

**We'koqma'q First Nation  
Consolidated Financial  
Statements  
March 31, 2014**

## Contents

	<u>Page</u>
<b>Auditors' report</b>	<b>2</b>
<b>Consolidated statement of operations</b>	<b>3</b>
<b>Consolidated statement of financial position</b>	<b>4</b>
<b>Consolidated statement of changes in net financial liabilities</b>	<b>5</b>
<b>Consolidated statement of cash flows</b>	<b>7</b>
<b>Notes to the consolidated financial statements</b>	<b>8-23</b>

## Auditors' Report

To the Chief and Councilors of the We'koqma'q First Nation

We have audited the accompanying consolidated statement of financial position of the We'koqma'q First Nation (the "Band Council") as at March 31, 2014, and the consolidated statement of operations, changes in net financial liabilities, statement of fund balances, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's responsibility for the financial statements

The Band Council's management is responsible for the preparation and fair presentation of these 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 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 Band Council'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 Band Council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Band Council's 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 We'koqma'q First Nation as at March 31, 2014, and the results of its operations, changes in its net financial liabilities, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Glace Bay, Nova Scotia  
July 31, 2014



Chartered Accountants

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**We'koqma'q First Nation  
Consolidated statement of financial position**

**March 31**

**2014**

**2013**

<b>Financial assets</b>		
Receivables (Note 4)	\$ 1,130,602	\$ 1,343,952
Replacement reserve fund (Note 5)	609	609
Band funds in trust (Note 6)	31,328	78,544
	<u>1,162,539</u>	<u>1,423,105</u>
<b>Financial liabilities</b>		
Bank indebtedness (Note 7)	1,242,739	840,916
Payables and accruals (Note 8)	2,163,974	2,139,743
HST payable (Note 9)	1,876,952	1,989,228
Deferred revenue (Note 10)	308,036	721,740
Long term debt (Note 11)	14,403,889	13,752,031
	<u>18,995,590</u>	<u>19,443,658</u>
<b>Net financial liabilities (Page 5)</b>	<b>18,833,051</b>	<b>18,020,553</b>
<b>Non-financial assets</b>		
Inventory (Note 12)	83,913	96,699
Prepaid expenses (Note 13)	53,691	73,522
Property and equipment (Note 14)	32,859,962	32,806,429
Goodwill (Note 2)	1,451,754	1,451,754
	<u>34,449,320</u>	<u>34,428,404</u>
<b>Net assets</b>	<b>\$ 15,616,269</b>	<b>\$ 16,407,851</b>
<b>Fund balances (Page 6)</b>	<b>\$ 15,616,269</b>	<b>\$ 16,407,851</b>

Contingencies (Note 16)

Commitments (Note 17)

On behalf of the Band Council

 Chief

 Band Manager

See accompanying notes to the consolidated financial statements.

**We'koqma'q First Nation**  
**Consolidated statement of operations**

Year ended March 31	Schedule	Budget (Note 3)	2014	2013
<b>Revenue</b>				
Department of Indian and Northern Affairs				
Canada	A	\$ 4,268,000	\$ 4,879,853	\$ 4,791,354
Grants – other	C/D/I	-	100,882	-
Mi'kmaq Kina'matnewey	D/P	4,509,500	4,471,695	4,369,677
Province of Nova Scotia	D	-	33,745	-
Grant – education	D	-	8,164	-
Department of Fisheries and Oceans	G	164,400	214,357	314,987
Commercial fishing	G	3,154,500	2,058,332	2,068,434
Mi'kmaq employment training secretariat	H	350,000	341,486	343,117
Grants – special	H	10,000	213,159	-
Health Canada Programs	J/Q	997,384	1,001,273	863,897
Health funding - other	J	174,125	81,379	130,168
Nurse practitioner	J	70,000	-	-
Canada Mortgage and Housing Corporation	D/I	48,000	14,652	12,000
Housing fund	L	620,000	745,900	758,885
Commercial enterprises	N	12,569,000	12,443,855	10,268,051
Province of Nova Scotia	M	190,000	168,349	155,158
Summer games	P	-	232,692	-
Grant - MPAL	Q	151,640	-	-
Sports and Recreation Nova Scotia	Q	25,000	-	-
Memberships	Q	50,000	7,846	-
Security revenue	Q	824,780	268,488	-
Miscellaneous	K	55,000	74,171	80,928
		28,031,289	27,360,278	24,156,634
Social development	B	2,482,000	3,200,136	3,173,979
Band government	C	2,215,500	1,156,977	1,209,060
Education	D	4,428,393	5,087,857	5,050,021
Operations and maintenance	E	610,000	697,160	867,854
Economic development	F	160,000	102,889	81,473
Fishery	G	2,036,005	1,424,553	1,435,984
Employment development	H	500,920	716,232	394,856
Capital projects	I	823,600	657,557	434,073
Community health and welfare	J	1,215,395	1,185,485	1,013,859
Housing fund	L	342,000	423,943	476,225
Commercial enterprises	N	11,655,650	11,444,459	9,290,059
Summer games	P	-	353,684	-
Recreation	Q	285,940	9,577	-
Waycobah Contracting Ltd.	R	692,210	269,698	-
Miscellaneous	K	30,000	58,354	48,014
		27,475,613	26,788,541	23,475,237
Excess of expenditures over revenue before Other income (expense)		555,676	571,737	681,397
Capital revenue	O	-	348,000	705,200
Depreciation		-	(1,758,380)	(1,749,517)
		-	(1,412,360)	(1,044,317)
Excess of (expenditures over revenue) revenue Over expenditures		\$ 555,676	\$ (840,523)	\$ (362,920)

See accompanying notes to the consolidated financial statements.

Year ended March 31	Budget	2014	2013
Net revenues (loss)	\$ 555,676	\$ (840,623)	\$ (362,920)
Depreciation	-	1,758,360	1,749,517
Capital assets acquired	-	(1,811,893)	(1,384,247)
	<u>\$ 555,676</u>	<u>(894,158)</u>	<u>2,350</u>
Replacement Reserve Fund allocations		73,053	70,488
Replacement Reserve Fund withdrawals		(24,796)	(77,540)
Other changes in reserve funds			(41,905)
Interest earned on restricted funds		784	298
Additions to prepaid expenses		19,831	(20,655)
Acquisition of inventory, net of usage		12,786	(55,329)
	<u>81,658</u>	<u>(124,643)</u>	
Change in net Financial liabilities		(812,498)	(122,293)
Net Financial liabilities, beginning of year		<u>(18,020,553)</u>	<u>(17,898,280)</u>
Net financial liabilities, end of year		<u>\$ (18,833,051)</u>	<u>\$ (18,020,553)</u>

See accompanying notes to the consolidated financial statements.

**We'koqma'q First Nation  
Consolidated statement of cash flows**

**Year Ended March 31**

**2014**

**2013**

Decrease in cash and cash equivalents

**Operations**

Excess of revenues over expenditures	\$ (840,623)	\$ (362,920)
Depreciation	1,758,360	1,749,517
Allocation to replacement reserve	73,053	70,488
Charges to replacement reserve	(24,796)	(77,540)
Other replacement reserve adjustments		(41,905)
Change in non-cash operating working capital		
Receivables	213,350	(23,507)
Prepaid expenses	19,831	(20,655)
Inventory	12,786	(55,329)
Payables and accruals	24,231	122,482
HST payable	(112,276)	(77,144)
Deferred revenue	(413,704)	717,823
	<u>710,212</u>	<u>2,001,290</u>

**Financing**

Trust contributions	784	298
Issue of long term debt	1,637,401	572,240
Repayment of long term debt	(985,543)	(1,163,634)
	<u>652,842</u>	<u>(591,096)</u>

**Investing**

Capital assets acquired	<u>(1,811,893)</u>	<u>(1,384,247)</u>
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Net increase (decrease) in cash and cash equivalents (449,039) 25,947

Cash and cash equivalents, beginning of year (761,763) (787,710)

Cash and cash equivalents, end of year \$ (1,210,802) \$ (761,763)

**Cash and cash equivalents consist of:**

Bank indebtedness	\$ (1,242,739)	\$ (840,916)
Funds in trust	31,328	78,544
Restricted cash	609	609
	<u>\$ (1,210,802)</u>	<u>\$ (761,763)</u>

See accompanying notes to the consolidated financial statements.

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# We'koqma'q First Nation

## Notes to the consolidated financial statements

March 31, 2014

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### 1. Nature of operations

The purpose of the We'koqma'q First Nation is to provide services to its community for civic improvement, social welfare, housing, education and economic development.

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### 2. Summary of significant accounting policies

#### Reporting entity and principles of financial reporting

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, which encompass the principles common with First Nations.

The consolidated financial statements of the We'koqma'q First Nation are the representations of management prepared in accordance with Canadian generally accepted accounting principles for local governments, as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

The focus of PSAB financial statements is on the financial position of the First Nation and the changes thereto. The consolidated statement of financial position includes all the assets and liabilities of the First Nation.

Significant aspects of the accounting policies adopted by the First Nation are as follows:

#### Principles of consolidation

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

#### Revenue recognition

We'koqma'q First Nation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when recovered or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

#### Canada Mortgage and Housing Corporation (CMHC) replacement reserve

The replacement reserve account is funded by an annual charge against earnings as opposed to an appropriation of surplus.

# We'koqma'q First Nation

## Notes to the consolidated financial statements

March 31, 2014

### 2. Summary of significant accounting policies (continued)

#### Canada Mortgage and Housing Corporation (CMHC) – Revenues and expenditures

Revenue and expenditures are recorded according to the accrual basis of accounting. Rental revenue for projects constructed in the No. 14275 series is recorded at a flat monthly rate of \$200 per unit and not on a rent-to-income basis as set out in the agreement with the Canada Mortgage and Housing Corporation. Rental revenue for projects constructed in the No. 19042 series is recorded at the lower end of market.

Rental revenue is only being collected from tenants on social assistance and all uncollected rental revenue is paid by the We'koqma'q First Nation Administration Fund.

#### Land – Housing Projects

Land is valued at the estimated fair market value as per the Section 56.1 application. No value for land has been recorded if not specified on the Section 56.1 application.

#### Goodwill

The excess of the cost of acquiring the assets of Rod's One Stop over the value assigned to the identifiable net tangible assets acquired is goodwill.

Goodwill is subject to an assessment of impairment by applying a fair value based test on an annual basis. The Company will also evaluate goodwill for impairment between the annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. The Company uses discounted expected future cash flows to determine the fair value the business. Goodwill impairment is then assessed based upon a comparison of the fair value of the Company to the underlying carrying values of the reporting unit's net assets, including goodwill. If the carrying amount of the Company exceeds its fair value, an impairment charge is recorded to the extent that the carrying amount of the goodwill exceeds its fair value.

	<u>2014</u>	<u>2013</u>
Goodwill at original cost	\$ 2,125,093	\$ 2,125,093
Accumulated amortization	(423,339)	(423,339)
Disposition	<u>(250,000)</u>	<u>(250,000)</u>
	<u>\$ 1,451,754</u>	<u>\$ 1,451,754</u>

#### Use of estimates

In preparing the Band's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

# We'koqma'q First Nation

## Notes to the consolidated financial statements

March 31, 2014

### 2. Summary of significant accounting policies (continued)

#### Depreciation

Rates and bases of depreciation applied to write off the cost of property and equipment over their estimated lives are as follows:

Buildings	4-10%, straight line
Housing properties	25 year, straight line
Fishing vessels	4%, straight line
Equipment	20%, straight line
Vehicles	30%, straight line
Community housing	4%, straight line
Subdivision	4%, straight line
Infrastructure	4-20%, straight line
Project Haven	4%, straight line
Rod's One Stop	3-10 years, straight line

#### Investments

Investments are valued at the lower of cost and net realizable value.

#### Inventory

Inventory is valued at the lower of cost and net realizable value less normal profit margins using the retail inventory method.

#### Income taxes

The Band Council is exempt from income taxes under Section 149(l)(c) of the *Canadian Income Tax Act*.

#### Cash and cash equivalents

Cash and cash equivalents include cash on hand and bank balances, net of bank overdraft. Bank borrowings are considered to be financing activities.

#### Interest rate risk

The Band has interest bearing loans on which general interest rate fluctuations apply. The financial risk is the risk to the Band's earnings that arises from fluctuations in interest rates and the degree of volatility of these rates. The Band does not use derivative instruments to reduce its exposure to interest and foreign currency risk.

#### Financial instruments

The Band's financial instruments consist of bank indebtedness, receivables, payables, and long-term debt. The carrying value of the other financial instruments approximates their fair market value at March 31, 2014.

# We'koqma'q First Nation

## Notes to the consolidated financial statements

March 31, 2014

### 3. Budget figures

Budget figures have been compiled from information provided by management. These figures have not been audited or verified by any means and are provided for comparative purposes only.

4. Receivables	2014	2013
Indian Affairs and Northern Development – Fire Protection	\$ -	\$ 22,000
Indian Affairs and Northern Development – Municipal service	-	56,000
Indian Affairs and Northern Development – Waste water	-	48,430
Indian Affairs and Northern Development – Commemoration	-	2,000
CMHC	-	3,679
Cape Breton Regional Health Authority	-	70,564
Department of Fisheries and Oceans	421,087	487,473
Enterprise Cape Breton Corporation	-	164,729
Health Canada	1,500	6,439
Mi'kmaw Kina'matnewey Education	88,042	48,778
Mi'kmaw Employment and Training Secretariat	81,090	78,669
Province of Nova Scotia Gaming Agreement	149,875	110,746
Bus loans	73,698	95,326
Land claims	17,210	17,210
Core advances	24,020	51,534
Trade and sundry	335,632	91,927
Less: allowance for doubtful accounts	<u>1,192,154</u>	<u>1,355,504</u>
	<u>61,552</u>	<u>11,552</u>
	<u><u>\$ 1,130,602</u></u>	<u><u>\$ 1,343,952</u></u>

The Band is exposed to credit risk on accounts receivable of non-governmental customers. In order to reduce the credit risk, the Band has adopted credit policies which include the analysis of the financial position of its customers and the regular review of their credit limits. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of individual customers, historical trends and other information.

**We'koqma'q First Nation**  
**Notes to the consolidated financial statements**

March 31, 2014

**5. Replacement reserve fund**

Under the terms of the agreement with the C.M.H.C., the replacement reserve account is to be credited in the amount of \$73,053 annually. The required replacement reserve for 2014, based on the dates subsidy assistance commenced is \$73,053 (2013 - \$70,488). These funds along with accumulated interest must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by the C.M.H.C. from time to time. The funds in the account may only be used as approved by the C.M.H.C. Withdrawals are credited to interest first and then principal. At year end, the funds in reserve consisted of the following:

	<u>2014</u>	<u>2013</u>
Cash	<u>\$ 609</u>	<u>\$ 609</u>

**6. Band funds in trust**

	<u>2014</u>	<u>2013</u>
Consolidated revenue fund (Note 19)	<u>\$ 31,328</u>	<u>\$ 30,544</u>
Trust funds held for purchase of building	<u>-</u>	<u>48,000</u>
	<u><b>\$ 31,328</b></u>	<u><b>\$ 78,544</b></u>

**7. Band indebtedness**

	<u>2014</u>	<u>2013</u>
Cash in bank accounts (overdraft)		
We'koqmaq First Nation Band	<u>\$ (762,253)</u>	<u>\$ (793,690)</u>
We'koqmaq First Nation Housing	<u>(1,880,995)</u>	<u>(598,921)</u>
Rods One Stop	<u>2,810,838</u>	<u>1,562,010</u>
	<u>(12,410)</u>	<u>169,399</u>
Less outstanding cheques	<u>(428,178)</u>	<u>(307,826)</u>
Net balances in bank accounts of all entities	<u>(440,588)</u>	<u>(138,427)</u>
Line of credit - Peace Hills Trust	<u>(802,151)</u>	<u>(702,489)</u>
Net consolidated cash position	<u><b>\$ (1,242,739)</b></u>	<u><b>\$ (840,916)</b></u>

The Peace Hills Trust line of credit is in the amount of \$500,000 and bears interest at 4.75%. The line of credit is fully advanced at year end. Amounts advanced in excess of the authorized limit bear interest at 24.00% per annum

**We'koqma'q First Nation  
Notes to the consolidated financial statements  
March 31, 2014**

<b>8. Payables and accruals</b>	<b>2014</b>	<b>2013</b>
Trade accounts payable	\$ 2,058,784	\$ 1,735,123
Accrued liabilities	105,180	304,620
Advance from Premium Seafoods	<u>—</u>	<u>100,000</u>
	<b>\$ 2,163,974</b>	<b>\$2,139,743</b>

**9. HST payable**

During the fiscal year ended March 31, 2011, the Band was able to reach an agreement with Canada Revenue Agency for repayment of the HST liability stemming from selling practices in the 2004 and 2005 fiscal years.

The agreement with Canada Revenue Agency states that the Band is required to provide the Agency with monthly installments of \$8,000 beginning April 1, 2011, to be applied against the principle owing. All interest and penalties stemming from this liability have been forgiven on the condition that returns and payments are received on time

<b>10. Deferred revenue</b>	<b>2014</b>	<b>2013</b>
Funding not fully expended by March 31, 2014, has been treated as deferred revenue by the Band and will be brought into income in the fiscal year when the related expenditures are incurred.		
The specific programs and amounts deferred are as follows:		
Department of Fisheries and Oceans	\$ 197,310	\$ 53,000
Mi'kmaw Kina'matnewey	71,000	3,909
AANDC – 08557 Capital waste water	<u>—</u>	237,000
AANDC – 08502 Community response	<u>39,726</u>	<u>427,831</u>
	<b>\$ 308,036</b>	<b>\$ 721,740</b>

**We'koqma'q First Nation**  
**Notes to the consolidated financial statements**

March 31, 2014

<b>11. Long term debt</b>	<b>2014</b>	<b>2013</b>
C.M.H.C Housing Projects mortgages, maturing in 2015 to 2018, bearing interest at 1.49% to 7.34%, repayable in equal monthly instalments of principal and interest totalling \$37,541. As security, the Minister of Indian and Northern Affairs has provided a guarantee to C.M.H.C.	\$ 5,707,787	\$ 5,837,989
3.00% Royal Bank Section 10 mortgage, maturing in November 2016, repayable in blended monthly instalments of \$2,002.	45,757	67,839
3.47% Royal Bank Section 10 Mortgage, maturing in March 2015, repayable in blended monthly instalments of \$1,063.	111,446	120,147
Prime plus 1% Term Loan, repayable in blended monthly instalments of \$24,395.	361,177	521,832
6.30% Term Loan, repayable blended monthly instalments of \$782.	113,610	115,898
5.60% Term Loan, repayable in blended monthly instalments of \$8,690.	1,243,049	1,277,930
3.25% Term Loan, maturing in September 20, 2015, repayable in blended monthly instalments of \$1,404	161,494	172,893
Prime plus 1% Mortgage Payable, maturing May 1, 2015, repayable in blended monthly instalments of \$4,275. As security, the entity has provided a general security agreement and first charge on two vessels.	193,447	246,009
Non-Interest bearing loan, repayable in annual instalments from crab fishery revenue.	80,000	120,000
Prime plus 3% Term Loan, repayable in blended quarterly instalments of \$6,089	72,227	92,807
4.8% term loan, repayable in equal monthly instalments of \$545, including interest	-	1,071
6.15% Term Loan, repayable in blended monthly instalments of \$2,300.	329,814	336,730

**We'koqma'q First Nation**  
**Notes to the consolidated financial statements**  
**March 31, 2014**

<b>11. Long term debt (cont'd)</b>	<b>2014</b>	<b>2013</b>
6.10% Term Loan, repayable in blended monthly instalments of \$16,739.	2,439,303	2,492,463
7.50% Term Loan, repayable in blended quarterly instalments of \$26,531.	369,936	509,471
3.95% Term Loan, repayable in blended monthly instalments of \$1,452.	194,001	201,075
6.15% Term Loan, repayable in blended monthly instalments of \$8,435.	1,224,510	1,250,989
4.5% Term Loan, repayable blended monthly instalments of \$3,776.	93,780	144,776
5.09% Term Loan, repayable in blended monthly instalments of \$369.	42,532	45,136
4.7% Term Loan, repayable in blended monthly instalments of \$3,746.	160,511	198,976
3.28% Term Loan, repayable in blended monthly instalments of \$436.	88,668	-
Prime + 2% Term Loan, repayable in blended monthly instalments of \$4,104.	746,845	-
5.75% Term Loan, repayable in blended monthly instalments of \$11,530	600,000	-
5.75% Term Loan, repayable in blended monthly instalments of \$560	<u>23,995</u>	<u>-</u>
Less: Current portion	<u>14,403,889</u>	<u>13,752,031</u>
	<u>625,316</u>	<u>427,368</u>
	<b><u>\$ 13,778,573</u></b>	<b><u>\$ 13,324,663</u></b>

Principal repayments in each of the next five (5) years are due as follows:

2015	\$ 625,316
2016	\$ 648,715
2017	\$ 619,928
2018	\$ 504,465
2019	\$ 412,644

**We'koqma'q First Nation**  
**Notes to the consolidated financial statements**

March 31, 2014

12. Inventory	2014	2013
We'koqma'q First Nation – Rods One Stop	\$ 83,913	\$ 96,699

Inventory consists of retail goods on hand valued at the lower of cost and net realizable value held by We'koqma'q First Nation – Commercial Enterprises (Rods One Stop).

13. Prepaid expenses	2014	2013
Prepaid tuition	\$ 53,691	\$ 73,522

Prepaid expenses consist of amounts paid to educational institutions for tuition for the period January 1 through June 30.

14. Property and equipment	2014	2013		
	Cost	Accumulated depreciation	Net book value	Net book value
Land	\$ 35,000	\$ -	\$ 35,000	\$ 35,000
Buildings				
Band office	1,858,432	912,892	945,540	984,937
School	8,850,990	1,905,836	6,945,154	7,234,534
Police station	322,987	132,136	190,851	198,803
Fisheries	826,862	221,524	605,338	560,123
Health centre	2,379,190	428,424	1,949,766	2,031,006
Fire station	127,860	70,553	57,307	59,695
Fitness Centre	133,768	2,675	131,093	-
Waycobah Contracting	129,219	-	129,219	-
Equipment and furniture	1,483,372	1,101,415	381,957	449,875
Fishing vessels	2,543,484	875,130	1,668,354	1,737,869
Fish Farm	1,281,386	271,491	1,009,895	1,122,108
Vehicles	287,188	253,158	34,030	5,924
Community housing	5,101,953	1,517,122	3,584,831	2,751,433
Subdivision	9,563,729	2,038,071	7,525,658	7,782,163
Infrastructure	4,232,757	3,106,758	1,125,999	988,672
Project Haven	198,931	198,931	-	-
Rod's One Stop	1,332,897	1,054,348	278,549	334,650
Housing properties	11,502,969	5,241,548	6,261,421	6,529,639
	<u>\$ 52,192,974</u>	<u>\$ 19,333,012</u>	<u>\$ 32,859,962</u>	<u>\$ 32,806,429</u>

# We'koqma'q First Nation

## Notes to the consolidated financial statements

March 31, 2014

### 15. Capital management

The primary objectives of We'koqma'q First Nation's capital management is to provide adequate funding to ensure efficient delivery of its services to the Band Members, primarily through the provision of housing services.

We'koqma'q First Nation monitors and makes adjustments to its capital structure when necessary, in light of changes to economic conditions, the objectives of the First Nation and the cash requirements of the entity.

We'koqma'q First Nation considers its total capitalization to include all interest-bearing debt including long term debt and the current portion thereof, equity, net of cash. The calculation is set out in the following table:

	<u>2014</u>	<u>2013</u>
Long term debt	\$ 14,403,889	\$ 13,752,031
Add: bank indebtedness	<u>1,242,739</u>	<u>840,916</u>
Net funded debt	15,646,628	14,592,947
Equity	<u>15,666,269</u>	<u>16,407,851</u>
Capital under management	<u>\$ 31,312,897</u>	<u>\$ 31,000,798</u>

Although We'koqma'q First Nation does not include operating lease in its definition of capital, the entity does give consideration to its obligations under operating leases when assessing its total capitalization.

The primary investments undertaken by We'koqma'q First Nation includes improvements and additions to the housing properties, community buildings and infrastructure. The entity relies largely on its cash flow from operations to fund its capital investment program. The cash flow is supplemented, when necessary, through the borrowing of additional debt. No changes were made to these objectives in the current period.

For the year ended March 31, 2011, the We'koqma'q First Nation was operating under the terms of a Remedial Management Plan (RMP) with the Department of Indian Affairs. Under the terms of this agreement the First Nation was required to achieve annual deficit reduction targets from operations totalling \$1,210,000 over a six year period. The We'koqma'q First Nation plans to continue to meet this targeted deficit reduction

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## We'koqma'q First Nation Notes to the consolidated financial statements

March 31, 2014

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### 16. Contingencies

- a) The band has entered into funding arrangements and contribution agreements with various government departments and agencies. Funding received under these arrangements and agreements are subject to repayment if the Band fails to comply with the terms and conditions of the agreements
- b) Subsidy assistance payments received through C.M.H.C. pursuant to Section 56.1 of the National Housing Act are subject to repayment if the housing projects fail to comply with the terms and conditions of the agreement. As at March 31, 2014, the housing projects have not complied with all the terms and conditions including its failure to calculate rent-to-income in accordance with sub-paragraph 2(5) of the Operating Agreement.

The projects have received Federal assistance through C.M.H.C. pursuant to Section 56.1 of the National Housing Act to reduce the mortgage interest expense to enable the projects to provide housing to low income individuals. The amount of assistance recorded for the year ended March 31, 2014, was \$215,187 which was recorded as revenue.

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### 17. Commitments

The We'Koqma'q First Nation has entered into an agreement with Premium Seafoods Limited which expires in December 2015. Under the terms of the agreement, the We'Koqma'q First Nation has agreed to deal exclusively with Premium Seafoods Limited with respect to We'Koqma'q's entire fishery including all fish species, shellfish, fish products and other entitlements.

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### 18. Economic dependence

The We'koqma'q First Nation receives a major portion of its revenues pursuant to a funding arrangement with Indian and Northern Affairs Canada.

# We'koqma'q First Nation

## Notes to the consolidated financial statements

March 31, 2014

### 19. Trust Fund

The Trust Fund arises from monies derived from capital or revenue sources as outlined in Section 62 of the *Indian Act*. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada and are subject to audit by the Office of the Auditor General of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the *Indian Act*.

The changes in net assets of the Trust Fund during the year are as follows:

	<u>2014</u>	<u>2013</u>
Net assets, beginning of year	\$ 30,544	\$ 30,246
Interest earned	<u>784</u>	<u>298</u>
Net assets, end of year	<u><u>\$ 31,328</u></u>	<u><u>\$ 30,544</u></u>

### 20. Operating reserve fund

After the payment of all costs and expenses including the allocation to the Replacement Reserve, any surplus revenue will be retained by the First Nation within an Operating Reserve fund. Interest earnings must accrue to and be maintained in the Operating Reserve fund. The Project's Operating Reserve fund may only be used for the ongoing operating costs of the housing projects committed under the 1997 On-Reserve Program (19042 886 series housing projects).

Accordingly, future years' deficits may be recovered from the Operating Reserve fund. The First Nation agrees to maintain Operating Reserve funds in a separate bank account and/or invested only in accounts or instruments insured by the CDIC, or as may otherwise be mutually agreed to by the First Nation and CMHC.

	<u>2014</u>	<u>2013</u>
Deficit, beginning of year	\$ (99,011)	(\$112,016)
Adjustments made to by CMHC	<u>-</u>	<u>20</u>
Deficit as recognized by CMHC	<u>(99,011)</u>	<u>(111,996)</u>
Current year excess of revenue over expenditures	<u>10,049</u>	<u>12,985</u>
Deficit, end of year	<u><u>\$ (88,962)</u></u>	<u><u>\$ (99,011)</u></u>

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## We'koqma'q First Nation

### Notes to the consolidated financial statements

March 31, 2014

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#### 21. Segmented Information

We'koqma'q Reserve Band Council provides a wide range of services to its members, including training, education, social, health care and housing. For management reporting purposes We'koqma'q Reserve Band Council's operations and activities are organized and reported by Divisions. The Divisions were created for the purpose of recording activities to comply with specific regulations and requirements.

Divisions that have been separately disclosed in the consolidated schedules of revenues and expenditures on the following pages are:

Social Development – social assistance provided to qualifying members.

Band Government – all associated with the administration of the Band operations

Education – providing elementary, secondary and post-secondary tuition for qualifying members along with related programs and support.

Operations and Maintenance – repairs and maintenance carried out during the year to the community buildings.

Economic Development – specified development projects undertaken by the Band.

Department of Fisheries and Oceans – AFS Program – management of the DFO fisheries operations.

Employment Development – activities related to job training and skills.

Capital Projects – provides capital construction projects for the community.

Health Canada – activity of the Health Centre which provides a variety of health care programs and support.

Miscellaneous – all other items not reported in a specified division.

Housing Fund – Section 95 and non-subsidized housing operation

Gaming – Monies received from the Province of Nova Scotia from casino profits.

Commercial enterprises – Operating results from Rods One Stop

Capital Revenue – Funding received in support of capital expenditures.

Summer games – operating results from hosting the Nova Scotia Mi'kmaw Summer Games.

Recreation – activities relating to operation of the gymnasium.

Waycobah Contracting Ltd. – Operating results for security company.

**We'koqma'q First Nation**  
**Notes to the consolidated financial statements**  
March 31, 2014

**22. Government transfers**

	<u>Operating</u>	<u>Capital</u>	<u>2014 Total</u>
Aboriginal Affairs and Northern Development Canada	\$4,879,853	\$346,000	\$5,225,853
Health Canada	1,001,273	-	1,001,273
Department of Fisheries and Oceans	214,357	-	214,357
Canada Mortgage and Housing	215,187	14,652	229,839
Mi'kmaq Kina'matnewey	4,471,695	-	4,471,695
Mi'kmaq Employment/ Training Secretariat	341,486	-	341,486
<b>Sub-total</b>	<b>11,123,851</b>	<b>360,652</b>	<b>11,484,503</b>
Province of Nova Scotia	202,094	-	202,094
<b>Total</b>	<b>\$11,325,945</b>	<b>\$360,652</b>	<b>\$11,686,597</b>

	<u>Operating</u>	<u>Capital</u>	<u>2013 Total</u>
Aboriginal Affairs and Northern Development Canada	\$4,791,354	\$540,471	\$5,331,825
Health Canada	863,897	-	863,897
Department of Fisheries and Oceans	314,967	-	314,967
Canada Mortgage and Housing	234,153	12,000	246,153
Mi'kmaq Kina'matnewey	4,369,677	-	4,369,677
Mi'kmaq Employment/ Training Secretariat	343,117	-	343,117
Enterprise Cape Breton	-	164,729	164,729
Other	-	-	-
<b>Sub-total</b>	<b>10,917,165</b>	<b>717,200</b>	<b>11,634,365</b>
Province of Nova Scotia	155,158	-	155,158
<b>Total</b>	<b>\$11,072,323</b>	<b>\$717,200</b>	<b>\$11,789,523</b>

**We'koqma'q First Nation**  
**Notes to the consolidated financial statements**  
March 31, 2014

**23. Expenses by object**

	<u>2014</u>	<u>2013</u>
Administration	\$328,315	\$385,914
Advertising	10,215	2,849
Allocation to replacement reserves	73,053	70,488
Bad debts	51,406	12,667
Basic needs	2,395,642	2,311,511
Capital projects	21,319	-
Community buildings	106,569	116,430
Community events	216,108	285,497
Core funding, travel and expenses	471,982	508,584
Cost of goods sold	10,510,037	8,231,213
CRF	117,879	84,204
Daycare	125,758	109,981
Depreciation	1,758,360	1,749,517
Economic and employment development	2,889	81,473
Education	1,594,404	1,084,385
Emergency	-	135,329
Equipment	14,311	66,594
Fire and police protection	15,253	24,938
Fisheries and licenses	596,757	854,096
Fitness center	-	48,014
FOMI program	-	24,195
Health Canada programs	818,319	750,988
Insurance	174,035	156,435
Interest and bank charges	648,354	751,302
Landscaping	141,054	-
Membership and elections	40,262	48,637
Municipal services and administration	109,517	179,155
Office and miscellaneous	151,249	252,370
Outreach	42,167	52,813
Professional fees	700,711	419,471
Repairs and maintenance	650,169	693,274
Roads	102,340	103,480
Salaries and benefits	4,986,510	4,649,280
Security	209,937	214,593
Special needs	118,919	110,794
Summer games	353,684	-

**We'koqma'q First Nation**  
**Notes to the consolidated financial statements**  
March 31, 2014

**23. Expenses by object (continued)**

Summer student program	71,676	34,411
Reinvestment strategy	-	13,266
Telephone	62,011	61,589
Transportation	229,493	219,540
Training	138,356	5,719
Travel and administration	101,385	74,435
Utilities	60,044	30,700
Water and sewer	226,452	214,623
	<u>\$28,546,901</u>	<u>\$25,224,754</u>

