

SIPEKNE'KATIK

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016

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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, 2016, 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, 2016 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 27, 2016

SIPEKNE'KATIK

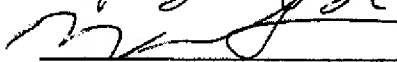
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MARCH 31, 2016

	2016	2015
Financial Assets		
Cash (Note 9)	\$ 663,658	\$ -
Accounts receivable (Note 8)	1,733,169	989,735
Funds on deposit with INAC (Note 6)	80,070	79,239
Inventory (Note 4)	62,238	123,077
	<u>2,539,135</u>	<u>1,192,051</u>
Liabilities		
Cheques written in excess of deposits (Note 9)	-	347,449
Accounts payable (Note 10)	4,709,816	5,693,117
Deferred revenue (Note 11)	39,650	318,546
Due to minor band members (Note 17)	786,758	822,758
Investments (Note 3)	40,358	41,549
Long-term debt (Note 12)	3,297,052	3,220,888
	<u>8,873,634</u>	<u>10,444,307</u>
Net debt	<u>(6,334,499)</u>	<u>(9,252,256)</u>
Non-financial Assets		
Tangible capital assets (Note 13)	18,045,553	18,433,616
Prepaid expenses (Note 5)	23,699	-
	<u>18,069,252</u>	<u>18,433,616</u>
Accumulated Surplus (Note 14)	<u>\$ 11,734,753</u>	<u>\$ 9,181,360</u>

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, 2016

	2016 Budget	2016 Actual	2015 Actual
Surplus (deficit)	660,481	2,553,393	(414,159)
Acquisition of tangible capital assets	-	(1,064,531)	(270,831)
Disposal of tangible capital assets	-	78,548	-
Amortization of tangible capital assets	1,300,000	1,374,046	1,417,293
	1,300,000	388,063	1,146,462
(Increase) decrease of prepaid expenses	-	(23,700)	150,104
(Decrease) increase in net financial assets	1,960,481	2,917,756	882,407
Net debt at beginning of year	(9,252,256)	(9,252,256)	(10,134,660)
Net debt at end of year	\$ (7,291,775)	\$ (6,334,500)	\$ (9,252,256)

The accompanying notes are an integral part of the financial statements

SIPEKNE'KATIK

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

FOR THE YEAR ENDED MARCH 31, 2016

	2016 Budget Unaudited	2016 Actual	2015 Actual
Revenues			
Indigenous and Northern Affairs Canada	\$ 7,491,247	\$ 7,792,783	\$ 7,923,629
Tobacco store	6,800,000	7,383,449	6,686,075
Mi'kmaw Kina'matneway	6,343,877	6,850,941	6,445,216
Gaming	2,953,000	4,436,492	3,446,303
Fisheries	2,583,000	3,802,107	2,586,065
Other	899,776	1,568,316	2,120,988
Gas bar	1,321,500	1,163,354	1,164,319
Health Canada	1,289,641	1,477,545	1,222,602
METS	747,577	737,871	747,579
	30,429,618	35,212,858	32,342,776
Cost of goods sold	5,605,000	6,406,981	5,477,727
Gross profit	24,824,618	28,805,877	26,865,049
Expenditures			
Social Development	5,343,625	5,559,888	5,400,857
Band Administration	1,905,735	1,812,148	2,464,482
Education	6,383,877	6,944,316	7,315,671
Capital and Housing	632,179	774,093	833,013
Operating and Maintenance	1,797,319	1,969,573	2,065,874
Economic Development	301,851	325,470	320,487
Community Health	1,289,641	1,621,636	1,445,129
Employment Training	833,577	945,451	1,319,669
Gaming	1,614,164	1,727,912	1,600,036
Tobacco Store	748,725	730,979	819,186
Fisheries	1,536,944	1,899,240	1,736,127
Housing Projects	200,000	366,945	218,692
Gas Bar	216,500	177,445	189,098
	22,804,137	24,855,096	25,728,321
Surplus before other items	2,020,481	3,950,781	1,136,728
Other items			
Amortization	(1,300,000)	(1,374,046)	(1,417,292)
Forensic audit	(60,000)	(23,342)	(133,593)
	(1,360,000)	(1,397,388)	(1,550,885)
Surplus (deficit)	660,481	2,553,393	(414,159)
Accumulated surplus at beginning of year	9,181,360	9,181,360	9,595,519
Accumulated surplus at end of year	\$ 9,841,841	\$ 11,734,753	\$ 9,181,360

The accompanying notes are an integral part of the financial statements

SIPEKNE'KATIK

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2016

	2016	2015
Cash flows from		
Operating activities		
Surplus (deficit)	\$ 2,553,393	\$ (414,159)
Items not affecting cash		
Amortization expense	1,374,046	1,417,293
Investment in Wallace Hill	(1,191)	41,551
	3,926,248	1,044,685
Change in non-cash operating working capital		
Accounts receivable	(743,434)	292,031
Inventory	60,839	(52,358)
Prepaid expenses	(23,699)	150,101
Funds on deposit with INAC	(831)	(2,991)
Accounts payable	(983,303)	(942,688)
Deferred revenue	(278,896)	258,979
Due to minor band members	(36,000)	(61,500)
	1,920,924	686,259
Capital activities		
Acquisition of tangible capital assets	(1,064,531)	(270,831)
Disposal of tangible capital assets	78,548	-
	(985,983)	(270,831)
Financing activities		
Proceeds of long-term debt	490,517	-
Repayment of long-term debt	(414,352)	(239,329)
	76,165	(239,329)
Increase in cash and cash equivalents	1,011,106	176,099
Cash, beginning of year	(347,449)	(523,550)
Cash, end of year	\$ 663,657	\$ (347,449)

The accompanying notes are an integral part of the financial statements

SIPEKNE'KATIK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016

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.

The organization accounted for on a modified equity basis is 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, 2016

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, 2016

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. Specifically, estimates are required relating to the provision for doubtful accounts and the useful lives of tangible capital assets. 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.

SIPEKNE'KATIK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016

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

Financial instruments are financial assets or liabilities of the First Nation where the First Nation has the right to receive cash or another financial asset from another party or has the obligation to pay cash or other financial assets to another party or equity instruments of another entity.

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

	2016	2015
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.	(40,361)	(41,552)
	<u>\$ (40,358)</u>	<u>\$ (41,549)</u>

4. Inventory

	2016	2015
Fuel for resale	\$ 8,218	\$ 10,613
Tobacco for resale	54,020	112,464
	<u>\$ 62,238</u>	<u>\$ 123,077</u>

SIPEKNE'KATIK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016

5. Prepaid expenses

	2016	2015
Fuel	\$ 23,699	\$ -

6. Funds on deposit with INAC

	March 31, 2015	Additions (interest)	Withdrawals	March 31, 2016
Revenue	\$ 38,900	\$ 831	\$ -	\$ 39,731
Capital	40,339	-	-	40,339
	\$ 79,239	\$ 831	\$ -	\$ 80,070

SIPEKNE'KATIK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016

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, 2016:

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, 2016.

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

SIPEKNE'KATIK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016

8. Accounts Receivable

	2016	2015
Indigenous and Northern Affairs Canada	\$ -	\$ 73,371
Mi'kmaw Kina'matnewey	58,538	2,500
METS programs	360,102	17,285
Other government departments	395,061	476,954
Employees and other band members	139,505	125,646
Department of Fisheries and Oceans	479,800	146,217
Canada Mortgage and Housing Corporation	149,906	33,900
Gaming program	172,287	172,287
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
Health Canada	45,255	-
Leased licences - fisheries	40,000	40,000
Other	20,795	-
Wallace Hill Development Incorporated	291,923	171,793
	2,691,572	1,929,766
Allowance for doubtful accounts	(958,403)	(940,031)
	\$ 1,733,169	\$ 989,735

9. Cash / cheques written in excess of deposits

Under the terms of an agreement with Canada Mortgage and Housing Corporation, Sipekne'katik 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:

	2016	2015
Cash on hand	\$ 66,010	\$ 76,091
Cheques written in excess of deposits	(515,765)	(723,540)
GIC's	813,413	100,000
Externally restricted CMHC reserve GIC	300,000	200,000
	\$ 663,658	\$ (347,449)

SIPEKNE'KATIK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016

10. Accounts payable

	2016	2015
Current		
Trade	\$ 1,282,123	\$ 2,052,466
Receiver General - payroll deductions	46,849	23,602
Pension plan remittance	13,566	5,638
Funding repayable to Health Canada	-	26,295
Funding repayable to INAC	-	111,790
Worker's compensation	84,697	190,745
	1,427,235	2,410,536
Long term		
Trade accrued liabilities	3,282,581	3,282,581
	\$ 4,709,816	\$ 5,693,117

11. Deferred revenue

	2016	2015
Mi'kmaw Youth Mental Health Development	\$ -	\$ 3,546
Province of NS - Consultation	30,000	-
Snowcrab	-	300,000
Wagmatcook Band Council - Give us Wings	7,000	-
NAYSPS - UNSI	-	5,000
Active Senior's Prov. NS funding	-	10,000
NS Health Authority - Food Bank Funding	2,650	-
	\$ 39,650	\$ 318,546

SIPEKNE'KATIK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016

12. Long-term debt

	2016	2015
Royal Bank of Canada Housing project mortgages due September 2019 to November 2020, bearing interest at 2.15% to 2.78%, payable in equal monthly amounts of principal and interest totaling \$3,157. Mortgages are guaranteed by the Minister of Indigenous and Northern Affairs Canada.	\$ 291,637	\$ 321,411
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 Indigenous and Northern Affairs Canada.	85,288	130,476
Canada Mortgage and Housing Corporation Housing project mortgages due October 2016 to August 2020, bearing interest at 1.67% to 2.00%, payable in equal monthly amounts of principal and interest totaling \$17,982. Mortgages are guaranteed by the Minister of Indigenous and Northern Affairs Canada.	2,521,664	2,769,001
GE Canada 6.75% loan, payable \$4,646 monthly including interest, due November 2018, secured by 2016 International truck and 2015 snow plow attachment (NBV - \$189,172)	131,418	-
Royal Bank of Canada Prime plus 2.00% bridge loan, repayable in full by June 30, 2016, due on demand	200,000	-
Caterpillar Financial Services Ltd. 5.55% loan, payable \$3,212 monthly including interest, due January 2018, secured by 2016 Caterpillar 420 Backhoe Loader (NBV - \$125,880)	67,045	-
	3,297,052	3,220,888
Current portion	529,587	241,255
	\$ 2,767,465	\$ 2,979,633

SIPEKNE'KATIK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016

12. Long-term debt, continued

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:

2016-17	\$ 529,587
2017-18	297,340
2018-19	224,154
2019-20	176,289
2020-21	176,289
2021 and thereafter	2,069,682
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	\$ 3,297,052
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SIPEKNE'KATIK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016

13. Tangible Capital Assets

	Balance, beginning of year	Additions	Disposals	Balance, end of year	Balance, beginning of year	Amortization of year	Accumulated amortization on disposals	Accumulated amortization Balance, end of year	2016 net book value
Land	\$ 189,275	\$ -	\$ -	\$ 189,275	\$ -	\$ -	\$ -	\$ -	\$ 189,275
Buildings	2,002,610	-	-	2,002,610	929,132	53,674	-	982,806	1,019,804
Vehicles	579,632	74,410	-	654,042	538,445	(19,360)	-	519,085	134,957
Band housing projects	14,335,755	271,451	(89,266)	14,517,940	7,518,122	352,132	(10,718)	7,859,536	6,658,404
Furniture and equipment	702,295	-	-	702,295	565,646	27,330	-	592,976	109,319
Community centres	2,905,269	-	-	2,905,269	2,604,446	60,164	-	2,664,610	240,659
Pump/gaming renovations	30,896	-	-	30,896	23,546	1,470	-	25,016	5,880
Community housing	2,371,070	-	-	2,371,070	1,234,837	113,623	-	1,348,460	1,022,610
Administration building	917,433	-	-	917,433	719,779	19,765	-	739,544	177,889
Health centre	873,671	-	-	873,671	595,074	27,859	-	622,933	250,738
P-12 school	7,137,737	-	-	7,137,737	2,152,708	249,251	-	2,401,959	4,735,778
Recreational facilities	246,593	-	-	246,593	102,902	14,369	-	117,271	129,322
Infrastructure	4,243,489	-	-	4,243,489	2,671,401	125,767	-	2,797,168	1,446,321
Public works dept	1,149,601	363,669	-	1,513,270	487,452	168,797	-	656,249	857,021
Roads	1,290,165	-	-	1,290,165	815,108	38,005	-	853,113	437,052
Fishing vessel	416,725	355,000	-	771,725	-	141,200	-	141,200	630,525
	\$39,392,216	\$1,064,530	\$(89,266)	\$40,367,480	\$20,958,598	\$1,374,046	\$(10,718)	\$22,321,926	\$18,045,554

SIPEKNE'KATIK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016

	Cost			Accumulated amortization		
	Balance, beginning of year	Additions	Disposals	Balance, end of year	Balance, beginning of year	2015 Net book value
Land	\$ 189,275	\$ -	\$ -	\$ 189,275	\$ -	\$ 189,275
Buildings	1,979,423	136,778	-	2,002,610	873,244	1,073,478
Vehicles	498,711	80,921	-	579,632	450,627	41,187
Band housing projects	14,335,755	-	-	14,335,755	7,159,299	6,817,633
Furniture and equipment	702,295	-	-	702,295	531,484	136,649
Community centres	2,905,269	-	-	2,905,269	2,507,982	300,823
Pump/gaming renovations	30,896	-	-	30,896	21,708	7,350
Community housing	2,371,070	-	-	2,371,070	1,108,589	1,136,233
Administration building	917,433	-	-	917,433	697,817	197,654
Health centre	873,671	-	-	873,671	564,118	278,597
P-12 school	7,137,737	-	-	7,137,737	1,890,338	4,985,029
Recreational facilities	246,593	-	-	246,593	86,936	143,691
Infrastructure	4,243,489	-	-	4,243,489	2,534,698	1,572,088
Water system	999,601	150,000	-	1,149,601	340,665	662,149
Roads	1,290,165	-	-	1,290,165	773,799	475,057
Fishing vessel	400,000	16,725	-	416,725	-	416,725
	\$ 39,121,383	\$ 270,833	\$ -	\$ 39,392,216	\$ 19,541,304	\$ 18,433,618
					\$ 1,417,294	\$ 20,958,598

SIPEKNE'KATIK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016

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.

	2016	2015
Externally restricted - education (pg. 39)	\$ (406,740)	\$ (330,750)
Unrestricted	(2,607,009)	(5,700,618)
Investment in capital assets	14,748,502	15,212,728
	<u>\$ 11,734,753</u>	<u>\$ 9,181,360</u>

15. Annual Surplus Net of Capital Related Revenues and Amortization

	2016	2015
Annual surplus (deficit)	\$ 2,553,393	\$ (414,159)
Less capital related revenues included in annual surplus:		
Deduct: Federal government transfers for capital	(355,000)	(230,821)
Add: Amortization expense included in annual surplus	1,374,046	1,417,292
	<u>1,019,046</u>	<u>1,186,471</u>
Annual surplus (deficit) net of capital related revenues and amortization	<u>\$ 3,572,439</u>	<u>\$ 772,312</u>

16. Comparative Amounts

Certain comparative amounts have been reclassified to conform with the presentation adopted in the current period. There have been no changes to the accumulated surplus balance due to these reclassifications.

SIPEKNE'KATIK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016

17. 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.

	2016	2015
Balance, beginning of year	\$ 822,758	\$ 884,258
Deduct: payments related to previous years	(36,000)	(61,500)
Balance, end of year	\$ 786,758	\$ 822,758

18. Economic Dependence

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

19. 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, 2016, 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 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.

SIPEKNE'KATIK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016

20. 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 reviewed certain financial transactions and 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.

21. Expenses by object

	2016	2015
Wages and benefits	\$ 8,387,131	\$ 8,795,954
Tobacco shop	640,171	694,888
Fuel and tobacco purchases	6,406,981	5,612,738
Social program expenses	5,295,877	5,102,011
Health program expenses	735,871	668,159
Travel	106,761	94,662
Tuition	1,413,809	2,150,927
Supplies and services	2,629,281	2,518,089
Interest and bank charges	145,499	234,526
Professional services	430,204	554,027
Repairs	580,027	647,812
Other	4,490,465	4,267,267
Amortization	1,374,046	1,417,293
Forensic audit	23,342	133,592
Total	\$ 32,659,465	\$ 32,891,945

22. 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 \$78,112 (2015 - \$49,694) during the year.

SIPEKNE'KATIK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016

23. 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 \$1,733,169 (2015 - \$989,735). 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 \$4,709,817 (2015 - \$5,693,117). 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.

24. Budgeted figures

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

SIPEKNE'KATIK

SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS

GOVERNMENT TRANSFERS

YEAR ENDED MARCH 31, 2016

	2016 Operating	2016 Capital	2016 Total
Direct Federal government transfers:			
Indigenous and Northern Affairs Canada	7,792,783	-	7,792,783
Health Canada	1,477,545	-	1,477,545
Department of Fisheries and Oceans	124,800	355,000	479,800
Mi'kmaw Kina'matneway	6,850,941	-	6,850,941
METS	737,871	-	737,871
Canada Mortgage and Housing Corporation	341,311	-	341,311
Federal government transfer total	\$ 17,325,251	\$ 355,000	\$ 17,680,251
Direct Provincial government transfers:	\$ 383,877	\$ -	\$ 383,877

SIPKANEKATIK

SCHEDULE OF SEGMENT DISCLOSURE

YEAR ENDED MARCH 31, 2016

	Social development		Rural administration		Education		Capital and housing		Operating and maintenance		Economic development		Community health	
	2016	Budget 2016	2016	Budget 2016	2016	Budget 2016	2016	Budget 2016	2016	Budget 2016	2016	Budget 2016	2016	Budget 2016
Revenues														
Federal Government	5,684,247	5,633,425	713,728	696,197	6,832,636	6,343,877	341,037	339,179	670,530	622,595	341,302	151,851	1,477,545	1,289,641
Provincial Government	-	-	60,000	-	-	-	-	-	-	-	-	-	-	-
Economic Activities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other revenue	(124,359)	(291,800)	518,079	668,976	15,700	-	42,000	-	390,231	54,600	-	-	30,396	-
Total revenue	5,559,888	5,343,625	1,291,807	1,365,173	6,868,336	6,343,877	383,037	339,179	1,060,781	677,195	341,302	151,851	1,527,941	1,289,641
Expenses														
Salaries and benefits	239,472	413,044	1,077,590	1,071,000	3,094,463	2,991,649	287,717	323,440	691,677	332,825	49,114	30,474	825,041	750,000
Amortization	-	-	1,374,046	1,300,000	-	-	-	-	-	-	-	-	-	-
Debt servicing	-	-	39,699	45,000	-	-	-	-	-	-	-	-	-	-
Cost of goods sold	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenses	5,320,416	4,930,381	723,201	849,735	3,849,833	3,392,228	486,376	308,739	1,277,896	1,464,494	276,356	251,377	796,595	579,641
Total expenses	5,559,888	5,343,625	3,209,536	3,265,735	6,944,316	6,383,877	774,093	632,179	1,969,572	1,797,319	325,470	301,851	1,621,636	1,289,641
Annual surplus (deficit)	\$ -	\$ -	\$ (1,917,729)	\$ (1,900,562)	\$ (75,990)	\$ (40,000)	\$ (391,036)	\$ (293,000)	\$ (908,791)	\$ (1,120,124)	\$ 16,032	\$ (150,000)	\$ (93,695)	\$ -
Revenues	Employment training		Gaming		Tobacco store		Fisheries		Housing projects		Gas Bar		Consolidated totals	
	2016	Budget 2016	2016	Budget 2016	2016	Budget 2016	2016	Budget 2016	2016	Budget 2016	2016	Budget 2016	2016	Budget 2016
Federal Government	802,771	793,577	-	-	-	-	482,035	-	341,011	200,000	-	-	17,707,072	16,072,342
Provincial Government	29,813	-	294,064	240,000	-	-	3,270,072	2,575,000	-	-	-	-	363,877	240,000
Economic Activities	-	-	4,019,022	2,713,000	7,374,529	6,800,000	-	-	-	-	1,163,354	1,321,500	15,826,977	13,409,500
Other revenue	27,745	40,000	-	-	-	-	50,000	8,000	325,140	228,000	-	-	1,294,932	707,776
Total revenue	860,329	833,577	4,313,086	2,953,000	7,374,529	6,800,000	3,802,107	2,583,000	666,151	428,000	1,163,354	1,321,500	35,212,858	30,429,618
Expenses														
Salaries and benefits	55,273	46,000	796,385	771,664	77,885	96,823	1,048,315	1,208,894	-	-	149,199	182,400	8,387,131	8,238,215
Amortization	-	-	-	-	-	-	-	-	-	-	-	-	1,374,046	1,300,000
Debt servicing	-	-	-	-	5,377,744	4,500,000	-	-	66,186	88,000	-	-	106,185	133,000
Cost of goods sold	-	-	-	-	653,094	651,900	-	-	-	-	1,029,237	1,105,000	6,406,981	5,605,000
Other expenses	890,178	787,577	931,527	842,500	-	-	830,925	328,090	300,559	112,000	28,246	34,100	16,385,122	14,492,922
Total expenses	945,451	833,577	1,727,912	1,614,164	6,108,723	5,248,725	1,899,240	1,536,944	366,945	300,000	1,206,682	1,321,500	32,659,664	29,769,137
Annual surplus (deficit)	\$ (85,122)	\$ -	\$ 2,585,174	\$ 1,338,836	\$ 1,265,806	\$ 1,551,275	\$ 1,902,867	\$ 1,046,056	\$ 299,206	\$ 228,000	\$ (43,328)	\$ -	\$ 2,553,393	\$ 660,481

YEAR ENDED MARCH 31, 2015

	Social development		Food autoinduction		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	5,639,356	739,197	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)	871,033	599,720	10,163	-	42,000	-	342,694	342,694	-	-	49,567	-
Other revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total revenue	5,400,857	5,299,026	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
Amortization	-	-	1,417,293	-	-	-	-	-	-	-	-	-	-	-
Debt servicing	-	-	105,558	42,000	-	-	-	-	-	-	-	-	-	-
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	572,602
Other expenses	5,400,857	5,289,026	4,015,169	1,916,359	7,315,671	6,843,877	833,013	792,540	2,065,874	1,969,532	320,487	286,086	1,445,129	1,222,602
Total expenses	-	-	\$ (2,325,139)	\$ (577,987)	\$ (749,298)	\$ (500,000)	\$ (104,153)	\$ (92,000)	\$ (1,169,431)	\$ (1,335,465)	\$ (66,889)	\$ (137,828)	\$ (162,960)	-
Annual surplus (deficit)	\$ -	\$ -											\$ (444,159)	243,003
	Employment training		Canning		Tobacco store		Fisheries		Housing projects		Cash Bar		Consolidated totals	
	2015	Budget 2015	2015	Budget 2015	2015	Budget 2015	2015	Budget 2015	2015	Budget 2015	2015	Budget 2015	2015	Budget 2015
Revenues														
Federal Government	793,579	891,514	327,283	300,000	180,165	9,000	234,673	190,000	1,417,293	1,417,293	1,417,293	1,417,293	8,795,954	7,092,676
Provincial Government	28,850	-	3,119,020	2,055,500	6,686,075	6,720,000	2,405,900	1,086,540	76,903	96,960	1,138,507	1,397,000	182,461	138,960
Economic Activities	194,657	-	-	-	50,000	-	-	-	142,789	93,040	22,487	41,400	5,612,748	6,101,000
Other revenue	119,630	36,000	-	-	-	-	-	-	-	-	-	-	16,883,500	15,183,337
Total revenue	1,136,716	927,514	3,446,303	2,355,500	6,736,075	6,720,000	2,586,065	1,095,540	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	189,840	8,795,954	7,092,676
Amortization	-	-	-	-	-	-	-	-	-	-	-	-	1,417,293	-
Debt servicing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cost of goods sold	1,053,629	702,514	1,080,666	999,296	4,474,231	4,704,000	632,016	201,100	76,903	96,960	1,138,507	1,397,000	182,461	138,960
Other expenses	1,053,629	702,514	1,080,666	999,296	714,931	829,650	632,016	201,100	142,789	93,040	22,487	41,400	16,883,500	15,183,337
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	1,638,240	32,891,946	28,517,973
Annual surplus (deficit)	\$ (182,953)	\$ -	\$ 1,846,267	\$ 768,604	\$ 1,442,658	\$ 1,068,830	\$ 849,938	\$ 841,119	\$ 236,076	\$ 192,000	\$ (28,275)	\$ 15,760	\$ (444,159)	243,003