

SHUBENACADIE BAND FIRST NATION

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2014

SHUBENACADIE BAND FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

Page

Management's Responsibility for Financial Reporting

Financial Statements

Consolidated Statement of Financial Position	1
Consolidated Statement of Change in Net Debt	2
Consolidated Statement of Operations	3
Consolidated Statement of Cash Flows	4
Notes to Consolidated Financial Statements	5 - 20

Consolidated Schedules of Operations by Program

Consolidated Summary Schedule of Operations by Program	21
Social Development - Schedule #1	22
Band Administration - Schedule #2	23
Education - Schedule #3	24
Capital and Housing - Schedule #4	25
Operating and Maintenance - Schedule #5	26
Economic Development - Schedule #6	27
Community Health - Schedule #7	28
Employment Training - Schedule #8	29
Gaming - Schedule #9	30
Tobacco Store - Schedule #10	31
Fisheries - Schedule #11	32
Housing Projects - Schedule #12	33
Gas Bar - Schedule #13	34

Supplementary Schedules

Annual surplus net of capital related revenues and amortization	35
---	----

SHURENACADIE BAND FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

	<u>Page</u>
Segment disclosure - current year	36
Segment disclosure - prior year	37
Schedule of AANDC Block and Set funding	38
Schedule of Government transfers	39
Review engagement report	40
Salaries, honoraria and travel paid to Chief and Council	41
Salaries and travel - Senior Management	42

ANDREW D. LENEHAN, C.A.

389 Connell Street, Suite 200
Woodstock, New Brunswick
E7M 5G5

Telephone (506) 325-2101
Fax (506) 325-9675

Independent Auditor's Report

To the Chief, Council and Members of
Shubenacadie Band First Nation

We have audited the accompanying consolidated financial statements of Shubenacadie Band 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 and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

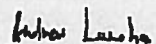
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the First Nation's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the First Nation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the First Nation as at March 31, 2014 and the results of its operations changes in net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

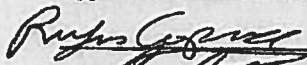
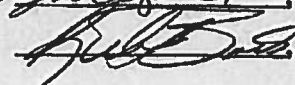
Woodstock, New Brunswick
July 24, 2014


Andrew D. Lenahan
Chartered Accountant

SHUBENACADIE BAND FIRST NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2014

	2014	2013
Financial Assets		
Accounts receivable (Note 8)	\$ 1,281,766	\$ 1,184,858
Funds on deposit with AANDC (Note 6)	76,248	74,365
Investments (Note 3)	74,220	74,218
Inventory (Note 4)	70,719	80,109
	<u>1,502,953</u>	<u>1,413,550</u>
Liabilities		
Cheques written in excess of deposits (Note 9)	523,550	562,164
Accounts payable (Note 10)	6,635,806	6,776,462
Deferred revenue (Note 11)	59,567	230,000
Due to minor band members (Note 16)	884,258	938,258
Long-term debt (Note 12)	3,460,214	3,664,157
	<u>11,563,395</u>	<u>12,171,041</u>
Net debt	<u>(10,060,442)</u>	<u>(10,757,491)</u>
Non-financial Assets		
Tangible capital assets (Note 13)	19,505,858	19,426,108
Prepaid expenses (Note 5)	150,104	82,358
	<u>19,655,962</u>	<u>19,508,466</u>
Accumulated Surplus (Note 14)	<u>\$ 9,595,520</u>	<u>\$ 8,750,975</u>

Approved on behalf of the Shubenacadie Band First Nation

 Chief
 Director of Finance

The accompanying notes are an integral part of the financial statements

SHUBENACADIE BAND FIRST NATION
CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT
FOR THE YEAR ENDED MARCH 31, 2014

	<u>2014 Budget</u>	<u>2014 Actual</u>	<u>2013 Actual</u>
Surplus (deficit)	992,624	844,545	(1,073,491)
Acquisition of tangible capital assets	-	(1,415,439)	(403,218)
Amortization of tangible capital assets	1,310,558	1,335,689	1,310,558
	<u>1,310,558</u>	<u>(79,750)</u>	<u>907,340</u>
Acquisition of prepaid asset	-	(67,746)	(26,264)
(Decrease) increase in net financial assets	2,303,182	697,049	(192,415)
Net debt at beginning of year	<u>(10,757,491)</u>	<u>(10,757,491)</u>	<u>(10,565,076)</u>
Net debt at end of year	<u>\$ (8,454,309)</u>	<u>\$ (10,060,442)</u>	<u>\$ (10,757,491)</u>

The accompanying notes are an integral part of the financial statements

SHUBENACADIE BAND FIRST NATION
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2014

	2014 Budget	2014 Actual	2013 Actual
Revenues			
Aboriginal Affairs and Northern Development Canada	\$ 7,335,718	\$ 8,635,013	\$ 7,707,644
Tobacco store	5,550,000	6,646,515	5,698,467
Mi'kmaw Kina'matneway	6,351,139	6,453,060	6,291,941
Gaming	2,145,000	2,129,353	1,960,316
Fisheries	1,117,000	2,046,417	934,482
Other	1,503,495	1,911,800	1,552,236
Gas bar	1,161,600	1,299,886	888,858
Health Canada	1,029,066	1,069,720	1,027,475
MTS	737,871	835,647	762,756
	26,930,889	31,029,411	26,824,175
Cost of goods sold	4,162,500	4,372,661	3,796,776
Gross profit	22,768,389	26,656,750	23,027,399
Expenditures			
Social Development	5,044,727	5,629,353	5,538,339
Band Administration	1,856,630	2,515,589	2,282,884
Education	6,508,809	6,013,068	5,719,239
Capital and Housing	589,860	937,584	883,744
Operating and Maintenance	2,137,865	1,641,302	1,452,658
Economic Development	103,457	145,907	367,894
Community Health	1,029,066	1,481,055	1,590,126
Employment Training	924,749	946,344	842,093
Gaming	917,820	1,179,922	973,345
Tobacco Store	722,540	767,454	867,474
Fisheries	55,602	902,989	473,900
Housing Projects	325,280	279,511	309,187
Gas Bar	1,559,360	1,616,468	1,046,384
	21,775,765	24,056,546	22,347,267
Surplus (deficit) before other items	992,624	2,600,204	680,132
Other items			
Amortization	(1,310,558)	(1,335,689)	(1,310,558)
Forensic audit	-	(419,970)	(443,065)
	(1,310,558)	(1,755,659)	(1,753,623)
Surplus (deficit)	(317,933)	844,545	(1,073,491)
Accumulated surplus at beginning of year	8,750,975	8,750,975	9,824,466
Accumulated surplus at end of year	\$ 8,433,042	\$ 9,595,520	\$ 8,750,975

The accompanying notes are an integral part of the financial statements

SHUBENACADIE BAND FIRST NATION
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2014

	2014	2013
Cash flows from		
Operating activities		
Surplus (deficit)	\$ 844,545	\$ (1,073,491)
Items not affecting cash		
Amortization expense	1,335,689	1,310,558
	2,180,234	237,067
Change in non-cash operating working capital		
Accounts receivable	(96,908)	234,687
Inventory	9,390	(58,899)
Prepaid expenses	(67,746)	(26,264)
Funds on deposit with AANDC (Note 6)	(1,883)	(1,783)
Accounts payable	(140,656)	(62,371)
Deferred revenue	(170,433)	(165,000)
Due to minor band members	(54,000)	(45,000)
	1,657,998	112,437
Capital activities		
Acquisition of tangible capital assets	(1,415,439)	(403,219)
Financing activities		
Repayment of long-term debt	(203,945)	(283,043)
Increase (decrease) in cash and cash equivalents	38,614	(573,825)
Cash, beginning of year	(562,164)	11,661
Cash, end of year	\$ (523,550)	\$ (562,164)

The accompanying notes are an integral part of the financial statements

SHUBENACADIE BAND FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

1. Reporting Entity

The consolidated financial statements of Shubenacadie Band First Nation reflect the assets, liabilities, revenues, expenditures, changes in net debt and accumulated surplus of the reporting entity. The reporting entity is comprised of the organizations accountable for the administration of their affairs and resources to the Chief and Council or controlled by the First Nation. Inter-fund and inter-corporate balances and transactions have been eliminated.

Shubenacadie Band First Nation provides services to its community members for various programs detailed in Schedules 1 to 13.

2. Basis of Presentation and Significant Accounting Policies

These financial statements are prepared in accordance with Canadian public sector accounting standards for governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

(a) Cash and cash equivalents

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

(b) Principles of Consolidation

The consolidated financial statements include the accounts of all funds and operations in which the Shubenacadie Band First Nation has a controlling interest. All interfund balances have been eliminated on consolidation but in order to present the results of operations for each specific fund, transactions between funds have not been eliminated on the individual schedules.

Under the modified equity method of accounting, only Shubenacadie Band First Nation's investment in the government business enterprise and the enterprise's net income and other changes in equity are recorded. No adjustment is made for accounting policies of the enterprise that are different from those of Shubenacadie Band First Nation.

Organizations accounted for on a modified equity basis include Wallace Hills Development Inc.

(c) Inventory

Inventory is valued at the lower of cost, determined on the first in first out basis, and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less any applicable variable selling costs.

SHUBENACADIE BAND FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2014

2. Basis of Presentation and Significant Accounting Policies (continued)

(d) Tangible Capital Assets

Tangible capital assets (TCAs) are items that can be physically touched, are used to provide First Nation services, are used for First Nation administration purposes or are used for the construction and/or maintenance of other TCAs owned by the First Nation, will be useful for a period greater than one year and will be used by the First Nation on a regular basis.

Certain tangible capital assets, including but not limited to roads and infrastructure, have been recorded at a nominal amount of \$1 as specific historical data was not available. Whereas all such assets are amortized over a period not longer than twenty five years, it is management's opinion that all assets acquired prior to 1987 would now be fully amortized.

Tangible capital assets are recorded at cost, which includes all amounts directly attributable to acquisition, construction, development or betterment of the asset, and are amortized on the declining balance method over their estimated useful lives. Amortization begins in the year acquired. Current descriptions and useful lives are as follows

Buildings	5 % Declining balance
Vehicles	30 % Declining balance
Furniture and fixtures	20 % Declining balance
Equipment	20 % Declining balance
Paving	5 % Declining balance
Recreational facilities	10 % Declining balance
Pump/gaming renovations	20 % Declining balance
Rink	10 % Declining balance

(e) Net Debt

The First Nation's financial statements are presented so as to highlight net debt as the measurement of financial position. The net debt of the First Nation is determined by its liabilities less its financial assets. Net debt is comprised of two components, non-financial assets, and accumulated surplus.

(f) Deferred Revenue

Government funding not fully expended at year end has been treated as deferred revenue by the First Nation and will be recorded in revenue in the fiscal year when the related expenditures are incurred.

SHUBENACADIE BAND FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2014

2. Basis of Presentation and Significant Accounting Policies (continued)

(g) 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 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 is performed is deferred and recognized when the fee is earned or service performed.

Tobacco store and gas bar revenues are recorded at the point of sale.

(h) Expense Recognition

Expenses are recorded on the accrual basis as they are incurred and measurable based on receipt of goods or services and obligation to pay.

(i) Use of Estimates

The preparation of financial statements in conformity with Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty. The effect of changes in such estimates on the financial statements in future periods could be significant.

(j) 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 re-sale. Non-financial assets include tangible capital assets and prepaid expenses.

SHUBENACADIE BAND FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2014

2. Basis of Presentation and Significant Accounting Policies (continued)

(k) Segment Disclosure

The financial statements of Shubenacadie Band First Nation provide supporting schedules which are established by program based on government funding provided. The various programs have been amalgamated for the purpose of presentation in the consolidated financial statements. Details of the operations of each program are set out in the supplementary schedules for management information purposes.

(l) Financial Instruments

All significant financial assets, financial liabilities and equity instruments of the First Nation are either recognized or disclosed in the financial statements together with other information relevant for making a reasonable assessment of future cash flows, interest rate risk and credit risk. The First Nation has exposure to interest rate risk as a result of certain CMHC Section 95 housing project mortgages subject to variable interest rates. The exposure is limited due to the volume of debt subject to fluctuations in the bank's prime lending rate.

3. Investments

	2014	2013
Investment in Wallace Hill Development Inc.	\$ 74,220	\$ 74,218
	<u>\$ 74,220</u>	<u>\$ 74,218</u>

4. Inventory

	2014	2013
Fuel for resale	\$ 2,459	\$ 16,376
Tobacco for resale	68,260	63,733
	<u>\$ 70,719</u>	<u>\$ 80,109</u>

SHUBENACADIE BAND FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2014

5. Prepaid expenses

	2014	2013
Insurance	\$ 61,043	\$ 17,206
Social assistance	23,581	27,652
Co-management expenses	-	12,500
Forensic audit	25,000	25,000
Funds in trust - Swordfish	20,000	-
Fuel	20,480	-
	\$ 150,104	\$ 82,358

6. Funds on deposit with AANDC

	March 31, 2013	Additions (Interest)	Withdrawals	March 31, 2014
Revenue	\$ 34,026	\$ 1,883	\$ -	\$ 35,909
Capital	40,339	-	-	40,339
	\$ 74,365	\$ 1,883	\$ -	\$ 76,248

SHUBENACADIE BAND FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

7. Due from related parties

The First Nation advanced funds to related parties during the 2010-2011 year with the following amounts outstanding at March 31, 2014:

MRJJ Management Inc. - \$59,200
Amcrest Management Inc. - \$172,200
Total due from related parties - \$231,400

1. MRJJ Management Inc.

During July, 2009, certain members of Shubenacadie Band First Nation Council formed a committee mandated to initiate and manage commercial development at Wallace Hill, HRM, which was to be added to the Shubenacadie Reserve land. Following subsequent discussions with legal counsel, it was agreed that utilization of a company as a vehicle for leasing Reserve lands to private commercial interests was advisable.

As a result, MRJJ Management Inc. (MRJJ) was formed in January, 2010 by the committee. MRJJ is owned by the committee members; Mike Sack, Ronnie Augustine, Jerry Sack, and Jeff Hayes. Prior to being used as a development vehicle for the First Nation, the MRJJ shareholders were to execute fiduciary agreements where under they would hold their shares in trust for the First Nation members.

The primary purpose of MRJJ was, subject to other documents being finalized that would make it a fully Band controlled business, to be the designee of Wallace Hill Reserve lands for commercial development purposes. It was also intended, in the initial stages, to be the Band's proxy in negotiating commercial development opportunities and other aspects of development at Wallace Hill. Subsequently, Council decided not to utilize MRJJ for its original purpose.

2. Amcrest Management Inc.

Amcrest Management Inc. is a company solely owned by the former Director of Finance. During the 2010-2011 year, funds were advanced to Amcrest from the MRJJ account as well as from various Band bank accounts. Total advances to Amcrest Management Inc. during that year totalled \$172,200, none of which had been repaid at March 31, 2014.

The balances due from Amcrest Management Inc. are unsecured, non-interest bearing with no specific terms of repayment.

SHUBENACADIE BAND FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2014

8. Accounts Receivable

	2014	2013
Aboriginal Affairs and Northern Development Canada	\$ 184,373	\$ 245,878
Mi'Kmaq Kina'matnewey	23,101	29,103
METS programs	16,004	61,481
Other government departments	419,613	388,836
Employees and other band members	126,850	142,356
Department of Fisheries and Oceans	370,904	-
Canada Mortgage and Housing Corporation	93,300	139,648
Gaming program	249,177	269,528
MRJJ Management Inc. (Note 7)	59,200	59,200
Amcrest Management Inc. (Note 7)	172,200	172,200
Unapproved transfers	307,000	307,000
Commercial fisheries	1,135	33,753
AANDC 1919 claim funding	-	74,533
Leased licences - fisheries	55,000	40,000
Wallace Hill Development Incorporated	146,144	-
	2,224,001	1,963,516
Allowance for doubtful accounts	(942,235)	(778,658)
	\$ 1,281,766	\$ 1,184,858

9. Cheques written in excess of deposits / cash

Under the terms of an agreement with Canada Mortgage and Housing Corporation, Shubenacadie Band 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. Cash and cash equivalents is comprised of the following:

	2014	2013
Cash on hand	\$ 32,644	\$ 28,452
Cheques written in excess of deposits	(756,194)	(590,616)
GIC's	100,000	-
Externally restricted CMHC reserve GIC	100,000	-
	\$ (523,550)	\$ (562,164)

SHUBENACADIE BAND FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

10. Accounts payable

	2014	2013
Current		
Trade	\$ 2,768,820	\$ 2,707,697
Receiver General - payroll deductions	(40,293)	547,354
Pension plan remittance	5,637	4,909
Funding repayable to Health Canada	26,294	67,587
Funding repayable to AANDC	111,790	68,100
Worker's compensation	382,745	-
	<u>3,254,993</u>	<u>3,395,647</u>
Long term		
Trade accrued liabilities	3,380,813	3,380,813
	<u>\$ 6,635,806</u>	<u>\$ 6,776,460</u>

11. Deferred revenue

	2014	2013
Mik'maw Youth Mental Health Development	\$ 44,567	\$ -
2013-2014 snowcrab licence lease	-	200,000
2013-2014 lobster licence lease	-	30,000
NAYSPS - UNSI	5,000	-
Active Senior's Prov. NS funding	10,000	-
	<u>\$ 59,567</u>	<u>\$ 230,000</u>

SHUBENACADIE BAND FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

12. Long-term debt

	2014	2013
Royal Bank of Canada Housing project mortgages due September 2014 to November 2015, bearing interest at 3.03% to 3.83%, payable in equal monthly amounts of principal and interest totaling \$3,307. Mortgages are guaranteed by the Minister of Aboriginal Affairs and Northern Development Canada.	\$ 349,784	\$ 376,745
CIBC Housing project mortgages due October 2016 to December 2016, bearing interest at 5.29% to 5.39%, payable in equal monthly amounts of principal and interest totaling \$4,250. Mortgages are guaranteed by the Minister of Aboriginal Affairs and Northern Development Canada.	310,884	390,274
Canada Mortgage and Housing Corporation Housing project mortgages due August 2014 to April 2019, bearing interest at 1.67% to 2.86%, payable in equal monthly amounts of principal and interest totaling \$19,048. Mortgages are guaranteed by the Minister of Aboriginal Affairs and Northern Development Canada.	2,799,546	2,897,138
	3,460,214	3,664,157
Current portion	230,742	225,499
	<u>\$ 3,229,472</u>	<u>\$ 3,438,658</u>

Approximate principal portion of long-term debt due within each of the next five years, assuming re-financing of the mortgages under similar terms, is as follows:

2015	\$ 231,000
2016	238,000
2017	235,000
2018	204,488
2019 and thereafter	2,551,726
	<u>\$ 3,460,214</u>

SHUBENACADIE BAND FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2014

13. Tangible Capital Assets

	Balance, beginning of year	Additions	Balance, end of year	Cost Balance, end of year	Balance, beginning of year	Amortization of year	Balance, end of year	2014 net book value
Land	\$ 115,054	\$ -	\$ 115,054	\$ 115,054	\$ -	\$ -	\$ -	\$ 115,054
Buildings	1,842,647	136,776	1,979,423	1,979,423	818,623	54,621	873,244	1,106,179
Vehicles	498,711	-	498,711	498,711	430,020	20,607	450,627	48,084
Band housing projects	14,335,755	-	14,335,755	14,335,755	6,781,591	377,708	7,159,299	7,176,456
Furniture and equipment	702,295	-	702,295	702,295	488,782	42,702	531,484	170,811
Rink	80,000	-	80,000	80,000	56,380	2,362	58,742	21,258
Community centre	2,530,980	274,289	2,805,269	2,805,269	2,389,519	59,721	2,449,240	376,029
Pump/gauging reservoirs	30,896	-	30,896	30,896	19,411	2,297	21,708	9,188
Community housing	2,371,070	-	2,371,070	2,371,070	968,314	140,275	1,108,589	1,262,481
Administration building	917,433	-	917,433	917,433	673,416	24,401	697,817	219,616
Health centre	873,671	-	873,671	873,671	529,724	34,394	564,118	309,553
P-12 school	7,137,737	-	7,137,737	7,137,737	1,614,159	276,179	1,890,338	5,247,399
Recreational facilities	246,593	-	246,593	246,593	69,196	17,740	86,936	159,657
Infrastructure	4,243,489	-	4,243,489	4,243,489	2,386,107	148,591	2,534,698	1,708,791
Water system	395,228	604,373	999,601	999,601	251,478	89,187	340,665	658,936
Roads	1,290,165	-	1,290,165	1,290,165	728,897	44,902	773,799	516,366
Fishing vessel	-	400,000	400,000	400,000	-	-	-	400,000
	\$ 37,631,724	\$ 1,415,438	\$ 39,047,162	\$ 39,047,162	\$ 18,205,617	\$ 1,335,687	\$ 19,541,304	\$ 19,505,858

SHUBENACADIE BAND FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2014

	Cost			Accumulated amortization		
	Balance, beginning of year	Additions	Balance, end of year	Balance, beginning of year	Amortization of year	Balance, end of year
						2013 Net book value
Land	\$ 115,054	\$ -	\$ 115,054	\$ -	\$ -	\$ 115,054
Buildings	1,842,647	-	1,842,647	764,727	53,896	1,024,024
Vehicles	498,711	-	498,711	400,381	29,439	68,691
Band housing projects	14,311,286	24,469	14,335,755	6,384,648	396,943	7,554,164
Furniture and equipment	702,295	-	702,295	435,403	53,379	213,513
Rink	80,000	-	80,000	53,756	2,624	23,620
Community centre	2,550,980	-	2,550,980	2,349,154	40,365	161,461
Pump/gauging renovations	30,896	-	30,896	16,540	2,871	11,485
Community housing	2,361,070	10,000	2,371,070	813,563	154,751	1,402,756
Administration building	917,433	-	917,433	646,303	27,113	244,017
Health centre	873,671	-	873,671	491,507	38,217	343,947
P-12 school	7,137,737	-	7,137,737	1,323,444	290,715	5,523,578
Recreational facilities	246,593	-	246,593	49,485	19,711	177,397
Infrastructure	4,018,489	225,000	4,243,489	2,234,379	151,728	1,857,382
Water system	251,478	143,750	395,228	251,478	-	143,750
Roads	1,290,165	-	1,290,165	680,091	48,806	561,268
	\$ 37,228,505	\$ 403,219	\$ 37,631,724	\$ 16,895,059	\$ 1,310,558	\$ 18,205,617
						\$ 19,426,107

SHUBENACADIE BAND FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

14. Accumulated surplus

Effective March 31, 2014 any surpluses from the Education program greater than 1% of the education budget or \$50,000 are required to be externally restricted as agreed upon with Mi'kmaw Kina'matnewey. A formal plan detailing how these funds will be used must be submitted and approved by Mi'kmaw Kina'matnewey by August 31st of each year.

	2014	2013
Externally restricted (see below)	\$ 499,469	\$ -
Unrestricted	(6,949,593)	(7,010,976)
Investment in capital assets	16,045,644	15,761,951
	<u>\$ 9,595,520</u>	<u>\$ 8,750,975</u>

Externally restricted - Education surplus continuity schedule

Opening balance, March 31, 2013	\$0
Add:	
Surplus from Education (Schedule #3)	\$499,469
Less:	
Tangible capital assets acquired during the year	\$0
Closing balance, March 31, 2014	\$499,469

15. Comparative Amounts

Certain of the comparative amounts have been reclassified to conform with the presentation adopted in the current period.

16. Due to minor band members

Annually from 2006 to 2011, Council has approved Christmas bonuses of \$250 to be paid to each Band member. Band members are not entitled to receive their bonus until they attain the age of 18.

	2014	2013
Balance, beginning of year	\$ 938,258	\$ 983,258
Deduct: payments related to previous years	(54,000)	(45,000)
Balance, end of year	<u>\$ 884,258</u>	<u>\$ 938,258</u>

SHUBENACADIE BAND FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

17. Economic Dependence

Shubenacadie Band First Nation receives a significant portion of its revenue pursuant to a funding agreement with Aboriginal Affairs and Northern Development Canada and other federal government agencies.

18. Contingent Liabilities

The First Nation has been named as a defendant in three claims for wrongful dismissal by former employees. One claim has been referred to an adjudicator, however no hearing date has been set, a second claim includes a hearing scheduled for September and October, 2014. The third claim has been dormant for the past year. No provision has been made in the consolidated financial statements for these claims, as any potential outcomes are not determinable at this time.

Shubenacadie Band 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. The likelihood of compliance reviews and any potential findings are not determinable as at the date on the auditor's report.

Subsidy assistance payments received through Canada Mortgage and Housing Corporation pursuant to Section 56.1 of the National Housing Act are subject to repayment if the Shubenacadie Band Housing Projects fail to comply with the terms and conditions of the agreement. As at March 31, 2014, the Shubenacadie Band Housing Projects have not complied with all the terms and conditions including its failure to calculate rent-to-income in accordance with sub-paragraph 2(5) of the Operating Agreement and its failure to maintain the required replacement reserve. To the best of management's knowledge, the entity will not have to repay any of the subsidy assistance payments received and thus, no amount has been recorded to reflect this potential liability.

A Human Rights claim has been filed by a former employee against the First Nation. The claim is presently under review by the Canadian Human Rights Commission, therefore an outcome is not determinable at this time.

SHUBENACADIE BAND FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

18. Contingent Liabilities, continued

A contractor commenced an action in the Supreme Court of Nova Scotia claiming \$120,000 (with interest claim is approximately \$452,000) against the First Nation for unpaid contracting services pursuant to a residential housing project that took place between 2008 and 2010. The First Nation has filed a Defense, the merits of which focus on the fact that the contract price has been fully paid and that the contractor left many deficiencies which largely offset the claim. Also, the First Nation is aware of subcontractors' claims against the contractor that are in total in excess of the contractor's claim against the First Nation; meaning that the contractor would not net any return on this litigation. A determination of the outcome of this matter is not determinable at this time.

An individual has commenced a claim against the First Nation advancing a complex cause of action arising out of their conviction for illegal tobacco sales at their retail store, the First Nation's imminent annexation of Wallace Hill in Hammond Plains as part of the First Nation's Reserve, and their claims for loss of property rights, business losses and related unspecified damages they claim are due to them because they reside at Wallace Hill. The First Nation is defending this claim which, has been dormant for years and the First Nation exposure, if any, is indeterminable at this point.

To the best of management's knowledge, no other claims have been filed against the First Nation.

19. Other Matters

As a result of financial concerns and irregularities, Chief and Council of Shubenacadie Band First Nation engaged a firm to carry out a forensic audit, which commenced May, 2012.

In part, the firm is to review certain financial transactions in particular any that were not properly authorized, including but not limited to the following amounts included in Note 3:

Due from MRJJ Management Inc.	\$ 59,200
Due from Amcrest Management Inc.	172,200
Unapproved transfers	306,000

The First Nation has made a claim to its' insurer for a potential recovery. The likelihood and amount of recovery are both unknown at this time.

SHUBENACADIE BAND FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2014

20. Expenses by object

	2014	2013
Wages and benefits	\$ 6,759,385	\$ 5,800,574
Tobacco shop	529,646	716,526
Fuel purchases	1,226,542	850,758
Social program expenses	5,063,149	5,164,775
Health program expenses	1,481,055	1,590,126
Travel	78,685	51,390
Tuition	542,802	636,591
Supplies and services	2,891,578	2,881,529
Interest and bank charges	100,104	333,139
Professional services	836,532	670,010
Repairs	622,014	527,730
Other	3,925,054	3,124,119
Amortization	1,335,689	1,310,558
Forensic audit	419,970	443,065
Total expenses	\$ 25,812,205	\$ 24,100,890

21. Pension plan

The First Nation participates in an individual defined contribution pension plan for its employees. The plan is not mandatory and there is no required waiting period for permanent employees to enroll in the plan. The First Nation contributes amounts equal to the employee's contribution up to a maximum of 5.5% of the employee's gross earnings. Employer contributions, which are expensed in the period incurred, totalled \$37,786 (2013 - \$27,519) during the year.

SHUBENACADIE BAND FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2014

22. Financial Instruments Risks and Uncertainties

The First Nation is exposed to the following risks in respect of certain of the financial instruments held:

Credit risk

The financial instruments that potentially subject the First Nation to a significant concentration of credit risk consist primarily of cash and accounts receivable.

The First Nation maintains cash balances with Canadian chartered banks which is insured by the Canada Deposit Insurance Corporation up to CDN \$100,000. From time to time, these balances exceed the federally insured limits and expose the First Nation to credit risk from concentration of cash. The First Nation limits this risk by transacting with reputable financial institutions.

The First Nation does have credit risk in accounts receivable \$1,281,766 (2013 - \$1,184,858). Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The First Nation reduces its exposure to credit risk by performing valuations on a regular basis and creating an allowance for bad debts when applicable. The First Nation derives substantially all of its revenues and therefore, accounts receivable, from government sources. In the opinion of management, the credit risk exposure to the First Nation is low and is not material.

Liquidity risk

The First Nation does have a liquidity risk in the accounts payable and accrued liabilities of \$6,635,805 (2013 - \$6,776,460). Liquidity risk is the risk that the First Nation cannot repay its obligations when they become due to its creditors. The First Nation reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due.

Interest rate risk

The First Nation is exposed to interest rate risk. This risk exists due to interest rate exposure on certain term loans, which are variable based on the bank's prime rates. This exposure may have an effect on its interest expenses in future periods. The First Nation reduces its exposure to interest rate risk by regularly monitoring published bank prime interest rates which have been relatively stable over the period presented. There are some loans payable that are at fixed term rates and therefore, do not affect interest rate risk. The First Nation does not use derivative instruments to reduce its exposure to interest rate risk. In the opinion of management the interest rate risk exposure to the First Nation is low and is not material.

23. Budgeted figures

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

**SHEJEN ACADRE BAND FIRST NATION
SCHEDULE OF REVENUE DISCLOSURES
YEAR ENDED MARCH 31, 2014**

	Road development		Road maintenance		Education		Capital and bonding		Operations and maintenance		Economic development		Community health	
	2014	Budget 2014	2014	Budget 2014	2014	Budget 2014	2014	Budget 2014	2014	Budget 2014	2014	Budget 2014	2014	Budget 2014
Revenues														
Federal Government	5,679,353	5,538,349	5,679,353	5,538,349	5,679,353	5,538,349	5,679,353	5,538,349	5,679,353	5,538,349	5,679,353	5,538,349	5,679,353	5,538,349
Provincial Government	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Economic Activities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other revenues	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total revenues	5,679,353	5,538,349	5,679,353	5,538,349	5,679,353	5,538,349	5,679,353	5,538,349	5,679,353	5,538,349	5,679,353	5,538,349	5,679,353	5,538,349
Expenses														
Scholarship and benefits	311,433	292,137	311,433	292,137	311,433	292,137	311,433	292,137	311,433	292,137	311,433	292,137	311,433	292,137
Administration	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt servicing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cost of goods sold	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenses	5,367,920	4,754,000	5,367,920	4,754,000	5,367,920	4,754,000	5,367,920	4,754,000	5,367,920	4,754,000	5,367,920	4,754,000	5,367,920	4,754,000
Total expenses	5,679,353	5,046,137	5,679,353	5,046,137	5,679,353	5,046,137	5,679,353	5,046,137	5,679,353	5,046,137	5,679,353	5,046,137	5,679,353	5,046,137
Annual surplus (deficit)	\$ -	\$ 492,212	\$ -	\$ 492,212	\$ -	\$ 492,212	\$ -	\$ 492,212	\$ -	\$ 492,212	\$ -	\$ 492,212	\$ -	\$ 492,212
Revenues														
Federal Government	815,647	874,102	815,647	874,102	815,647	874,102	815,647	874,102	815,647	874,102	815,647	874,102	815,647	874,102
Provincial Government	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Economic Activities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other revenues	17,940	31,000	17,940	31,000	17,940	31,000	17,940	31,000	17,940	31,000	17,940	31,000	17,940	31,000
Total revenues	833,587	905,102	833,587	905,102	833,587	905,102	833,587	905,102	833,587	905,102	833,587	905,102	833,587	905,102
Expenses														
Scholarship and benefits	222,009	48,946	222,009	48,946	222,009	48,946	222,009	48,946	222,009	48,946	222,009	48,946	222,009	48,946
Administration	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt servicing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cost of goods sold	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenses	713,615	814,000	713,615	814,000	713,615	814,000	713,615	814,000	713,615	814,000	713,615	814,000	713,615	814,000
Total expenses	945,624	904,946	945,624	904,946	945,624	904,946	945,624	904,946	945,624	904,946	945,624	904,946	945,624	904,946
Annual surplus (deficit)	\$ (72,037)	\$ (19,844)	\$ (72,037)	\$ (19,844)	\$ (72,037)	\$ (19,844)	\$ (72,037)	\$ (19,844)	\$ (72,037)	\$ (19,844)	\$ (72,037)	\$ (19,844)	\$ (72,037)	\$ (19,844)

**SHUBENACADIE BAND FIRST NATION
SCHEDULE OF REVENUE DISCLOSURE
YEAR ENDED MARCH 31, 2013**

	Social development 2013	Band administration 2013	Education 2013	Capital and leasing 2013	Operating and maintenance 2013	Economic development 2013	Community health 2013	Employment training 2013	Gaming 2013	Tobacco store 2013	Fisheries 2013	Housing projects 2013	Gas Bar 2013	Consolidated total 2013
Revenues														
Federal Government	5,338,339	830,702	6,346,438	709,932	796,063	220,394	1,027,475	762,756	-	-	-	208,373	-	16,440,422
Provincial Government	-	-	-	-	-	-	-	74,660	1,980,316	-	-	-	-	2,034,776
Economic Activities	-	43,064	-	-	-	-	-	-	-	5,698,467	934,482	-	888,858	7,564,871
Other revenues	-	492,472	9,870	42,000	-	-	7,000	1,200	-	-	-	231,564	-	784,106
Total revenues	5,338,339	1,366,238	6,356,308	751,932	796,063	220,394	1,034,475	838,616	1,980,316	5,698,467	934,482	439,937	888,858	26,824,175
Expenses														
Salaries and benefits	131,177	1,067,315	2,668,814	506,464	105,318	72,347	1,350,000	187,935	299,488	134,502	451,376	-	187,304	7,162,240
Amortization	-	906,591	-	-	-	-	-	-	-	143	-	396,944	6,878	1,310,538
Debt servicing	-	-	-	-	-	-	-	-	-	-	-	103,419	-	103,419
Cost of goods sold	-	-	-	-	-	-	-	-	-	3,796,773	-	-	830,730	4,627,533
Other expenses	5,407,652	1,983,405	2,890,452	377,280	1,351,017	295,547	315,354	650,481	673,857	892,946	23,034	205,768	8,122	14,673,915
Total expenses	5,538,339	3,557,311	5,559,266	883,744	1,456,335	367,894	1,665,354	838,416	973,345	4,894,368	473,900	705,131	1,051,262	27,897,665
Annual surplus (deficit)	\$ -	\$ (2,191,073)	\$ 797,042	\$ (131,812)	\$ (660,272)	\$ (147,500)	\$ (630,879)	\$ -	\$ 986,971	\$ 874,099	\$ 460,582	\$ (266,194)	\$ (164,404)	\$ (1,073,490)

SHUBENACADIE BAND FIRST NATION
SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS
GOVERNMENT TRANSFERS
YEAR ENDED MARCH 31, 2014

	<u>2014</u> <u>Operating</u>	<u>2014</u> <u>Capital</u>	<u>2014</u> <u>Total</u>
Direct Federal government transfers:			
Aboriginal Affairs and Northern Development	8,030,640	604,373	8,635,013
Health Canada	1,069,720	-	1,069,720
Department of Fisheries and Oceans	73,518	320,954	394,472
Atlantic Canada Opportunities Agency	-	113,840	113,840
Canada Mortgage and Housing Corporation	296,749	-	296,749
Federal government transfer total	\$ 9,470,627	\$ 1,039,167	\$ 10,509,794
Direct Provincial government transfers:	\$ 525,452	\$ -	\$ 525,452

REVIEW ENGAGEMENT REPORT

To the Chief, Council and Members of Shubenacadie Band First Nation

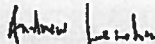
We have reviewed the schedules of salaries, honoraria and travel paid to Chief and Council, and salaries and travel paid to senior management of Shubenacadie Band First Nation for the year ended March 31, 2014. These schedules were prepared in accordance with the instructions in the Aboriginal Affairs and Northern Development Canada Year End Financial Reporting Handbook, 2013-2014. Our review was made in accordance with Canadian generally accepted standards for review engagements and, accordingly, consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the First Nation.

A review does not constitute an audit and, consequently, we do not express an audit opinion on these schedules.

Based on our review, nothing has come to our attention that causes us to believe that these schedules have not been prepared, in all material respects, in accordance with the instructions in the handbook described above.

These schedules, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information and use of the members of Shubenacadie Band First Nation and Aboriginal Affairs and Northern Development Canada for the purpose of complying with the Aboriginal Affairs and Northern Development Canada Year End Financial Reporting Handbook, 2013-2014. These schedules were not intended to be and should not be used by anyone other than the specified users or for any other purpose.

July 24, 2014
Woodstock, NB


Andrew D. Lenahan, CA