SIPEKNE'KATIK

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2017

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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, 2017, 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, 2017 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 Lenehan

Andrew D. Lenehan
Chartered Accountant

Woodstock, New Brunswick
July 21, 2017

SIPEKNE'KATIK

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MARCH 31, 2017

	2017	2016
Financial Assets		
Cash (Note 9)	**$ 1,792,059**	$ 663,658
Accounts receivable (Note 8)	**2,013,610**	1,733,169
Funds on deposit with INAC (Note 6)	**81,555**	80,070
Funds held in trust (Note 10)	**133,115**	-
Inventory (Note 4)	**46,893**	62,238
	4,067,232	2,539,135
Liabilities		
Accounts payable (Note 11)	**4,611,722**	4,709,815
Deferred revenue (Note 12)	**825,243**	39,650
Due to minor band members (Note 18)	**705,758**	786,758
Investments (Note 3)	**31,410**	40,358
Long-term debt (Note 13)	**3,248,320**	3,297,052
	9,422,453	8,873,633
Net debt	**(5,355,221)**	(6,334,498)
Non-financial Assets		
Tangible capital assets (Note 14)	**19,583,149**	18,045,553
Prepaid expenses (Note 5)	**23,265**	23,699
	19,606,414	18,069,252
Accumulated Surplus (Note 15)	**$ 14,251,193**	$ 11,734,754

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, 2017

	2017 Budget	2017 Actual	2016 Actual
Surplus (deficit)	**854,136**	**2,516,439**	2,553,392
Acquisition of tangible capital assets	**-**	**(3,036,152)**	(1,064,531)
Disposal of tangible capital assets	-	**76,293**	78,548
Amortization of tangible capital assets	**1,300,000**	**1,422,262**	1,374,046
	1,300,000	**(1,537,597)**	388,063
(Increase) decrease of prepaid expenses	-	**435**	(23,697)
(Decrease) increase in net financial assets	**2,154,136**	**979,277**	2,917,758
Net debt at beginning of year	**(6,334,498)**	**(6,334,498)**	(9,252,256)
Net debt at end of year	**$ (4,180,362)**	**$ (5,355,221)**	**$** (6,334,498)

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, 2017

	2017 Budget Unaudited	2017 Actual	2016 Actual
Revenues			
Indigenous and Northern Affairs Canada	$ 7,572,016	$ 9,079,275	$ 7,792,783
Tobacco store	7,130,000	8,268,974	7,500,855
Mi'kmaw Kina'matneway	6,684,800	6,817,643	6,850,941
Gaming	3,830,000	4,834,981	4,286,703
Fisheries	3,738,006	3,604,892	3,802,107
Other	1,348,203	1,552,369	1,604,724
Gas bar	1,110,000	1,501,022	1,163,354
Health Canada	1,397,328	1,555,823	1,477,545
METS	747,577	959,871	737,871
	33,557,930	38,174,850	35,216,883
Cost of goods sold	6,250,000	7,653,330	6,406,981
Gross profit	27,307,930	30,521,520	28,809,902
Expenditures			
Social Development	5,551,617	5,380,166	5,559,888
Band Administration	2,034,000	2,181,443	1,812,148
Education	6,693,800	6,872,283	6,948,341
Capital and Housing	845,900	1,110,499	774,093
Operating and Maintenance	2,098,050	2,753,647	1,969,573
Economic Development	242,435	241,173	325,470
Community Health	1,397,328	1,593,415	1,621,636
Employment Training	835,577	1,052,729	945,451
Gaming	1,773,500	1,724,532	1,727,912
Tobacco Store	782,250	662,844	730,979
Fisheries	2,253,576	1,918,279	1,899,240
Housing Projects	370,411	887,350	366,945
Gas Bar	200,350	198,203	177,445
	25,078,794	26,576,563	24,859,121
Surplus before other items	2,229,136	3,944,957	3,950,781
Other items			
Amortization	(1,300,000)	(1,422,262)	(1,374,046)
Forensic audit	(75,000)	(6,256)	(23,342)
	(1,375,000)	(1,428,518)	(1,397,388)
Surplus	854,136	2,516,439	2,553,392
Accumulated surplus at beginning of year	11,734,752	11,734,752	9,181,360
Accumulated surplus at end of year	$ 12,588,888	$ 14,251,191	$ 11,734,752

The accompanying notes are an integral part of the financial statements

SIPEKNE'KATIK

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2017

	2017	2016
Cash flows from		
Operating activities		
Surplus	$ 2,516,439	$ 2,553,392
Items not affecting cash		
Amortization expense	1,422,262	1,374,046
Investment in Wallace Hill	(8,948)	(1,191)
	3,929,753	3,926,247
Change in non-cash operating working capital		
Accounts receivable	(280,441)	(743,434)
Inventory	15,345	60,839
Prepaid expenses	434	(23,699)
Funds on deposit with INAC	(1,485)	(831)
Funds held in trust (Note 10)	(133,115)	
Accounts payable	(98,093)	(983,303)
Deferred revenue	785,593	(278,896)
Due to minor band members	(81,000)	(36,000)
	4,136,991	1,920,923
Capital activities		
Acquisition of tangible capital assets	(3,036,152)	(1,064,531)
Disposal of tangible capital assets	76,293	78,548
	(2,959,859)	(985,983)
Financing activities		
Proceeds of long-term debt	480,400	490,517
Repayment of long-term debt	(529,131)	(414,352)
	(48,731)	76,165
Increase in cash and cash equivalents	1,128,401	1,011,105
Cash, beginning of year	663,658	(347,449)
Cash, end of year	$ 1,792,059	$ 663,658

The accompanying notes are an integral part of the financial statements

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.

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

(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.

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.

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

		2017		2016
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.		(31,413)		(40,361)
	$	(31,410)	$	(40,358)

4. Inventory

		2017		2016
Fuel for resale	$	16,704	$	8,218
Tobacco for resale		30,189		54,020
	$	46,893	$	62,238

5. Prepaid expenses

	2017	2016
Fuel and propane	$ 23,265	$ 23,699

6. Funds on deposit with INAC

	March 31, 2016	Additions (interest)	Withdrawals	March 31, 2017
Revenue	$ 39,731	$ 1,484	$ -	$ 41,216
Capital	40,339		-	40,339
	$ 80,070	$ 1,484	$ -	$ 81,555

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, 2017:

MRJJ Management Inc. - $59,200
Amcrest Management Inc. - $172,200
Wallace Hill Development Inc. - $416,586
Total due from related parties - $647,986

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; Michael P. Sack, Ronnie Augustine, Jerry F. 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.

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

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. As of July 7, 2017, $3,999 has been recovered from the sale of two vehicles.

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

3. Wallace Hill Development Inc.

The balances due from Wallace Hill Development Inc. are unsecured, non-interest bearing with no specific terms of repayment.

8. Accounts Receivable

	2017	2016
Indigenous and Northern Affairs Canada	$ 275,263	$ -
Mi'kmaw Kina'matnewey	280,601	58,538
METS programs	306,997	360,102
Other government departments	378,994	395,061
Employees and other band members	123,484	139,505
Department of Fisheries and Oceans	175,569	479,800
Canada Mortgage and Housing Corporation	69,450	149,906
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
Health Canada	60,000	45,255
Leased licences - fisheries	40,000	40,000
Other	134,382	20,795
Wallace Hill Development Incorporated (Note 7)	416,586	291,923
	2,972,013	2,691,572
Allowance for doubtful accounts	(958,403)	(958,403)
	$ 2,013,610	$ 1,733,169

9. Cash / cheques written in excess of deposits

Under the terms of agreement with Canada Mortgage and Housing Corporation, Sipekne'katik must set aside funds annually for the anticipated repair, maintenance and replacement of assets under the Section 95 program. 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:

	2017	2016
Cash on hand	$ 82,899	$ 66,010
Cheques written in excess of deposits	(289,671)	(515,765)
Guaranteed Investment Certificates (GIC's)	1,481,425	813,413
Externally restricted CMHC reserve GIC	517,406	300,000
	$ 1,792,059	$ 663,658

10. Funds held in trust

Funds held in trust consist of forfeiture funds receivable through the Adult Diversion Program.

11. Accounts payable

	2017	2016
Current		
Trade	$ 1,297,588	$ 1,282,123
Receiver General - payroll deductions	-	46,849
Pension plan remittance	-	13,566
Worker's compensation	31,553	84,697
	1,329,141	1,427,235
Long term		
Trade accrued liabilities	3,282,581	3,282,581
	$ 4,611,722	$ 4,709,816

12. Deferred revenue

	2017	2016
INAC - Cultural Funding - Arbour	$ 297,500	$ -
INAC - Economic Development Corporation - CEO	20,766	-
INAC - Immediate Needs - Renovations	150,000	-
INAC - Innovation - Housing Authority Feasability	80,000	-
INAC - Cap Dev - Needs Assessment and Training	75,000	-
INAC - Capacity Development - Subdivision	45,283	-
INAC - Cap Dev - Mould, Pesticide and Pest Training	30,000	-
Province of NS - Consultation	-	30,000
Province of NS - Strategic Opportunities	5,000	-
Wagmatcook Band Council - Give us Wings	7,000	7,000
Health Canada - Aboriginal Head Start Building	100,000	-
Health Canada - Capital - Health Centre	10,000	-
NS Health Authority - Food Bank Funding	2,650	2,650
NS Health Authority - All About Me	2,044	-
	$ 825,243	$ 39,650

13. Long-term debt

	2017	2016
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.	$ 260,683	$ 291,637
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
Canada Mortgage and Housing Corporation Housing project mortgages due October 2016 to December 2021, bearing interest at 0.68% to 2.00%, payable in equal monthly amounts of principal and interest totaling $22,347. Mortgages are guaranteed by the Minister of Indigenous and Northern Affairs Canada.	2,623,233	2,521,664
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)	83,084	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)	31,320	67,045
Royal Bank of Canada 4.20% loan, payable $4,627 monthly including interest, due March 2022, secured by fisheries building	250,000	-
	3,248,320	3,297,052
Current portion	356,536	529,587
	$ 2,891,784	$ 2,767,465

13. 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:

2017-18	$ **356,536**
2018-19	**283,023**
2019-20	**236,318**
2020-21	**241,650**
2021-22	**247,113**
2022 and thereafter	**1,883,680**
	$ **3,248,320**

14. Tangible Capital Assets

	Cost				Accumulated amortization				
	Balance, beginning of year	Additions	Disposals	Balance, end of year	Balance, beginning of year	Amortization	Accumulated amortization on disposals	Balance, end of year	**2017 net book value**
Land	$ 189,275	$ 63,681	$ -	$ 252,956	$ -	$ -	$ -	$ -	$ 252,956
Buildings	2,002,610	945,412	-	2,948,022	982,806	68,005	-	1,050,811	1,897,211
Vehicles	654,042	522,453	-	1,176,495	519,085	100,292	-	619,377	557,118
Band housing projects	14,517,940	1,093,003	(115,000)	15,495,943	7,859,536	365,996	(38,707)	8,186,825	7,309,118
Furniture and equipment	702,295	-	-	702,295	592,976	21,864	-	614,840	87,455
Community centre	2,905,269	52,997	-	2,958,266	2,664,610	53,432	-	2,718,042	240,224
Pump/gaming renovations	30,896	-	-	30,896	25,016	1,176	-	26,192	4,704
Community housing	2,371,070	-	-	2,371,070	1,348,460	102,261	-	1,450,721	920,349
Administration building	917,433	-	-	917,433	739,544	17,789	-	757,333	160,100
Health centre	873,671	-	-	873,671	622,933	25,074	-	648,007	225,664
P-12 school	7,137,737	-	-	7,137,737	2,401,959	236,789	-	2,638,748	4,498,989
Recreational facilities	246,593	-	-	246,593	117,271	12,932	-	130,203	116,390
Infrastructure	4,243,489	-	-	4,243,489	2,797,168	115,706	-	2,912,874	1,330,615
Public works dept	1,513,270	-	-	1,513,270	656,249	171,404	-	827,653	685,617
Roads	1,290,165	-	-	1,290,165	853,113	34,964	-	888,077	402,088
Fishing vessel	771,725	358,605	-	1,130,330	141,200	94,579	-	235,779	894,551
	$40,367,480	$3,036,151	$ (115,000)	$43,288,631	$22,321,926	$ 1,422,263	$ (38,707)	$23,705,482	$19,583,149

SIPEKNE'KATIK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2017

	Cost				Accumulated amortization				
	Balance, beginning of year	Additions	Disposals	Balance, end of year	Balance, beginning of year	Amortization	Accumulated amortization on disposals	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
Water system	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

15. 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'matnewey by August 31st of each year.

	2017	2016
Externally restricted - education (pg. 40)	$ (297,329)	$ (406,740)
Unrestricted	(1,786,307)	(2,607,007)
Investment in capital assets	16,334,829	14,748,501
	$ 14,251,193	$ 11,734,754

16. Annual Surplus Net of Capital Related Revenues and Amortization

	2017	2016
Annual surplus (deficit)	$ 2,516,439	$ 2,553,392
Less capital related revenues included in annual surplus:		
Deduct: Federal government transfers for capital	-	(355,000)
Add: Amortization expense included in annual surplus	1,422,262	1,374,046
	1,422,262	1,019,046
Annual surplus (deficit) net of capital related revenues and amortization	$ 3,938,701	$ 3,572,438

17. 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.

18. 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 are not entitled to receive their bonus until they attain the age of 18.

		2017		2016
Balance, beginning of year	$	786,758	$	822,758
Deduct: payments related to previous years		(81,000)		(36,000)
Balance, end of year	$	705,758	$	786,758

19. 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.

20. 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, 2017, the First Nation has not fully 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.

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.

21. 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 8:

Due from MRJJ Management Inc.	$ 59,200
Due from Amcrest Management Inc.	172,200
Unapproved transfers	307,000

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.

22. Expenses by object

	2017	2016
Wages and benefits	**$ 9,118,802**	$ 8,387,131
Tobacco shop	**567,957**	640,171
Fuel and tobacco purchases	**7,653,330**	6,406,981
Social program expenses	**5,129,926**	5,295,877
Health program expenses	**672,142**	735,871
Travel	**118,981**	106,761
Tuition	**1,375,545**	1,413,809
Supplies and services	**2,688,694**	2,629,281
Interest and bank charges	**126,262**	145,499
Professional services	**687,177**	430,204
Repairs	**1,798,108**	580,027
Other	**4,292,970**	4,490,465
Amortization	**1,422,262**	1,374,046
Forensic audit	**6,256**	23,342
Total	**$ 35,658,412**	$ 32,659,465

23. 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 $95,624 (2016 - $78,112) during the year.

24. 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 $2,013,610 (2016 - $1,733,169). 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 $4,611,722 (2016 - $4,709,815). 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 and maintains a responsible cash position.

Interest rate risk

At times, the First Nation may be 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.

25. 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

SCHEDULE OF SEGMENT DISCLOSURE

YEAR ENDED MARCH 31, 2017

	Social development		Band administration		Education		Capital and housing		Operating and maintenance		Economic development		Community health	
	2017	Budget 2017	2017	Budget 2017	2017	Budget 2017	2017	Budget 2017	2017	Budget 2017	2017	Budget 2017	2017	Budget 2017
Revenues														
Federal Government	5,746,916	5,684,247	838,971	635,602	7,402,151	6,693,800	344,813	340,756	1,252,201	629,350	175,321	167,435	1,445,823	1,397,328
Provincial Government	-	-	90,000	-	-	-	-	-	9,658	-	5,000	-	-	-
Economic Activities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other revenue	(366,750)	-	915,595	467,393	15,700	-	42,000	-	443,173	457,436	-	-	30,804	-
Total revenue	5,380,166	5,684,247	1,844,566	1,102,995	7,417,851	6,693,800	386,813	340,756	1,705,032	1,086,786	180,321	167,435	1,476,627	1,397,328
Expenses														
Salaries and benefits	226,856	456,717	1,077,347	1,141,500	3,436,754	3,097,400	373,868	377,100	769,287	639,850	78,511	47,150	838,297	775,000
Amortization	-	-	1,422,262	1,300,000	-	-	-	-	-	-	-	-	-	-
Debt servicing	-	-	-	-	-	-	-	-	10,234	4,800	-	-	-	-
Cost of goods sold	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenses	5,153,310	5,094,900	1,110,351	967,500	3,435,529	3,596,400	736,631	468,800	1,974,126	1,453,400	163,662	195,285	755,118	622,328
Total expenses	5,380,166	5,551,617	3,609,960	3,409,000	6,872,283	6,693,800	1,110,499	845,900	2,753,647	2,098,050	241,173	242,435	1,593,415	1,397,328
Annual surplus (deficit)	$ -	$ 132,630	$ (1,765,394)	$ (2,306,005)	$ 545,568	$ -	$ (723,686)	$ (505,144)	$ (1,048,615)	$ (1,011,264)	$ (60,852)	$ (75,000)	$ (116,788)	$ -

	Employment training		Gaming		Tobacco store		Fisheries		Housing projects		Gas Bar		Consolidated totals	
	2017	Budget 2017	2017	Budget 2017	2017	Budget 2017	2017	Budget 2017	2017	Budget 2017	2017	Budget 2017	2017	Budget 2017
Revenues														
Federal Government	1,008,300	795,577	-	-	-	-	342,009	-	594,810	310,000	-	-	19,151,315	16,654,095
Provincial Government	-	-	369,620	240,000	-	-	-	-	-	-	-	-	374,278	240,000
Economic Activities	-	-	4,431,983	3,620,000	8,109,413	7,000,000	3,244,313	3,730,000	-	-	1,493,522	1,110,000	17,278,231	15,460,000
Other revenue	41,679	40,000	-	-	-	-	18,570	8,006	230,255	231,000	-	-	1,371,026	1,203,835
Total revenue	1,049,979	835,577	4,701,603	3,860,000	8,108,413	7,000,000	3,604,892	3,738,006	825,065	541,000	1,493,522	1,110,000	38,174,850	33,557,930
Expenses														
Salaries and benefits	449,127	373,238	846,769	853,400	83,325	86,750	774,103	519,276	-	-	164,558	154,950	9,118,802	8,542,331
Amortization	-	-	-	-	-	-	-	-	-	-	-	-	1,422,262	1,300,000
Debt servicing	-	-	-	-	-	-	-	-	49,237	88,000	-	-	59,471	92,800
Cost of goods sold	-	-	-	-	6,332,250	5,300,000	-	-	-	-	1,321,080	950,000	7,653,330	6,250,000
Other expenses	603,602	462,339	877,763	920,100	579,519	695,500	1,144,176	1,714,300	838,113	282,411	33,645	45,400	17,404,545	16,518,663
Total expenses	1,052,729	835,577	1,724,532	1,773,500	6,995,094	6,082,250	1,918,279	2,253,576	887,350	370,411	1,519,283	1,150,350	35,658,410	32,703,794
Annual surplus (deficit)	$ (2,750)	$ -	$ 2,977,071	$ 2,086,500	$ 1,113,319	$ 917,750	$ 1,686,613	$ 1,484,430	$ (62,285)	$ 170,589	$ (25,761)	$ (40,350)	$ 2,516,439	$ 854,136

SIPEKNE'KATIK

SCHEDULE OF SEGMENT DISCLOSURE

YEAR ENDED MARCH 31, 2016

	Social development 2016	Social development Budget 2016	Band administration 2016	Band administration Budget 2016	Education 2016	Education Budget 2016	Capital and housing 2016	Capital and housing Budget 2016	Operating and maintenance 2016	Operating and maintenance Budget 2016	Economic development 2016	Economic development Budget 2016	Community health 2016	Community health Budget 2016
Revenues														
Federal Government	5,684,247	5,635,425	713,728	696,197	6,852,626	6,343,877	341,057	339,179	670,550	622,595	341,502	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	-	-	50,396	-
Total revenue	5,559,888	5,343,625	1,291,807	1,365,173	6,868,326	6,343,877	383,057	339,179	1,060,781	677,195	341,502	151,851	1,527,941	1,289,641
Expenses														
Salaries and benefits	239,472	413,044	1,072,590	1,071,000	3,094,463	2,991,649	287,717	323,440	691,677	732,825	49,114	50,474	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	4,930,581	723,201	849,735	3,849,853	3,392,228	486,376	308,739	1,277,895	1,064,494	276,356	251,377	796,595	539,641
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)	$

	Employment training 2016	Employment training Budget 2016	Gaming 2016	Gaming Budget 2016	Tobacco store 2016	Tobacco store Budget 2016	Fisheries 2016	Fisheries Budget 2016	Housing projects 2016	Housing projects Budget 2016	Gas Bar 2016	Gas Bar Budget 2016	Consolidated totals 2016	Consolidated totals Budget 2016
Revenues														
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	-	-	-	-			-	-	383,877	240,000
Economic Activities	-	-	4,019,022	2,713,000	7,374,529	6,800,000	3,270,072	2,575,000	-	-	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	96,825	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									66,486	88,000			106,185	133,000
Cost of goods sold			-	-	5,377,744	4,500,000					1,029,237	1,105,000	6,406,981	5,605,000
Other expenses	890,178	787,577	931,527	842,500	653,094	651,900	850,925	328,050	300,459	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	200,000	1,206,682	1,321,500	32,659,464	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)	$ -	$ 2,553,394	$ 660,481

SIPEKNE'KATIK

SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS

GOVERNMENT TRANSFERS

YEAR ENDED MARCH 31, 2017

	2017 Operating	2017 Capital	2017 Total
Direct Federal government transfers:			
Indigenous and Northern Affairs Canada	9,079,275	-	9,079,275
Health Canada	1,555,823	-	1,555,823
Department of Fisheries and Oceans	342,009	-	342,009
Mi'kmaw Kina'matneway	6,817,643	-	6,817,643
METS	959,871	-	959,871
Canada Mortgage and Housing Corporation	595,110	-	595,110
Federal government transfer total	$ 19,349,731	$ -	$ 19,349,731
Direct Provincial government transfers:	$ 383,877	$ -	$ 383,877