

Consolidated Financial Statements of

POTLOTEK FIRST NATION

Year ended March 31, 2015

POTLOTEK FIRST NATION

Consolidated Financial Statements

Year ended March 31, 2015

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MANAGEMENT'S REPORT

Management's Responsibility for the Financial Statements

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

The 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 of the Canadian Institute of Chartered Accountants and as such include amounts that are the best estimates and judgments of management.

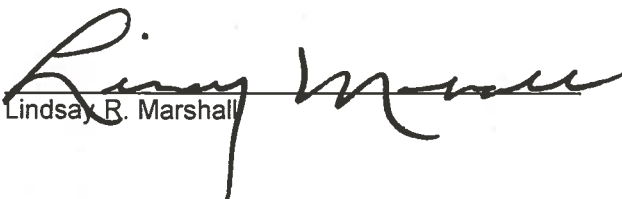
Management is responsible for the integrity and objectivity of these statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

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 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 consolidated financial statements and the external auditor's report.

The external auditors, MGM & Associates, Chartered Accountants, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of Potlotek First Nation and meet when required.

On behalf of Potlotek First Nation:


Lindsay R. Marshall



MGM & Associates
Chartered Accountants
Commerce Tower
15 Dorchester Street Suite 500
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Sydney NS B1P 6G9

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INDEPENDENT AUDITORS' REPORT

To the Members of
Potlotek First Nation

We have audited the accompanying consolidated financial statements of Potlotek First Nation which comprise the consolidated statement of financial position as at March 31, 2015 and the consolidated statements of operations, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider 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 financial statements present fairly, in all material respects, the financial position of Potlotek First Nation as at March 31, 2015 and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in dark ink that reads 'MGM & Associates' in a cursive, flowing script.

Chartered Accountants
Sydney, Canada
July 21, 2015

POTLOTEK FIRST NATION

Consolidated Statement of Financial Position

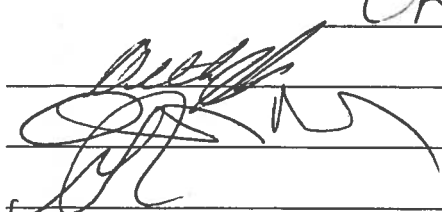
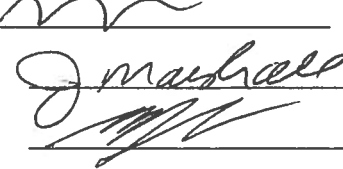
March 31, 2015, with comparative figures for 2014

	2015	2014
FINANCIAL ASSETS		
Restricted cash – CMHC replacement reserve	\$ 157,612	\$ 151,179
Restricted cash – MK capital projects	100,000	100,000
Accounts receivable (note 2)	217,752	145,337
Due from federal government (note 3)	429,881	649,947
Due from provincial government (note 4)	106,216	114,066
Inventories held for resale (note 5)	86,554	73,225
Trust funds – Aboriginal Affairs and Northern Development Canada (note 6)	5,806	5,638
	<u>1,103,821</u>	<u>1,239,392</u>
LIABILITIES		
Cheques issued in excess of funds on deposit	409,133	978,644
Operating loans (note 7)	402,905	421,545
Accounts payable and accrued liabilities (note 8)	2,812,912	2,452,059
Deferred revenue (note 9)	476,029	310,809
Long-term debt (note 10)	4,351,241	4,708,107
	<u>8,452,220</u>	<u>8,871,164</u>
NET DEBT	<u>(7,348,399)</u>	<u>(7,631,772)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (note 11)	11,019,275	11,663,574
Intangible assets	600,000	600,000
Inventory, prepaid expenses and other	73,257	63,630
	<u>11,692,532</u>	<u>12,327,204</u>
ACCUMULATED SURPLUS	<u>\$ 4,344,133</u>	<u>\$ 4,695,432</u>

Contingencies (note 17)

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

On behalf of Chief and Council:

POTLOTEK FIRST NATION

Consolidated Statement of Operations

Year ended March 31, 2015, with comparative figures for 2014

	2015		2014
	Budget (Unaudited)	Actual	Actual
REVENUES			
Transfers from Federal Government			
Aboriginal Affairs and Northern Development			
Canada	\$ 2,883,614	\$ 3,059,050	\$ 2,994,048
Mi'kmaw Kina'matnewey	2,100,000	2,270,763	2,509,022
Health Canada	760,930	744,804	675,171
METS	185,000	230,628	230,620
Fisheries and Oceans Canada	253,000	253,350	211,347
Transfers from Provincial Government	—	185,629	340,671
Revenue from own sources	6,695,000	6,806,790	6,392,892
Rental income	323,400	250,618	323,400
Subsidy	188,000	149,721	161,657
Other	55,000	216,740	70,026
	13,443,944	14,168,093	13,908,854
EXPENSES			
Administration and management	815,000	888,592	856,538
Economic and employment development	49,000	50,660	48,264
Operations and maintenance	518,000	544,781	678,068
Social development	1,870,000	1,589,893	1,869,750
Education	2,100,000	2,636,622	2,790,126
Capital, housing and infrastructure	382,000	374,021	473,147
Health	760,930	818,955	736,900
Fisheries – treaty	215,000	184,762	313,638
Fisheries – commercial	1,445,000	1,413,775	1,320,371
Gas bar	3,477,000	3,564,457	3,406,443
METS	250,000	301,112	285,238
Gaming	550,000	847,523	1,149,195
Other	75,000	104,220	72,489
Tobacco	77,500	119,079	119,888
Social housing	215,000	218,469	216,994
Amortization of tangible capital assets	825,000	833,321	995,501
	13,624,430	14,490,242	15,332,550
ANNUAL DEFICIT	\$ (180,486)	\$ (322,149)	\$(1,423,696)

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

POTLOTEK FIRST NATION

Consolidated Statement of Change in Fund Balances

Year ended March 31, 2015, with comparative figures for 2014

	2015				2014	
	Operating	Capital	Social Housing	Trust	Replacement Reserve	Total
BALANCE, BEGINNING OF YEAR	\$(1,827,124)	\$ 5,813,853	\$ 293,617	\$ 5,638	\$ 409,448	\$ 6,119,123
Annual deficit	(187,797)	(113,278)	(21,074)	-	-	(322,149)
Current year allocations	-	-	(51,213)	-	51,213	13,825
Withdrawals	-	-	-	-	(29,318)	(29,318)
Adjustment to CMHC replacement reserve	-	-	93,363	-	(93,363)	-
Interest earned	-	-	-	168	-	168
BALANCE, END OF YEAR	\$(2,014,921)	\$ 5,700,575	\$ 314,693	\$ 5,806	\$ 337,980	\$ 4,344,133
						\$ 4,695,432

POTLOTEK FIRST NATION

Consolidated Statement of Change in Net Debt

Year ended March 31, 2015, with comparative figures for 2014

	2015	2014
ANNUAL DEFICIT	\$ (322,149)	\$ (1,423,696)
Tangible capital assets		
Acquisition of tangible capital assets	(189,022)	(223,624)
Amortization of tangible capital assets	833,321	995,501
	644,299	771,877
Other non-financial assets		
Decrease (increase) in inventory, prepaid expenses and other	(9,627)	13,136
Other		
Withdrawal from replacement reserve	(29,318)	(13,825)
Interest earned on trust fund	168	5
	(29,150)	(13,820)
DECREASE (INCREASE) IN NET DEBT	283,373	(652,503)
NET DEBT, BEGINNING OF YEAR	(7,631,772)	(6,979,269)
NET DEBT, END OF YEAR	\$ (7,348,399)	\$ (7,631,772)

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

POTLOTEK FIRST NATION

Consolidated Statement of Cash Flows

Year ended March 31, 2015, with comparative figures for 2014

	2015	2014
Cash provided by (used in)		
OPERATING ACTIVITIES		
Annual deficit	\$ (322,149)	\$(1,423,696)
Add amortization of tangible capital assets	833,321	995,501
Change in non-cash operating items		
Decrease (increase) in accounts receivable	(72,415)	1,361
Decrease(increase) in due from federal government	220,066	(35,789)
Decrease (increase) in due from provincial government	7,850	(10,934)
Increase in inventories held for resale	(13,329)	(12,262)
Decrease (increase) in inventory, prepaid expenses and other	(9,627)	13,136
Increase in accounts payable and accrued liabilities	360,853	627,608
Increase in deferred revenue	165,220	99,182
	1,169,790	254,107
FINANCING ACTIVITIES		
Proceeds from long-term debt	145,513	92,410
Proceeds from operating loans	87,950	—
Principal payments on long-term debt	(502,379)	(529,643)
Principal payments on operating loans	(106,590)	(97,127)
Withdrawals from replacement reserve	(29,318)	(13,825)
	(404,824)	(548,185)
INVESTING ACTIVITIES		
Additions to tangible capital assets	(189,022)	(223,624)
Interest on trust fund	168	5
	(188,854)	(223,619)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	576,112	(517,697)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	(721,827)	(204,130)
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ (145,715)	\$ (721,827)
Cash and cash equivalents is comprised of the following		
Restricted cash – CMHC replacement reserve	\$ 157,612	\$ 151,179
Restricted cash – MK capital projects	100,000	100,000
Cheques issued in excess of funds on deposit	(409,133)	(978,644)
Trust fund – Aboriginal Affairs and Northern Development Canada	5,806	5,638
	\$ (145,715)	\$ (721,827)

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

POTLOTEK FIRST NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2015

NATURE OF OPERATIONS

Potlotek First Nation Council is comprised of a Chief and six councilors under the Indian Act of Canada. The Council is accountable to the local Mi'kmaq community members for the delivery of programs and services, management of all financial resources and planning to support future community-based self-government.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

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 of the Canadian Institute of Chartered Accountants.

(b) Reporting entity

The Potlotek First Nation reporting entity includes Potlotek First Nation government and all related entities which are accountable to the First Nation.

(c) Principles of consolidation

These consolidated financial statements consolidate the assets, liabilities and results of operations for the following entities which use accounting principles which lend themselves to consolidation:

Potlotek First Nation Operating and Capital Funds
Potlotek First Nation Trust Funds
Canada Mortgage and Housing Corporation Fund
Potlotek Expedition Gas and Convenience

(d) Fund accounting

The resources and operations of the First Nation are comprised of the operating, capital and housing funds. Transfers between funds are recorded as adjustments to the appropriate fund balance. Supporting schedules to the consolidated financial statements are included to show the financial activities and change in the balance of each fund.

(e) Asset classification

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations. Non-financial assets are acquired, constructed or developed assets that do not provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale.

POTLOTEK FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Cash and cash equivalents

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

(g) Inventories

Inventories of supplies and goods available for resale are recorded at the lower of cost and net realizable value.

(h) Tangible capital assets

Tangible capital assets acquired since 1987 are reported in the consolidated statement of financial position at cost net of accumulated amortization. All tangible capital assets acquired prior to 1987 have been written off. They are amortized on a straight-line basis over their estimated useful lives at the following rates:

Asset	Basis	Rate
Buildings	Straight-line	20-25 years
Equipment	Straight-line	5-10 years
Lagoons and water systems	Straight-line	25 years
Fishing vessels	Straight-line	20 years

A full year's amortization is taken in the year of acquisition.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the First Nation's 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 consolidated statement of operations.

Contributed tangible 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 tangible 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 and 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.

(i) Intangible assets

Intangible assets consist of purchased fishing licenses and are recorded at cost. They are not amortized as they have an indefinite life.

POTLOTEK FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Revenue recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

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 liability. Transfer revenue is recognized in the consolidated 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 is performed is deferred and recognized when the fee is earned or service performed.

(j) Financial instruments

Measurement of financial instrument

The First Nation initially measures its financial assets and financial liabilities at fair value and subsequently measures its financial assets and financial liabilities as follows:

Financial instrument	Measurement basis
Cash/cheques issued in excess of funds on deposit	Fair value
Receivables	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Operating loans	Amortized cost
Long-term debt	Amortized cost

Transaction costs related to financial assets are expensed as incurred.

Impairment

Financial assets measured at cost or amortized cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in income. A previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is not greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in income.

POTLOTEK FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, the disclosure of contingencies and the reported amounts of revenues and expenses in the consolidated financial statements and accompanying notes. Items requiring the use of significant estimates and assumptions include the valuation of receivables, inventories, capital assets and intangible assets. Due to the inherent uncertainty in making estimates, actual results could differ from those estimates.

2. ACCOUNTS RECEIVABLE

	2015	2014
Profit sharing	\$ 62,451	\$ –
Members	40,071	50,415
Lottery retailers	110,545	86,888
Tobacco supplier	20,616	15,288
Other	17,423	26,100
	251,106	178,691
Allowance for doubtful accounts	33,354	33,354
	\$ 217,752	\$ 145,337

3. DUE FROM FEDERAL GOVERNMENT

	2015	2014
Aboriginal Affairs and Northern Development Canada	\$ 107,259	\$ 36,022
Mi'kmaq Employment/Training Secretariat Inc.	15,587	45,181
Mi'kmaq Kina'matnewey	7,250	121,951
Fisheries and Oceans Canada	142,466	277,825
HST	157,319	168,968
	\$ 429,881	\$ 649,947

4. DUE FROM PROVINCIAL GOVERNMENT

	2015	2014
Province of Nova Scotia	\$ 106,216	\$ 114,066

POTLOTEK FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

5. INVENTORIES HELD FOR RESALE

	2015	2014
Gas bar	\$ 86,554	\$ 73,225

6. TRUST FUNDS HELD BY FEDERAL GOVERNMENT

Trust fund accounts arise from moneys 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 Sections 63 to 69 of the Indian Act.

7. OPERATING LOANS

	2015	2014
Loan payable to Peace Hills Trust Company with an interest rate of 7.0% with monthly instalments of principal and interest of \$10,865, maturing October, 2017	\$ 317,490	\$ 421,545
Loan payable to Peace Hills Trust Company with an interest rate of 4.5% with monthly instalments of principal and interest of \$1,640, maturing January, 2020	85,415	—
	\$ 402,905	\$ 421,545

Principal repayments for the next five years are as follows:

2016	\$ 128,000
2017	136,900
2018	103,300
2019	18,500
2020	16,205

POTLOTEK FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2015	2014
Trade	\$ 1,128,275	\$ 2,048,052
Accrued salaries and employee benefits payable	1,684,637	404,007
	<u>\$ 2,812,912</u>	<u>\$ 2,452,059</u>

9. DEFERRED REVENUE

	Balance March 31, 2014	Funding received 2015	Revenue recognized 2015	Balance March 31, 2015
Federal government				
Aboriginal Affairs and Northern Development Canada				
Response (2014)	\$ 48,000	\$ —	\$ —	\$ 48,000
Response (2015)	—	53,434	(26,180)	27,254
	48,000	53,434	(26,180)	75,254
Fisheries and Oceans Component 4.0	—	112,900	—	112,900
Mi'kmaw Kina'matnewey				
Capital projects	100,000	—	—	100,000
Summer Games	50,000	—	(50,000)	—
	150,000	—	(50,000)	100,000
Provincial government				
Other	20,000	46,516	(12,828)	53,688
Other	92,809	48,521	(7,143)	134,187
Total	<u>\$ 310,809</u>	<u>\$ 261,371</u>	<u>\$ (96,151)</u>	<u>\$ 476,029</u>

POTLOTEK FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

10. LONG-TERM DEBT

	2015	2014
Mortgages (15) payable to CMHC with mortgage rates from 1.01% - 5.49% with monthly instalments of principal and interest from \$266 - \$4,547, maturing from June, 2015 – October, 2020	\$ 2,844,759	\$ 2,837,623
Section 10 mortgage payable to Royal Bank of Canada with a mortgage rate of 3.89%, repayable in monthly instalments of principal and interest of \$1,560, maturing July, 2015 and amortized to June, 2025	159,171	171,460
Mortgages (4) payable to Royal Bank of Canada with mortgage rates of 2.87% - 3.89% with monthly instalments of principal and interest of \$366 - \$762, maturing July, 2015 to January, 2020 and amortized to April, 2025	238,779	260,245
Mortgages (2) payable to Peace Hills Trust Company with a mortgage rate of 3.95% with monthly instalments from \$1,040 to \$1,185, maturing January 1, 2017 and amortized to January, 2022	103,879	148,132
Loan payable to Peace Hills Trust Company with an interest rate of 4.15% with monthly instalments of principal and interest of \$900, maturing and amortized to October, 2017	17,250	23,885
Loan payable to Peace Hills Trust Company with an interest rate of 5.0% with monthly instalments of principal and interest of \$2,050, maturing October, 2016 and amortized to November, 2016	36,699	58,843
Loan payable to Peace Hills Trust Company with an interest rate of prime plus 2%, with monthly instalments of principal and interest of \$5,303, maturing January, 2018 and amortized to March, 2021	400,548	439,884
	3,801,085	3,940,072

POTLOTEK FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

10. LONG-TERM DEBT (CONTINUED)

	2015	2014
Carry forward	\$ 3,801,085	\$ 3,940,072
Loan payable to Peace Hills Trust Company with an interest rate of 4.5%, with quarterly instalments of principal and interest of \$5,420, maturing April 1, 2018 and amortized to March, 2021	148,649	158,506
Loan payable to Peace Hills Trust Company with an interest rate of 3.95%, with monthly instalments of principal and interest of \$384, maturing April 1, 2018, amortized to April, 2028	47,195	49,905
Loan payable to Peace Hills Trust Company with an interest rate of 3.95%, with monthly instalments of principal and interest of \$465, maturing July 1, 2018, amortized to July, 2028	58,705	61,926
Loan payable to Peace Hills Trust Company with an interest rate of 6.5% with annual principal payment of \$70,000 and blended monthly instalment of \$2,099, maturing and amortized to October 1, 2017	170,387	240,430
Loan payable to Peace Hills Trust Company with an interest rate of 6.5% with monthly instalments of principal and interest of \$11,550, maturing May 1, 2015 and amortized to 2017	122,320	248,342
Loan payable to Peace Hills Trust Company with an interest rate of 7.0% with annual principal instalment of \$588 and interest paid monthly, maturing July 1, 2015 and amortized to 2017	2,900	8,926
Total long-term debt	\$ 4,351,241	\$ 4,708,107

Principal repayments for the next five years are as follows:

	Total
2016	\$ 486,300
2017	411,100
2018	342,800
2019	333,500
2020	342,700

The long-term debt in the CMHC Fund is secured by separate Aboriginal Affairs and Northern Development Canada Ministerial guarantees.

POTLOTEK FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

11. TANGIBLE CAPITAL ASSETS

		Cost				
	Opening Balance	Additions	Disposals	Transfer of assets	Closing Balance	
Land	\$ 70,000	\$ —	\$ —	\$ —	\$ 70,000	
Buildings						
Fire Hall	93,336	—	—	—	93,336	
Island church	39,578	—	—	—	39,578	
Band office	106,912	—	—	—	106,912	
Daycare	71,588	—	—	—	71,588	
Gas bar	1,309,702	—	—	—	1,309,702	
Fishery Complex	404,925	63,632	—	—	468,557	
Housing demo	199,683	—	—	—	199,683	
Police station	222,849	—	—	—	222,849	
Youth centre	121,098	—	—	—	121,098	
School	3,111,951	—	—	—	3,111,951	
Medical centre	534,872	—	—	—	534,872	
School Board admin	219,445	—	—	—	219,445	
Mobile homes	136,347	—	—	—	136,347	
Old store	193,298	—	—	—	193,298	
Investment in housing	430,699	—	—	—	430,699	
Co-op	30,210	—	—	—	30,210	
Social housing	10,204,808	(38,943)	—	—	10,165,865	
Equipment						
Garbage trucks	72,060	—	—	—	72,060	
Snow plow	78,195	24,900	—	—	103,095	
Medical	24,299	—	—	—	24,299	
Fire trucks	180,983	—	—	—	180,983	
Old store	10,700	—	—	—	10,700	
Co-op	130,784	—	—	—	130,784	
Truck	24,539	41,218	—	—	65,757	
School bus	—	87,950	—	—	87,950	
Computers	—	10,265	—	—	10,265	
Other						
Fishing vessels	1,449,975	—	—	—	1,449,975	
Sewer and water	3,499,185	—	—	—	3,499,185	
Tennis courts	40,605	—	—	—	40,605	
Ball fields	50,875	—	—	—	50,875	
Co-op	48,786	—	—	—	48,786	
Expedition Gas and Convenience	103,399	—	—	—	103,399	
Roads	765,672	—	—	—	765,672	
Total	\$ 23,981,358	\$ 189,022	\$ —	\$ —	\$ 24,170,380	

POTLOTEK FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

11. TANGIBLE CAPITAL ASSETS (CONTINUED)

	Accumulated amortization				Net book value	
	Opening Balance	Amortization	Disposals, write-offs and other adjustments	Closing Balance	Total 2015	Total 2014
Tangible assets						
Land	\$ —	\$ —	\$ —	\$ —	\$ 70,000	\$ 70,000
Buildings						
Fire Hall	74,667	4,667	—	79,334	14,002	18,669
Island church	15,830	1,583	—	17,413	22,165	23,748
Band office	96,224	5,346	—	101,570	5,342	10,688
Daycare	60,846	3,579	—	64,425	7,163	10,742
Gas bar	458,395	65,485	—	523,880	785,822	851,307
Fishery Complex	323,940	40,493	—	364,433	104,124	80,985
Housing demo	135,781	7,987	—	143,768	55,915	63,902
Police station	107,208	8,914	—	116,122	106,727	115,641
Youth centre	48,440	4,844	—	53,284	67,814	72,658
School	1,990,728	124,478	—	2,115,206	996,745	1,121,223
Medical centre	298,760	21,395	—	320,155	214,717	236,112
School Board admin	72,612	10,972	—	83,584	135,861	146,833
Mobile homes	35,178	5,454	—	40,632	95,715	101,169
Old store	151,389	9,665	—	161,054	32,244	41,909
Investment in housing	251,882	17,228	—	269,110	161,589	178,817
Co-op	14,328	1,208	—	15,536	14,674	15,882
Social housing	5,190,096	213,245	—	5,403,341	4,762,524	5,014,712
Equipment						
Garbage trucks	57,649	7,206	—	64,855	7,205	14,411
Snow plow	78,195	9,065	—	87,260	15,835	—
Medical	24,299	—	—	24,299	—	—
Fire trucks	180,983	—	—	180,983	—	—
Old store	10,700	—	—	10,700	—	—
Co-op	126,432	1,088	—	127,520	3,264	4,352
Truck	22,086	13,544	—	35,630	30,127	2,453
School bus	—	8,795	—	8,795	79,155	—
Computers	—	5,133	—	5,133	5,132	—
Other						
Fishing vessels	940,510	72,499	—	1,013,009	436,966	509,465
Sewer and water	1,301,671	139,967	—	1,441,638	2,057,547	2,197,514
Tennis courts	40,605	—	—	40,605	—	—
Ball fields	50,875	—	—	50,875	—	—
Co-op	48,786	—	—	48,786	—	—
Expedition Gas and —						
Convenience	32,121	10,340	—	42,461	60,938	71,278
Roads	76,568	19,141	—	95,709	669,963	689,104
Total	\$ 12,317,784	\$ 833,321	\$ —	\$ 13,151,105	\$ 11,019,275	\$ 11,663,574

POTLOTEK FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

12. CMHC REPLACEMENT RESERVE

Under the terms of housing agreements with CMHC to construct new housing units pursuant to Section 95, certain housing account reserves are to be maintained.

A replacement reserve account is to be funded annually for each housing project in an amount determined by CMHC and these funds along with accumulated interest must be held in a separate bank account and its use restricted to expenses approved by CMHC. A subsidy reserve account may be funded to a specified maximum per housing unit out of excess federal subsidy assistance payments with the funds and accumulated interest to be held in a separate bank account with the use of these funds restricted to expenses approved by CMHC.

At March 31, 2015, funds along with interest held in these housing reserve bank savings accounts are \$157,612.

13. GOVERNMENT TRANSFERS

	2015			2014		
	Operating	Capital	Total	Operating	Capital	Total
Federal government transfers						
Aboriginal Affairs and Northern Development						
Canada	\$ 2,803,787	\$ 255,263	\$ 3,059,050	\$ 2,798,297	\$ 195,751	\$ 2,994,048
Health Canada	694,722	50,082	744,804	675,171	—	675,171
Mi'kmaw Kina'matnewey	2,182,813	87,950	2,270,763	2,509,022	—	2,509,022
Canada Mortgage and Housing Corporation	149,721	—	149,721	161,657	—	161,657
Fisheries and Oceans Canada	253,350	—	253,350	211,347	—	211,347
Other	230,628	—	230,628	230,620	—	230,620
Total	6,315,021	393,295	6,708,316	6,586,114	195,751	6,781,865
Provincial government transfers	185,629	—	185,629	340,671	—	340,671
	\$ 6,500,650	\$ 393,295	\$ 6,893,945	\$ 6,926,785	\$ 195,751	\$ 7,122,536

POTLOTEK FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

14. EXPENSES BY OBJECT

The following is a summary of expenses by object.

	2015		2014
	Budget (unaudited)	Actual	Actual
Salaries, wages and employee benefits	\$ 5,370,000	\$ 5,616,391	\$ 5,431,451
Professional development and travel	100,000	202,952	101,393
Supplies and services	100,000	108,579	178,891
Interest	178,700	178,721	217,333
Professional services	325,000	343,495	322,779
Fees and contract services	200,000	200,465	237,237
Utilities	300,000	261,725	310,137
Expedition Gas and Convenience purchases	3,100,000	3,174,275	3,030,079
Other	3,125,730	3,570,318	4,507,749
Amortization	825,000	833,321	995,501
	\$13,624,430	\$14,490,242	\$15,332,550

15. SEGMENT DISCLOSURE

	Education			Health		
	Budget (unaudited)	2015 Actual	2014 Actual	Budget (unaudited)	2015 Actual	2014 Actual
REVENUES						
Federal government						
Operating	\$ 2,100,000	\$ 2,270,763	\$ 2,509,023	\$ 760,930	\$ 694,722	\$ 675,171
Capital	—	55,000	—	—	50,082	—
Provincial government						
Operating	—	72,516	222,932	—	—	—
Other	—	30,601	800	—	93,765	60,320
	2,100,000	2,428,880	2,732,755	760,930	838,569	735,491
EXPENSES						
Salaries and benefits	1,500,000	1,547,443	1,573,393	470,000	489,803	436,901
Debt servicing	6,400	6,403	8,961	—	—	—
Other	593,600	1,082,776	1,207,772	290,930	329,152	299,999
Amortization	—	—	—	—	—	—
	2,100,000	2,636,622	2,790,126	760,930	818,955	736,900
ANNUAL SURPLUS (DEFICIT)						
	\$ —	\$ (207,742)	\$ (57,371)	\$ —	\$ 19,614	\$ (1,409)

POTLOTEK FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

15. SEGMENT DISCLOSURE (CONTINUED)

	Operations and Maintenance			Capital Housing and Infrastructure		
	Budget	2015 Actual	2014 Actual	Budget	2015 Actual	2014 Actual
	(unaudited)			(unaudited)		
REVENUES						
Federal government						
Operating	\$ 398,800	\$ 350,013	\$ 331,061	\$ —	\$ —	\$ —
Capital	—	—	—	200,000	200,263	195,751
Provincial government						
Operating	—	—	—	—	—	—
Other	—	—	—	—	—	—
	398,800	350,013	331,061	200,000	200,263	195,751
EXPENSES						
Salaries and benefits	130,000	135,261	172,595	140,000	152,236	143,470
Debt servicing	—	—	—	24,800	24,820	59,723
Other	388,000	409,520	505,473	217,200	196,965	269,954
Amortization	—	—	—	—	—	—
	518,000	544,781	678,068	382,000	374,021	473,147
ANNUAL SURPLUS (DEFICIT)						
	\$ (119,200)	\$ (194,768)	\$ (347,007)	\$ (182,000)	\$ (173,758)	\$ (277,396)

	Social Development			Band Government		
	Budget	2015 Actual	2014 Actual	Budget	2015 Actual	2014 Actual
	(unaudited)			(unaudited)		
REVENUES						
Federal government						
Operating	\$ 1,880,000	\$ 1,902,602	\$ 1,925,736	\$ 333,814	\$ 462,144	\$ 469,090
Capital	—	—	—	—	—	—
Provincial government						
Operating	—	—	—	—	—	—
Other	—	—	—	—	—	—
	1,880,000	1,902,602	1,925,736	333,814	462,144	469,090
EXPENSES						
Salaries and benefits	230,000	227,925	230,005	550,000	571,094	533,280
Debt servicing	—	—	—	—	—	—
Other	1,640,000	1,361,968	1,639,745	265,000	317,498	323,258
Amortization	—	—	—	—	—	—
	1,870,000	1,589,893	1,869,750	815,000	888,592	856,538
ANNUAL SURPLUS (DEFICIT)						
	\$ 10,000	\$ 312,709	\$ 55,986	\$ (481,186)	\$ (426,448)	\$ (387,448)

POTLOTEK FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

15. SEGMENT DISCLOSURE (CONTINUED)

	Other			Total		
	Budget	2015 Actual	2014 Actual	Budget	2015 Actual	2014 Actual
	(unaudited)			(unaudited)		
REVENUES						
Federal government						
Operating	\$ 509,000	\$ 761,670	\$ 676,033	\$ 5,982,544	\$ 6,441,914	\$ 6,586,114
Capital	—	—	—	200,000	305,345	195,751
Provincial government						
Operating	—	113,113	117,738	—	185,629	340,670
Other	7,261,400	7,110,839	6,725,199	7,261,400	7,235,205	6,786,319
	7,770,400	7,985,622	7,518,970	13,443,944	14,168,093	13,908,854
EXPENSES						
Salaries and benefits	2,350,000	2,492,629	2,341,807	5,370,000	5,616,391	5,431,451
Debt servicing	147,500	147,498	148,649	178,700	178,721	217,333
Other	3,856,000	4,163,930	4,442,064	7,250,730	7,861,809	8,688,265
Amortization	825,000	833,321	995,501	825,000	833,321	995,501
	7,178,500	7,637,378	7,928,021	13,624,430	14,490,242	15,332,550
ANNUAL SURPLUS						
(DEFICIT)	\$ 591,900	\$ 348,244	\$ (409,051)	\$ (180,486)	\$ (322,149)	\$ (1,423,696)

16. PENSION PLAN

The First Nation maintains a defined contribution pension plan for its current employees. The total expense recognized in the statement of operations for the defined contribution pension plan is \$90,821 (2014 - \$74,718), which represents the total cash amount paid or payable by the First Nation to the plan during the year.

17. CONTINGENCIES

Potlotek 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.

POTLOTEK FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

18. FINANCIAL INSTRUMENTS

The First Nation is exposed to various risks through its financial instruments and includes the following significant risks at March 31, 2015.

Credit risk

The First Nation's credit risk results from trade accounts receivable and receivables from other levels of government.

The First Nation extends credit to members and also receives rebates from various sources. When required, the First Nation records an allowance for doubtful accounts for items where collection is no longer assured.

Amounts owing from other levels of government are based on funding agreements and subject to review by the applicable government body.

The First Nation is not exposed to significant concentration risk.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The First Nation's interest rate risk arises from long-term borrowings at a fixed rate that creates fair value interest rate risk. Changes in market interest rates cause the fair value of long-term debt with fixed interest rates to fluctuate but do not affect the statement of operations, as the First Nation's debt is carried at amortized cost and the carrying value does not change as interest rates change.

Liquidity risk

Liquidity risk is the risk that the First Nation will encounter difficulty in meeting obligations associated with financial liabilities. The First Nation manages this risk through the preparation of budgets and by monitoring forecasted and actual cash flows.

The First Nation's future obligations with respect to debt repayments are disclosed in note 7 and 10.

19. ECONOMIC DEPENDENCE

The Potlotek First Nation receives a major portion of its revenues pursuant to funding arrangements with Aboriginal Affairs and Northern Development Canada, Mi'kmaw Kina'matnewey and Health Canada. The continued operation of the First Nation is dependent on the continuation of this funding arrangement.

POTLOTEK FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2015

20. COMPARATIVE FIGURES

Certain of the 2014 comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

21. BUDGETED FIGURES

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by Chief and Council.

POTLOTEK FIRST NATION

Schedule A – Schedule of Education
(Unaudited)

Year ended March 31, 2015, with comparative figures for 2014

		2015	2014
	Budget (Unaudited)	Actual	Actual
REVENUES			
Mi'kmaw Kina'matnewey	\$ 2,100,000	\$ 2,270,763	\$ 2,509,022
Province of Nova Scotia	–	72,516	222,933
Aboriginal Affairs and Northern Development Canada			
Energy Efficiency Initiatives	–	55,000	–
Other	–	30,601	800
	2,100,000	2,428,880	2,732,755
EXPENSES			
Adult education	–	94,043	177,355
Band operated school	1,134,300	966,064	1,077,008
Band support	–	–	98,827
Pre employment program	–	17,444	–
Capital	–	50,278	8,960
Counselling	33,200	67,650	85,303
Crime prevention	–	9,227	63,796
Daily transportation	148,000	253,221	237,237
Other programs	–	10,429	20,268
EPP	–	–	147,981
Governance	65,200	148,138	130,017
MK language initiative costs	–	120,425	89,957
Operating and maintenance	75,000	194,681	156,841
Post secondary	480,000	437,473	291,877
School supplies	6,500	34,537	22,296
Service delivery	35,000	35,690	33,501
Special Education	115,000	194,682	146,367
Student allowances	7,800	2,640	2,535
	2,100,000	2,636,622	2,790,126
Deficiency of revenues over expenses before the following	–	(207,742)	(57,371)
Financing and transfers			
Transfer to capital fund	–	(98,215)	–
Transfer from Band – Administration and Management	–	314,017	–
	–	215,802	–
DEFICIENCY OF REVENUES OVER EXPENSES	\$ –	\$ (8,060)	\$ (57,371)

POTLOTEK FIRST NATION

Schedule B – Non-Consolidated Schedule of Health
(Unaudited)

Year ended March 31, 2015, with comparative figures for 2014

	2015		2014
	Budget (Unaudited)	Actual	Actual
REVENUES			
Health Canada			
Transitional funding	\$ 480,865	\$ 480,865	\$ 437,409
Set funding	280,065	280,065	262,999
Amounts repayable	–	(16,126)	(25,237)
	760,930	744,804	675,171
Other - net	–	93,765	60,320
	760,930	838,569	735,491
EXPENSES			
Children and Youth	77,574	111,952	110,748
Mental Health and Addictions	128,666	131,334	86,962
Chronic Disease and Injury Prevention	163,138	165,472	162,407
Health Protection – Communicable Disease	–	–	1,500
Home and Community Care	109,707	111,217	108,294
Oral Health Strategy	6,347	7,581	7,660
Health Governance & Infrastructure Support	165,806	167,998	174,874
Medical Transportation	109,692	93,566	84,455
Other	–	29,835	–
	760,930	818,955	736,900
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES			
	\$ –	\$ 19,614	\$ (1,409)

POTLOTEK FIRST NATION

Schedule C – Non-Consolidated Schedule of Nova Scotia Gaming Agreement
(Unaudited)

Year ended March 31, 2015, with comparative figures for 2014

	2015		2014
	Budget (Unaudited)	Actual	Actual
REVENUES			
Machine revenue gaming	\$ 1,235,000	\$ 1,149,613	\$ 1,153,628
Casino profits	115,000	113,113	117,738
	1,350,000	1,262,726	1,271,366
EXPENSES			
Atlantic Lotto share of proceeds	155,000	153,229	159,989
Site holders share of proceeds	240,000	224,330	255,515
Administration	60,000	40,245	55,251
Youth centre expenses	5,000	5,650	6,099
Mission expenses	20,000	17,178	21,340
Assistance to band members	–	35,626	75,049
Community events	–	(2,275)	24,401
Works projects	70,000	373,040	550,988
Other	–	500	563
	550,000	847,523	1,149,195
EXCESS OF REVENUES OVER EXPENSES	\$ 800,000	\$ 415,203	\$ 122,171