

SIPEKNE'KATIK

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2015

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Independent Auditor's Report

To the Chief, Council and Members of
Sipekne'katik

We have audited the accompanying consolidated financial statements of Sipekne'katik, 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 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, 2015 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.



Andrew D. Lenehan
Chartered Accountant

Woodstock, New Brunswick
July 28, 2015

SIPEKNE'KATIK
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2015

	2015	2014
Financial Assets		
Accounts receivable (Note 8)	\$ 989,735	\$ 1,281,766
Funds on deposit with AANDC (Note 6)	79,239	76,248
Investments (Note 3)	-	3
Inventory (Note 4)	<u>123,077</u>	<u>70,719</u>
	1,192,051	1,428,736
Liabilities		
Cheques written in excess of deposits (Note 9)	347,449	523,550
Accounts payable (Note 10)	5,693,117	6,635,807
Deferred revenue (Note 11)	318,546	59,567
Due to minor band members (Note 16)	822,758	884,258
Investments (Note 3)	41,549	-
Long-term debt (Note 12)	<u>3,220,888</u>	<u>3,460,214</u>
	10,444,307	11,563,396
Net debt	(9,252,256)	(10,134,660)
Non-financial Assets		
Tangible capital assets (Note 13)	18,433,616	19,580,078
Prepaid expenses (Note 5)	-	<u>150,101</u>
	18,433,616	19,730,179
Accumulated Surplus (Note 14)	\$ 9,181,360	\$ 9,595,519

Approved on behalf of the Sipekne'katik

 **Chief**
 **Executive Financial Officer**

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

SIPEKNE'KATIK

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

FOR THE YEAR ENDED MARCH 31, 2015

	2015 Budget	2015 Actual	2014 Actual
Surplus (deficit)	243,033	(414,159)	844,544
Acquisition of tangible capital assets	-	(270,831)	(1,415,440)
Amortization of tangible capital assets	-	1,417,293	1,335,689
	-	1,146,462	(79,751)
(Increase) decrease of prepaid expenses	-	150,104	(67,746)
(Decrease) increase in net financial assets	243,033	882,407	697,047
Net debt at beginning of year	(10,134,660)	(10,134,660)	(10,757,489)
Transfer of investment to tangible capital assets			(74,218)
Net debt at end of year	\$ (9,891,627)	\$ (9,252,253)	\$ (10,134,660)

The accompanying notes are an integral part of the financial statements

SIPEKNE'KATIK
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2015

	2015 Budget Unaudited	2015 Actual	2014 Actual
Revenues			
Aboriginal Affairs and Northern Development Canada	\$ 7,456,519	\$ 7,923,629	\$ 8,635,013
Tobacco store	6,720,000	6,686,075	6,646,515
Mi'kmaw Kina'matneway	6,343,877	6,445,216	6,453,600
Gaming	2,355,500	3,446,303	2,129,353
Fisheries	1,095,250	2,586,065	1,965,921
Other	1,031,744	2,120,988	1,519,461
Gas bar	1,644,000	1,299,330	1,428,628
Health Canada	1,222,602	1,222,602	1,069,720
METS	891,514	747,579	794,380
	28,761,006	32,477,787	30,642,591
Cost of goods sold	6,101,000	5,612,738	5,702,123
Gross profit	22,660,006	26,865,049	24,940,468
Expenditures			
Social Development	5,289,026	5,400,857	5,254,901
Band Administration	1,856,359	2,464,483	2,370,255
Education	6,843,877	7,315,671	6,013,068
Capital and Housing	752,540	833,013	507,543
Operating and Maintenance	1,969,532	2,065,874	1,958,477
Economic Development	286,086	320,487	291,241
Community Health	1,222,602	1,445,129	1,481,055
Employment Training	927,514	1,319,669	933,976
Gaming	1,586,896	1,600,036	1,220,003
Tobacco Store	947,170	819,186	767,454
Fisheries	254,131	1,736,127	902,989
Housing Projects	190,000	218,692	392,377
Gas Bar	231,240	189,098	246,925
	22,356,973	25,728,322	22,340,264
Surplus (deficit) before other items	303,033	1,136,727	2,600,204
Other items			
Amortization	-	(1,417,293)	(1,335,689)
Forensic audit	(60,000)	(133,592)	(419,970)
	(60,000)	(1,550,885)	(1,755,659)
Surplus (deficit)	243,033	(414,159)	844,544
Accumulated surplus at beginning of year	9,595,519	9,595,519	8,750,975
Accumulated surplus at end of year	\$ 9,838,552	\$ 9,181,360	\$ 9,595,519

The accompanying notes are an integral part of the financial statements

SIPEKNE'KATIK
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2015

	2015	2014
Cash flows from Operating activities		
Surplus (deficit)	\$ (414,159)	\$ 844,544
Items not affecting cash		
Amortization expense	1,417,293	1,335,689
Investment in Wallace Hill	41,551	-
	1,044,685	2,180,233
Change in non-cash operating working capital		
Accounts receivable	292,031	(96,908)
Inventory	(52,358)	9,390
Prepaid expenses	150,101	(67,743)
Funds on deposit with AANDC (Note 6)	(2,991)	(1,883)
Accounts payable	(942,686)	(140,655)
Deferred revenue	258,979	(170,433)
Due to minor band members	(61,500)	(54,000)
	686,261	1,658,001
Capital activities		
Acquisition of tangible capital assets	(270,831)	(1,415,440)
Financing activities		
Repayment of long-term debt	(239,329)	(203,947)
Increase in cash and cash equivalents	176,101	38,614
Cash, beginning of year	(523,550)	(562,164)
Cash, end of year	\$ (347,449)	\$ (523,550)

The accompanying notes are an integral part of the financial statements

SIPEKNE'KATIK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2015

1. Reporting Entity

The consolidated financial statements of Sipekne'katik 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.

Sipekne'katik 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 Chartered Professional Accountants of Canada.

(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 Sipekne'katik 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 Sipekne'katik'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 Sipekne'katik.

Organizations accounted for on a modified equity basis include Wallace Hill 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.

SIPEKNE'KATIK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2015

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 and other revenue 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.

SIPEKNE'KATIK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2015

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 resale. Non-financial assets include tangible capital assets and prepaid expenses.

SIPEKNE'KATIK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2015

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

(k) Segment Disclosure

The financial statements of Sipekne'katik 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.

3. Investments

	2015	2014
Investment in Wallace Hill Development Inc.	\$ 1	\$ 1
Investment in Beaubassin Mi'kmaq Wind Mgmt Ltd.	1	1
Investment in 3270886 Nova Scotia Limited	1	1
Equity (deficit) in Wallace Hill Development Inc.	(41,552)	-
	<hr/> \$ (41,549)	<hr/> \$ 3

4. Inventory

	2015	2014
Fuel for resale	\$ 10,613	\$ 2,459
Tobacco for resale	112,464	68,260
	<hr/> \$ 123,077	<hr/> \$ 70,719

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2015

5. Prepaid expenses

	2015	2014
Insurance	\$ -	\$ 61,040
Social assistance	-	23,581
Forensic audit	-	25,000
Funds in trust - Swordfish	-	20,000
Fuel	-	20,480
	<hr/> \$ -	<hr/> \$ 150,101

6. Funds on deposit with AANDC

	March 31, 2014	Additions (interest)	Withdrawals	March 31, 2015
Revenue	\$ 35,909	\$ 2,991	\$ -	\$ 38,900
Capital	40,339	-	-	40,339
	<hr/> \$ 76,248	\$ 2,991	\$ -	\$ 79,239

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2015

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, 2015:

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 Sipekne'katik Council formed a committee mandated to initiate and manage commercial development at Wallace Hill, HRM, which was to be added to the Sipekne'katik 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, 2015.

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2015

8. Accounts Receivable

	2015	2014
Aboriginal Affairs and Northern Development Canada	\$ 73,371	\$ 109,840
Mi'kmaq Kina'matnewey	2,500	23,101
METS programs	17,285	16,004
Other government departments	476,954	420,748
Employees and other band members	125,646	126,850
Department of Fisheries and Oceans	146,217	370,904
Canada Mortgage and Housing Corporation	33,900	93,300
Gaming program	172,287	249,177
MRJJ Management Inc. (Note 7)	59,200	59,200
Amcrest Management Inc. (Note 7)	172,200	172,200
Unapproved transfers	307,000	307,000
Insurance proceeds	131,413	-
AANDC 1919 claim funding	-	74,533
Leased licences - fisheries	40,000	55,000
Wallace Hill Development Incorporated	171,793	146,144
Allowance for doubtful accounts	1,929,766 (940,031)	2,224,001 (942,235)
	\$ 989,735	\$ 1,281,766

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 are comprised of the following:

	2015	2014
Cash on hand	\$ 76,091	\$ 32,644
Cheques written in excess of deposits	(723,540)	(756,194)
GIC's	100,000	100,000
Externally restricted CMHC reserve GIC	200,000	100,000
	\$ (347,449)	\$ (523,550)

SIPEKNE'KATIK
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2015

10. Accounts payable

	2015	2014
Current		
Trade	\$ 2,196,189	\$ 2,768,819
Receiver General - payroll deductions	23,602	(40,293)
Pension plan remittance	-	5,638
Funding repayable to Health Canada	-	26,295
Funding repayable to AANDC	-	111,790
Worker's compensation	190,745	382,745
	2,410,536	3,254,994
Long term		
Trade accrued liabilities	3,282,581	3,380,813
	\$ 5,693,117	\$ 6,635,807

11. Deferred revenue

	2015	2014
Mi'kmaw Youth Mental Health Development	\$ 18,546	\$ 44,567
Snowcrab	300,000	-
NAYSPS - UNSI	-	5,000
Active Senior's Prov. NS funding	-	10,000
	\$ 318,546	\$ 59,567

SIPEKNE'KATIK
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2015

12. Long-term debt

	2015	2014
Royal Bank of Canada		
Housing project mortgages due November 2015 to September 2019, bearing interest at 2.78% to 3.03%, payable in equal monthly amounts of principal and interest totaling \$3,208. Mortgages are guaranteed by the Minister of Aboriginal Affairs and Northern Development Canada.	\$ 321,411	\$ 349,784
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.	130,476	173,347
Canada Mortgage and Housing Corporation		
Housing project mortgages due August 2015 to August 2019, bearing interest at 1.67% to 2.78%, payable in equal monthly amounts of principal and interest totaling \$18,701. Mortgages are guaranteed by the Minister of Aboriginal Affairs and Northern Development Canada.	2,769,001	2,937,083
<u>Current portion</u>	<u>3,220,888</u>	<u>3,460,214</u>
	241,255	230,742
	<hr/> \$ 2,979,633	<hr/> \$ 3,229,472
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:		
2016	\$ 241,255	
2017	237,949	
2018	207,294	
2019	186,377	
<u>2020 and thereafter</u>	<u>2,348,013</u>	
	<hr/> \$ 3,220,888	

SIPEKNE'KATIK**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****MARCH 31, 2015****13. Tangible Capital Assets**

	Cost	Accumulated amortization	Balance, end of year	2015 net book value
			beginning of year	beginning of year
			Additions	Amortization
Land	\$ 189,275	\$ -	\$ 189,275	\$ -
Buildings	1,979,423	23,187	2,002,610	873,244
Vehicles	498,711	80,921	579,632	450,627
Band housing projects	14,335,755	-	14,335,755	7,159,299
Furniture and equipment	702,295	-	702,295	531,484
Community centres	2,905,269	-	2,905,269	2,507,982
Pump/gaming renovations	30,896	-	30,896	21,708
Community housing	2,371,070	-	2,371,070	1,108,589
Administration building	917,433	-	917,433	697,817
Health centre	873,671	-	873,671	564,118
P-12 school	7,137,737	-	7,137,737	1,890,338
Recreational facilities	246,593	-	246,593	86,936
Infrastructure	4,243,489	-	4,243,489	2,534,698
Water system	999,601	150,000	1,149,601	340,665
Roads	1,290,165	-	1,290,165	773,799
Fishing vessel	400,000	16,725	416,725	-
	\$ 39,121,383	\$ 270,833	\$ 39,392,216	\$ 19,541,304
				\$ 1,417,294
				\$ 20,958,598
				\$ 18,433,616

SIEKNE'KATIK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2015

	Cost	Accumulated amortization	Balance, end of year	Cost	Accumulated amortization	Balance, end of year	Cost	Accumulated amortization	Balance, end of year
Land	\$ 189,273	\$ 189,275	\$ 189,275	\$ 189,273	\$ 189,275	\$ 189,275	\$ 189,273	\$ 189,275	\$ 189,275
Buildings	1,842,647	136,778	1,979,423	818,623	54,621	873,244	1,106,179	1,106,179	1,106,179
Vehicles	498,711	-	498,711	430,020	20,607	450,627	48,084	48,084	48,084
Band housing projects	14,335,755	-	14,335,755	6,781,591	377,708	7,159,299	7,176,456	7,176,456	7,176,456
Furniture and equipment	702,295	-	702,295	488,782	42,702	531,484	170,811	170,811	170,811
Community centres	2,630,980	274,289	2,905,269	2,445,899	62,083	2,507,982	397,287	397,287	397,287
Pump/gaming renovations	30,896	-	30,896	19,411	2,297	21,708	9,188	9,188	9,188
Community housing	2,371,070	-	2,371,070	968,314	140,275	1,108,589	1,262,481	1,262,481	1,262,481
Administration building	917,433	-	917,433	673,416	24,401	697,817	219,616	219,616	219,616
Health centre	873,671	-	873,671	529,724	34,394	564,118	309,553	309,553	309,553
P-12 school	7,137,737	-	7,137,737	1,614,159	276,179	1,890,338	5,247,399	5,247,399	5,247,399
Recreational facilities	246,593	-	246,593	69,196	17,740	86,936	159,657	159,657	159,657
Infrastructure	4,243,489	-	4,243,489	2,386,107	148,591	2,534,698	1,708,791	1,708,791	1,708,791
Water system	395,228	604,373	999,601	251,478	89,187	340,665	658,936	658,936	658,936
Roads	1,290,165	-	1,290,165	728,897	44,902	773,799	516,366	516,366	516,366
Swimming pool	-	400,000	400,000	-	-	-	400,000	400,000	400,000
	\$ 37,705,943	\$ 1,415,440	\$ 39,121,383	\$ 18,205,617	\$ 1,335,687	\$ 19,541,304	\$ 19,580,078		

SIPEKNE'KATIK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2015

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'matenewey. A formal plan detailing how these funds will be used must be submitted and approved by Mi'kmaw Kina'matenewey by August 31st of each year.

	2015	2014
Externally restricted - education	\$ (330,750)	\$ 499,469
Unrestricted	(5,700,618)	(7,023,815)
Investment in capital assets	<u>15,212,728</u>	<u>16,119,865</u>
	<hr/> \$ 9,181,360	<hr/> \$ 9,595,519

15. Comparative Amounts

Certain 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 approved Christmas bonuses of \$250 to be paid to each Band member. Band members were not entitled to receive their bonus until they attain the age of 18.

	2015	2014
Balance, beginning of year	\$ 884,258	\$ 938,258
Deduct: payments related to previous years	(61,500)	(54,000)
Balance, end of year	<hr/> \$ 822,758	<hr/> \$ 884,258

17. Economic Dependence

Sipekne'katik receives a significant portion of its revenue pursuant to a funding agreement with Aboriginal Affairs and Northern Development Canada and other federal government agencies.

SIPEKNE'KATIK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2015

18. Contingent Liabilities

Sipekne'katik has entered into contribution agreements with various federal and provincial government partners. 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 First Nation fails to comply with the terms and conditions of the agreement. As at March 31, 2015, the First Nation has not fully complied with all the terms and conditions including its failure to calculate rent-to-income in accordance with subparagraph 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.

In addition, in the normal course of its operations, the First Nation becomes involved in legal actions. Some of these potential liabilities may become actual liabilities when one or more future events occurs or fail to occur. To the extent that the future event is likely to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded on the First Nation's financial statements.

When the future event and/or ability to estimate involves more uncertainty, the action or claim is considered a contingent liability.

19. Other Matters

As a result of financial concerns and irregularities, Chief and Council of Sipekne'katik 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 7:

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.

SIPEKNE'KATIK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2015

20. Expenses by object

	2015	2014
Wages and benefits	\$ 8,795,954	\$ 8,137,135
Tobacco shop	694,888	529,646
Fuel and tobacco purchases	5,612,738	5,702,123
Social program expenses	5,102,011	4,933,449
Health program expenses	668,159	606,183
Travel	94,662	78,685
Tuition	2,150,927	1,083,262
Supplies and services	2,518,089	2,351,118
Interest and bank charges	234,526	100,104
Professional services	554,027	836,532
Repairs	647,812	622,014
Other	4,267,267	3,062,136
Amortization	1,417,293	1,335,689
Forensic audit	133,592	419,970
Amortization	\$ 32,891,945	\$ 29,798,046

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 \$49,694 (2014 - \$41,436) during the year.

SIPEKNE'KATIK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2015

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 \$989,735 (2014 - \$1,281,766). 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 \$5,693,117 (2014 - \$6,635,807). 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.

SPEKNEKATIK

SCHEDULE OF SEGMENT DISCLOSURE

YEAR ENDED MARCH 31, 2015

	Social development		Brand administration		Education		Capital and housing		Operating and maintenance		Economic development		Community health	
	2015	Budget 2015	2015	Budget 2015	2015	Budget 2015	2015	Budget 2015	2015	Budget 2015	2015	Budget 2015	2015	Budget 2015
Revenues														
Federal Government	5,635,425	5,629,356	759,197	738,652	6,445,216	6,343,877	686,860	660,540	553,749	291,373	233,598	148,258	1,222,602	1,222,602
Provincial Government	-	-	60,000	-	110,994	-	-	-	-	-	-	-	10,000	-
Economic Activities	(234,568)	(340,330)	-	-	10,163	-	-	-	42,000	-	342,694	342,694	-	49,567
Total revenue	5,400,857	5,289,026	1,690,230	1,338,372	6,566,373	6,343,877	728,860	660,540	896,443	634,067	233,598	148,258	1,282,169	1,222,602
Expenses														
Salaries and benefits	256,128	305,426	1,373,640	1,034,293	3,057,825	2,824,681	371,355	293,800	667,378	629,732	132,271	131,753	776,970	700,000
Authorization	-	-	1,417,293	105,558	42,000	-	-	-	-	-	-	-	-	-
Debt servicing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cost of goods sold	5,144,729	4,983,600	1,118,878	840,066	4,257,846	4,019,196	461,658	458,740	1,398,496	1,339,800	188,216	154,333	668,159	522,602
Other expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenses	5,400,857	5,289,026	4,015,369	1,916,359	7,315,671	6,843,877	831,013	752,540	2,065,874	1,969,532	320,487	286,086	1,445,129	1,222,602
Annual surplus (deficit)	\$ -	\$ -	\$ (2,325,139)	\$ (577,987)	\$ (749,298)	\$ (500,000)	\$ (104,153)	\$ (92,000)	\$ (1,169,431)	\$ (1,375,465)	\$ (66,889)	\$ (137,828)	\$ (162,960)	\$ -
Employment training														
Gaming														
Tobacco store														
Fisheries														
Housing projects														
Gas Bar														
Consolidated totals														
Revenues														
Federal Government	793,579	891,514	327,283	300,000	180,165	9,000	234,673	190,000	-	-	16,765,064	16,125,172	-	-
Provincial Government	28,350	-	-	-	-	-	-	-	-	-	537,127	300,000	-	-
Economic Activities	194,557	-	3,119,020	2,055,500	6,686,075	6,720,000	2,405,900	1,086,250	220,095	192,000	1,299,330	1,644,000	13,704,982	11,505,750
Other revenue	119,630	36,000	-	-	50,000	-	-	-	-	-	-	-	1,470,614	830,084
Total revenue	1,136,716	927,514	3,446,303	2,355,500	6,736,075	6,720,000	2,586,065	1,095,250	454,768	382,000	1,299,330	1,644,000	32,477,787	28,761,006
Expenses														
Salaries and benefits	266,040	225,000	519,370	587,600	104,255	117,520	1,104,111	53,031	-	-	166,611	139,840	8,795,954	7,092,676
Amortization	-	-	-	-	-	-	-	-	-	-	-	-	1,417,293	-
Debt servicing	-	-	-	-	-	-	-	-	-	-	-	-	182,461	138,960
Cost of goods sold	1,053,429	702,514	1,080,666	999,296	714,931	829,650	632,016	201,100	141,789	93,040	22,487	41,400	16,883,500	15,183,337
Other expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenses	1,319,669	927,514	1,600,036	1,586,896	5,293,417	5,651,170	1,736,127	254,131	218,692	190,000	1,327,605	1,628,240	32,891,946	28,517,973
Annual surplus (deficit)	\$ (182,953)	\$ -	\$ 1,846,261	\$ 768,604	\$ 1,442,658	\$ 1,068,830	\$ 216,076	\$ 192,000	\$ (28,275)	\$ 15,760	\$ (414,159)	\$ 243,033		

SIPERNEKATIK

SCHEDULE OF SEGMENT DISCLOSURE

YEAR ENDED MARCH 31, 2014

	Social development	Band administration	Education	Capital and housing	Operating and maintenance	Economic development	Community health
	2014	2014	2014	2014	2014	2014	2014
Revenues							
Federal Government							
Provincial Government	5,629,353	937,490	6,512,537	902,683	1,210,949	148,258	1,069,720
Economic Activities							
Other revenue		51,188					
Total revenue		754,806			42,000	318,965	
Expenses							
Salaries and benefits	321,452	1,436,806	2,712,799	593,585	200,270	48,228	874,872
Amortization		258,845	276,179	140,275	282,680		
Debt servicing							
Cost of goods sold							
Other expenses		5,307,901	1,498,755	3,300,769	343,999	1,441,032	97,679
Total expenses		5,629,353	3,194,406	6,280,247	1,077,859	1,923,982	145,907
Annual surplus (deficit)	\$	\$	\$	\$	\$	\$	\$
	(1,450,922)		223,290	(131,176)	(374,068)	2,351	(408,902)
Employment training							
2014	2014	2014	2014	2014	2014	2014	2014
Revenues							
Federal Government							
Provincial Government	835,647	2,129,353		394,472	203,449		17,834,558
Economic Activities							2,129,353
Other revenue		17,940		6,646,515	1,571,449	1,428,678	9,697,780
Total revenue		853,587	2,129,353	6,646,515	201,576		1,357,720
Expenses							
Salaries and benefits	222,929	489,667	226,592	745,883		264,052	8,137,135
Amortization					377,708		1,335,687
Debt servicing					97,762		97,762
Cost of goods sold						1,329,462	5,702,123
Other expenses		723,415	690,255	4,372,661	157,106	181,749	22,954
Total expenses		946,344	1,179,922	5,140,115	992,989	657,219	1,616,468
Annual surplus (deficit)	\$	\$	\$	\$	\$	\$	\$
	(927,571)	949,431	1,506,400	1,062,912	(252,194)	(187,840)	844,545

SIPEKNE'KATIK

SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS

GOVERNMENT TRANSFERS

YEAR ENDED MARCH 31, 2015

	2015 Operating	2015 Capital	2015 Total
Direct Federal government transfers:			
Aboriginal Affairs and Northern Development	7,773,629	150,000	7,923,629
Health Canada	1,222,602	-	1,222,602
Department of Fisheries and Oceans	180,165	-	180,165
Mi'kmaw Kina'matneway	6,364,295	80,921	6,445,216
METS	747,579	-	747,579
Canada Mortgage and Housing Corporation	245,873	-	245,873
Federal government transfer total	\$ 16,534,143	\$ 230,921	\$ 16,765,064
Direct Provincial government transfers:	\$ 537,127	\$ -	\$ 537,127