848)
Amortization of tangible capital assets	-	195,431	214,076
	-	128,923	175,228
INCREASE IN NET FINANCIAL ASSETS	68,144	755,746	367,789
NET FINANCIAL ASSETS - beginning of year	781,212	781,212	413,423
NET FINANCIAL ASSETS - end of year	849,356	1,536,958	781,212

**ANNEAPOLIS VALLEY FIRST NATION
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2015**

	2015	2014
	\$	\$
CASH FLOWS FROM:		
OPERATING ACTIVITIES		
Annual surplus	626,823	192,561
Items in earnings not involving cash	195,431	214,076
Amortization	(62,445)	(352,897)
Increase in investment in government business enterprises	759,809	53,740
Net changes in working capital balances	(102,045)	29,704
Accounts receivable	(282,129)	45,179
Accounts payable and accrued liabilities	(4,364)	(43,632)
Deferred revenue	371,271	84,991
CAPITAL ACTIVITIES		
Purchase and transfer of tangible capital assets	(66,508)	(38,848)
FINANCING ACTIVITIES		
Net change in long-term debt	(103,125)	(104,238)
INCREASE (DECREASE) IN CASH AND EQUIVALENTS DURING THE YEAR		
(NEGATIVE) CASH AND EQUIVALENTS - beginning of year	201,638	(58,095)
CASH (NEGATIVE) AND EQUIVALENTS - end of year	(167,216)	(109,121)
COMPRISED OF:		
Current account (overdrawn)	(48,152)	(99,216)
Bank loan - Operating	(70,000)	(200,000)
Replacement Reserve	131,700	111,700
Ottawa Trust Funds	20,874	20,300
	34,422	(167,216)

ANNAPO利S VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015

1. SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Accounting

These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board.

b. Reporting Entity

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

c. Principles of Consolidation

All controlled entities are fully consolidated on a line-by-line basis except for commercial enterprises which meet the definition of a government business enterprise, which are included in the consolidated financial statements on a modified equity basis. Inter-organizational balances and transactions are not eliminated for these enterprises.

Organizations accounted for on a modified equity basis include:

- Annapolis Valley First Nation Gaming Commission
- Annapolis Valley Commercial Fisheries
- 2501745 Nova Scotia Limited

d. Cash and Cash Equivalents

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

e. Income Taxes

Income taxes are not reflected on these financial statements as the Band's operations are conducted entirely on reserve lands and are therefore not taxable.

f. Pension Plan

Annapolis Valley First Nation provides a defined contribution plan for its employees. The pension costs are charged to operations as contributions are due. Contributions are a defined amount based on a set percentage of salary.

**ANNEAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015**

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Tangible Capital Assets

Tangible Capital Assets 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.

h. Revenue Recognition

Revenues are recognized in the period in which the transactions or events occur that give rise to the revenues. All revenues are recorded on an accrual basis.

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Contributions from other sources are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purpose.

Revenue related to fees or services received in advance of the fee being earned or the service performed is deferred and recognized when the fee is earned or service is performed.

ANNEAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015

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.

	2015	2014
	\$	\$
<u>Unrestricted</u>		
Operating	(49,145)	(103,308)
Housing	993	4,092
	<hr/>	<hr/>
	(48,152)	(99,216)
<u>Externally Restricted</u>		
Replacement Reserve	131,700	111,700
Ottawa Trust Funds (Note 3)	20,874	20,300
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	152,574	132,000

3. TRUST FUNDS HELD BY FEDERAL GOVERNMENT

	March 31, 2014	Additions 2015	Withdrawals 2015	March 31, 2015
	\$	\$	\$	\$
Revenue	14,653	574	-	15,227
Capital	5,647	-	-	5,647
	<hr/>	<hr/>	<hr/>	<hr/>
Total	20,300	574	-	20,874

The trust funds arise from monies derived from capital or revenue sources as outlined in Section 62 of the Indian Act. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada. The management of these funds is primarily governed by Section 63 to 69 of the Indian Act.

ANAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015

4. ACCOUNTS RECEIVABLE

<u>Description</u>	2015	2014
	\$	\$
Aboriginal Affairs and Northern Development Canada	23,885	18,142
Atlantic Integrated Commercial Fisheries Initiative	25,020	2,500
Breakfast Clubs of Canada	1,000	-
Department of Fisheries and Oceans	75,197	7,505
Mi'kmaq Employment Training Secretariat	23,683	26,563
Mi'kmaw Kina'matnewey	7,830	-
Other	140	-
	156,755	54,710

5. INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISES

Annapolis Valley First Nation owns 100% of Annapolis Valley Gaming Commission, Annapolis Valley Commercial Fisheries and 2501745 Nova Scotia Limited.

Annapolis Valley Gaming Commission

The Gaming Commission was set up to enter into an Agreement with Atlantic Lottery Corporation for the operations of video lottery terminals on the Annapolis Valley First Nation reserve. It also operates a convenience store, gaming facility and gas bar on the reserve.

Annapolis Valley Commercial Fisheries

Annapolis Valley Commercial Fisheries is an enterprise operated by the First Nation. It operates one lobster fishing boat and receives occasional funding from the Aboriginal Fisheries Strategy Agreement with the Department of Fisheries and Oceans.

2501745 Nova Scotia Limited

The Company was incorporated for the purposes of constructing a gaming facility and bingo hall on reserve lands which is leased to the Annapolis Valley First Nation Gaming Commission.

Related Party Transactions

The following transactions occurred during the year between the government business enterprises and the First Nation included in these consolidated financial statements. These transactions are measured at the amount of consideration established and agreed to by the related parties.

- Annapolis Valley First Nation received \$211,665 from Annapolis Valley Commercial Fisheries.
- Annapolis Valley First Nation received \$545,000 in grants from Annapolis Valley Gaming Commission
- Annapolis Valley Gaming Commission paid approximately \$83,713 in operating expenses throughout the fiscal year related to maintenance and program administration on behalf of the Annapolis Valley First Nation.
- 2501745 Nova Scotia Limited leases the Bingo Hall and Gaming Facility to Annapolis Valley Gaming Commission for \$120,000 annually.

ANNAPO利 VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015

5. INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISES (continued)

The commercial government business enterprises that are included in the First Nation reporting entity, as described on page 10 of these financial statements includes: Annapolis Valley Gaming Commission, Annapolis Valley Commercial Fisheries, and 2501745 Nova Scotia Limited.

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

	Annapolis Valley Gaming Commission \$	Annapolis Valley Commercial Fisheries \$	2501745 Nova Scotia Limited \$	2015 \$	2014 \$
Assets					
Cash and Investments	102,891	177,022	-	279,913	216,016
Accounts Receivable	4,233	55,123	100	59,456	257,701
Inventory	95,820	-	-	95,820	111,887
Prepays	4,281	-	-	4,281	8,971
Tangible Capital Assets	1,310,249	459,985	202,357	1,972,591	2,008,946
Due from Related Party	-	-	-	-	600,333
Other Assets	-	325,000	-	325,000	325,000
Total Assets	1,517,474	1,017,130	202,457	2,737,061	3,528,854
Liabilities					
Accounts Payable	99,966	5,000	2,500	107,466	193,036
Bank Indebtedness	90,000	-	-	90,000	130,000
Long-term Debt	-	231,600	-	231,600	334,955
Due to Related Party	-	-	-	-	384,396
Other Liabilities	-	-	-	-	285,000
Total Liabilities	189,966	236,600	2,500	429,066	1,327,387
Equity	1,327,508	780,530	199,957	2,307,995	2,201,467
Total Liabilities and Equity	1,517,474	1,017,130	202,457	2,737,061	3,528,854
Results of Operations					
Revenue	3,657,554	1,244,916	168,906	5,071,376	4,774,127
Expenses	3,541,673	609,245	140,978	4,291,896	4,324,326
Net Income	115,881	635,671	27,928	779,480	449,801

**ANAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015**

5. INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISES (continued)

	2015 \$	2014 \$
GAMING COMMISSION		
Accumulated equity in earnings	1,327,508	1,672,914
Loan receivable	-	55,748
	1,327,508	1,728,662
COMMERCIAL FISHERIES		
Accumulated equity in earnings	780,530	356,524
Loan payable	-	(11,665)
	780,530	344,859
2501745 NOVA SCOTIA LTD.		
Accumulated equity in earnings	199,957	172,029
TOTAL INVESTMENTS IN CONTROLLED ENTITIES	2,307,995	2,245,550

6. 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%.

7. SCHEDULE OF DEFERRED REVENUE

	2015 \$	2014 \$
Air Canada Breakfast Program	1,273	3,698
Confederacy of Mainland Mi'kmaq	3,500	-
Give us Wings Projects	1,237	-
Mi'kmaw Kina'matnewey	7,250	16,290
Town of Berwick	2,365	-
	15,625	19,988

ANAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2015	2014
	\$	\$
Trade payables and accruals	69,981	350,112
Accrued interest	-	1,998
	69,981	352,110

9. EMPLOYEE BENEFIT OBLIGATIONS

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 \$20,733 (2014 - \$20,209) for retirement benefits.

10. LONG-TERM DEBT

	2015	2014
	\$	\$
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 \$0 and a ministerial guarantee, Government of Canada. The loan matured in 2015.	-	12,948
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 \$12,508 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2015 and matures in 2016.	12,508	22,208

ANAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015

10. LONG-TERM DEBT (continued)

	2015	2014
	\$	\$
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 \$22,694 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2015 and matures in 2018.	22,694	29,652
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 \$11,240 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2016 and matures in 2018.	11,240	18,488
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 \$12,909 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2016 and matures in 2020.	12,909	23,606
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 \$36,333 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2015 and matures in 2022.	36,333	41,590
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 \$31,212 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2017 and matures in 2022.	31,212	34,824
4.56% first mortgage payable to Royal Bank of Canada requires monthly installments of principal and interest of \$861. The loan is secured by a first mortgage over certain buildings with a carrying value of \$70,020 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2018 and matures in 2023.	70,020	76,743

ANNAPO利S VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015

10. LONG-TERM DEBT (continued)

	2015	2014
	\$	\$
2.65% first mortgage payable to Royal Bank of Canada requires monthly installments of principal and interest of \$471. The loan is secured by a first mortgage over certain buildings with a carrying value of \$31,418 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2018 and matures in 2023.	31,418	36,108
2.65% first mortgage payable to Royal Bank of Canada requires monthly installments of principal and interest of \$404. The loan is secured by a first mortgage over certain buildings with a carrying value of \$27,978 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2018 and matures in 2026.	27,978	31,956
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 \$37,439 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2016 and matures in 2026.	37,439	40,392
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 \$40,032 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2017 and matures in 2027.	40,032	42,896
1.92% mortgage payable to Canada Mortgage & Housing Corporation requires monthly installments of principal and interest of \$281. The loan is secured by a first mortgage over certain buildings with a carrying value of \$41,679 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2019 and matures in 2029.	41,679	44,232

ANNAPO利S VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015

10. LONG-TERM DEBT (continued)

	2015	2014
	\$	\$
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 \$49,436 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2015 and matures in 2030.	49,436	52,011
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 \$53,076 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2016 and matures in 2031.	53,076	55,709
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 \$57,968 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2017 and matures in 2032.	57,968	60,894
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 \$60,271 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2017 and matures in 2032.	60,271	63,222
2.04% mortgage payable to Canada Mortgage & Housing Corporation requires monthly installments of principal and interest of \$815. The loan is secured by a first mortgage over certain buildings with a carrying value of \$153,142 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2019 and matures in 2034.	153,142	159,751

ANNEAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015

10. LONG-TERM DEBT (continued)

	2015	2014
	\$	\$
2.35% mortgage payable to Canada Mortgage & Housing Corporation requires monthly installments of principal and interest of \$345. The loan is secured by a first mortgage over certain buildings with a carrying value of \$62,242 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2018 and matures in 2033.	62,242	64,900
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 \$65,011 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2019 and matures in 2034.	65,011	67,604
	<hr/>	<hr/>
	876,608	979,734

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

	\$		
	2015	2014	
	\$	\$	
2016	93,065		
2017	74,638		
2018	68,110		
2019	62,856		
2020	63,783		
	<hr/>	<hr/>	
Interest expense for the year on long-term debt	22,602	27,049	

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015**

11. TANGIBLE CAPITAL ASSETS

	Cost					Accumulated Amortization			Net Book Value		
	Opening Balance	Additions	Disposals	Transfers of Assets	Closing Balance	Opening Balance	Amort.	Disposals, W/O & Other Adj.	Closing Balance	2015	2014
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
CNHC Housing	2,742,046	-	-	(12,629)	2,729,417	1,552,114	97,996	-	1,650,110	1,079,307	1,189,932
Band Owned Housing	786,019	12,222	-	12,629	810,870	546,797	21,219	-	568,016	242,854	239,222
Commercial Buildings	1,125,356	-	-	-	1,125,356	408,985	37,635	-	446,620	678,736	716,371
Computer Equipment	24,098	2,589	-	-	26,687	9,370	5,587	-	14,957	11,730	14,728
Land & Improvements	75,428	19,650	-	-	95,078	12,158	2,897	-	15,054	80,024	63,270
Underground Networks	200,093	1,165	-	-	201,258	82,588	10,792	-	93,381	107,877	117,505
Vehicles & Equipment	476,966	30,882	-	-	507,848	376,258	19,305	-	395,563	112,285	100,708
	2,687,960	66,508	-	12,629	2,767,097	1,436,156	97,435	-	1,533,591	1,233,506	1,251,804
	5,430,006	66,508	-	-	5,496,514	2,988,270	195,431	-	3,183,701	2,312,813	2,441,736

ANNEAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015

12. ACCUMULATED SURPLUS

	2015 \$	2014 \$
Housing Projects - Replacement Reserve (Note 13)	205,522	203,682
Accumulated Surplus	<u>3,630,625</u>	<u>2,998,966</u>
Ottawa Trust Funds (Note 3)	<u>20,874</u>	<u>20,300</u>
	<u>3,857,021</u>	<u>3,222,948</u>

13. REPLACEMENT RESERVE

	2015 \$	2014 \$
Balance - beginning of year	203,682	208,416
Current year allocation	<u>18,000</u>	<u>18,300</u>
Withdrawals	<u>(16,160)</u>	<u>(23,034)</u>
Balance - end of year	<u>205,522</u>	<u>203,682</u>

	2015 \$	2015 \$
	Pre 1997 Units	Post 1997 Units
ACCUMULATED INTEREST		
Balance - beginning of year	<u>3,474</u>	<u>3,314</u>
Balance - end of year	<u>3,474</u>	<u>3,314</u>

The Annapolis Valley First Nation operates 19 CMHC subsidized housing projects as at March 31, 2015. Under the terms of the agreement with CMHC, the replacement reserve account is to be credited annually with an amount established by CMHC. These funds, plus accumulated interest, must be held in a separate bank account and used for future repairs or other expenditures only as approved by CMHC.

As at March 31, 2015, the Annapolis Valley First Nation has provided funding of reserves as follows:

	Amount of Reserve \$	Amount Funded \$
Replacement Reserve (Note 2)	<u>205,522</u>	<u>131,700</u>

ANNAPO利S VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015

14. 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, 2015. The contract is renewed annually.

15. 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.

**ANNAPO利S VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015**

16. GOVERNMENT TRANSFERS

	2015			2014		
	Operating	Capital	Total	Operating	Capital	Total
Federal government transfers:						
Aboriginal Affairs and Northern Development Canada	777,332	58,175	835,507	750,669	56,832	807,501
Health Canada	301,560	-	301,560	305,472	10,410	315,882
Canada Mortgage and Housing Corporation	62,461	-	62,461	62,719	11,000	73,719
Department of Fisheries and Oceans	100,020	-	100,020	100,000	-	100,000
Total	1,241,373	58,175	1,299,548	1,218,860	78,242	1,297,102
Provincial grant transfer:						
Municipal Physical Activity Leadership Program	30,000	-	30,000	30,000	-	30,000
Total	1,271,373	58,175	1,329,548	1,248,860	78,242	1,327,102

**ANNEAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015**

17. SEGMENT DISCLOSURE

The Annapolis Valley First Nation is a diversified government institution that provides a wide range of services to its members, including education, infrastructure maintenance, medical and other health services, administration, capital, enterprises and other services. For management reporting purposes the First Nation's operations and activities are organized and reported by Fund. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

Services are provided by departments and their activities are reported in these funds. Certain departments that have been separately disclosed in the segmented information, along with the services they provide are as follows:

Administration

The administration department oversees the delivery of all government services. The department is responsible for ensuring that there are adequate policies and procedures in place to safeguard the assets and to properly report financial activities. In addition, this department includes the governance activities of Chief and Council.

Community Health

The community health department provides a diverse bundle of services directed towards the well-being of members including such activities as long-term care, medical transportation, prenatal and early childhood care, nursing, health representation, traditional healing, family violence prevention and many other small programs designed to enhance the health of members.

Social Services

The social assistance department is responsible for administering assistance payments as well as providing services directed towards members.

Education

The education department provides services to elementary and secondary students primarily by entering into service contracts with provincially funded area school boards, as well as native language study. In addition, the department reimburses tuition costs and provides living and other allowances to students who are attending post-secondary institutions.

Operations, Capital and Maintenance

The operations, capital and maintenance department provides public services that contribute to community development and sustainability through the provision of operating services such as roads, water and sanitation, fire protection, electrical and community buildings. In addition, the department is responsible for all capital asset activities occurring in the First Nation during the year, including housing construction and renovations.

Other Projects

The First Nation provides a wide array of other services, including youth employment projects, economic development, housing activities, fisheries and others.

ANAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015

17. SEGMENT DISCLOSURE (continued)

	2015 \$	2014 \$
ADMINISTRATION		
Revenues:		
Federal government operating transfers	211,519	199,250
Other	<u>300,515</u>	<u>144,665</u>
 Total Revenue	 <u>512,034</u>	 <u>343,915</u>
 Expenses:		
Salaries and benefits	242,352	253,587
Debt servicing	32,452	41,432
Amortization	97,435	104,393
Other Expenses	<u>138,142</u>	<u>163,294</u>
 Total Expenses	 <u>510,381</u>	 <u>562,706</u>
 Annual (Deficit)	 <u>1,653</u>	 <u>(218,791)</u>
 COMMUNITY HEALTH		
Revenues:		
Federal government operating transfers	301,560	305,473
Federal government capital transfers	-	10,410
Other	<u>620</u>	-
 Total Revenue	 <u>302,180</u>	 <u>315,883</u>
 Expenses:		
Salaries and benefits	103,471	55,993
Other Expenses	<u>202,343</u>	<u>261,198</u>
 Total Expenses	 <u>305,814</u>	 <u>317,191</u>
 Annual (Deficit)	 <u>(3,634)</u>	 <u>(1,308)</u>

ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015

17. SEGMENT DISCLOSURE (continued)

	2015 \$	2014 \$
SOCIAL SERVICES		
Revenues:		
Federal government operating transfers	<u>444,575</u>	<u>444,160</u>
Total Revenue	<u>444,575</u>	<u>444,160</u>
Expenses:		
Salaries and benefits	<u>37,682</u>	<u>20,702</u>
Other Expenses	<u>229,603</u>	<u>230,055</u>
Total Expenses	<u>267,285</u>	<u>250,757</u>
Annual Surplus	<u>177,290</u>	<u>193,403</u>
EDUCATION		
Revenues:		
Federal government operating transfers	<u>161,656</u>	<u>136,162</u>
Other	<u>104,314</u>	<u>111,516</u>
Total Revenue	<u>265,970</u>	<u>247,678</u>
Expenses:		
Salaries and benefits	<u>117,781</u>	<u>112,909</u>
Other Expenses	<u>149,782</u>	<u>132,237</u>
Total Expenses	<u>267,563</u>	<u>245,146</u>
Annual Surplus	<u>(1,593)</u>	<u>2,532</u>

ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015

17. SEGMENT DISCLOSURE (continued)

	2015 \$	2014 \$
OPERATIONS, CAPITAL AND MAINTENANCE		
<u>Revenues:</u>		
Federal government operating transfers	<u>179,413</u>	<u>164,091</u>
Total Revenue	<u>179,413</u>	<u>164,091</u>
<u>Expenses:</u>		
Salaries and benefits	<u>58,582</u>	<u>81,283</u>
Other Expenses	<u>121,749</u>	<u>77,771</u>
Total Expenses	<u>180,331</u>	<u>159,054</u>
Annual (Deficit) Surplus	<u>(918)</u>	<u>5,037</u>
 ECONOMIC DEVELOPMENT		
<u>Revenues:</u>		
Other	<u>41,411</u>	<u>40,507</u>
Total Revenue	<u>41,411</u>	<u>40,507</u>
<u>Expenses:</u>		
Salaries and benefits	<u>35,718</u>	<u>36,807</u>
Other Expenses	<u>5,678</u>	-
Total Expenses	<u>41,396</u>	<u>36,807</u>
Annual Surplus	<u>15</u>	<u>3,700</u>

ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015

17. SEGMENT DISCLOSURE (continued)

	2015 \$	2014 \$
FISHERIES		
Revenues:		
Federal government operating transfers	<u>100,020</u>	<u>100,000</u>
Total Revenue	<u>100,020</u>	<u>100,000</u>
Expenses:		
Salaries and benefits	<u>52,049</u>	<u>44,527</u>
Other Expenses	<u>22,770</u>	<u>55,353</u>
Total Expenses	<u>74,819</u>	<u>99,880</u>
Annual Surplus	<u>25,201</u>	<u>120</u>
HOUSING		
Revenues:		
Transfer replacement reserve	<u>16,159</u>	<u>23,034</u>
Federal government operating transfers	<u>62,461</u>	<u>62,719</u>
Grants from band owned enterprises	<u>278,011</u>	<u>9,889</u>
Other	<u>274,564</u>	<u>50,406</u>
Total Revenue	<u>631,195</u>	<u>146,048</u>
Expenses:		
Debt servicing	<u>22,708</u>	<u>27,049</u>
Amortization	<u>97,996</u>	<u>109,682</u>
Other Expenses	<u>190,624</u>	<u>250,098</u>
Total Expenses	<u>311,328</u>	<u>386,829</u>
Annual Surplus/(Deficit)	<u>319,867</u>	<u>(240,781)</u>

ANNEAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015

18. EXPENSES BY OBJECT

The following is a summary of expenses by object.

	2015	2014
	\$	\$
Salaries and wages	647,635	731,803
Employee benefits	44,793	45,655
Repairs and Maintenance	183,933	165,636
Supplies and services	225,157	223,239
Bank charges and interest	84,986	68,614
Professional services	39,000	39,700
Insurance	11,397	9,889
Utilities	96,813	109,787
Other	429,773	457,890
Amortization	195,431	214,076
	<hr/> 1,958,918	<hr/> 2,066,289