

Dale Soucy, CGA
Expert-Comptable, Auditeur

**MADAWASKA MALISEET
FIRST NATION NEW BRUNSWICK**

**CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014**

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Management's report

Management's responsibility for the consolidated financial statements

The accompanying consolidated financial statements of Madawaska Maliseet First Nation New Brunswick are the responsibility of management and have been approved by the Council.

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada and as such include amounts that are the best estimates and judgments of management.

Management is responsible for the integrity and objectivity of these statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and is ultimately responsible for reviewing and approving the consolidated financial statements.

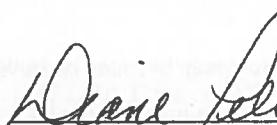
The Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the consolidated financial statements and the external auditors report.

The external auditor, Dale Soucy, CGA, conduct an independent examination, in accordance with Canadian auditing standards, and express its opinion on the consolidated financial statements. The external auditor have full and free access to financial management of Madawaska Maliseet First Nation New Brunswick and meet when required.

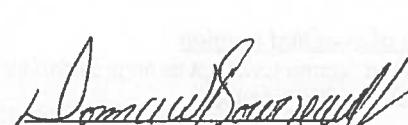
On behalf of Madawaska Maliseet First Nation New Brunswick:



Patricia Bernard
Chief



Diane Pelletier
Councillor



Donna Bourgeault
Councillor

Edmundston, NB
August 20, 2014

Dale Soucy, CGA
Expert-Comptable, Auditeur

Independent auditor's report

To the Chief, Councillors and Band members of
Madawaska Maliseet First Nation New Brunswick

I have audited the accompanying consolidated financial statements of **Madawaska Maliseet First Nation New Brunswick**, which include all related businesses under the Band council authority and comprise the consolidated statement of financial position as at **March 31, 2014** and the consolidated statements of operations, change in net financial assets (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

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 judgement, 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 entity'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 entity'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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis of qualified opinion

Budgeted figures have not been provided for comparison purposes because no budget was prepared for some of the funded programs and/or services.

Qualified Opinion

In my opinion, except for the potential consequences that might arise from the missing information as described in the paragraph ***Basis of qualified opinion***, these consolidated financial statements present fairly, in all material respects, the financial position of **Madawaska Maliseet First Nation New Brunswick**, which include all related businesses under the Band council authority, as at **March 31, 2014** and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Dale Soucy, CGA

Edmundston, NB
August 20, 2014

CONSOLIDATED STATEMENT OF OPERATIONS

For the year ended March 31,	2014	2013
	\$	\$
	(restated)	
Revenues		
Federal government transfers for operating (note 22)	2,034,039	1,919,274
Federal government transfers for capital (note 22)	248,691	263,299
Provincial government transfers for operating (note 22)	189,798	152,067
Provincial government transfers for capital (note 22)	-	523,420
Amounts earned and held in Trust by federal government (note 3)	64,167	525,239
Interest earned	1,456	1,836
Rent	163,482	149,045
Provincial tax rebates	3,906,192	601,689
Video lottery terminal	1,052,605	1,050,724
Net income from Band-owned businesses	1,185,542	1,513,359
	8,845,972	6,699,952
Expenses		
Band government	915,086	814,664
Community infrastructure & public works	427,804	328,841
Education	1,185,381	937,813
Social services	217,940	208,552
Economic Development	233,490	188,195
Lands & trust	52,259	38,649
Child and family services	57,090	31,968
Specific and special claims	59,098	21,739
Employment programs	161,586	107,398
Housing	457,185	383,332
Health services	479,948	413,519
Aboriginal Head Start On Reserve	31,135	35,590
Fisheries and oceans	94,585	91,107
Amortization (note 11)	1,332,113	706,545
	5,704,700	4,307,912
Annual surplus (deficit) (note 24) (Segment disclosure (note 25))	3,141,272	2,392,040
Distribution to Band members from Band-owned businesses	(1,106,000)	(709,000)
Accumulated surplus (deficit), beginning of year	21,157,234	19,474,194
Accumulated surplus (deficit), end of year (note 12 & page 4)	23,192,506	21,157,234

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

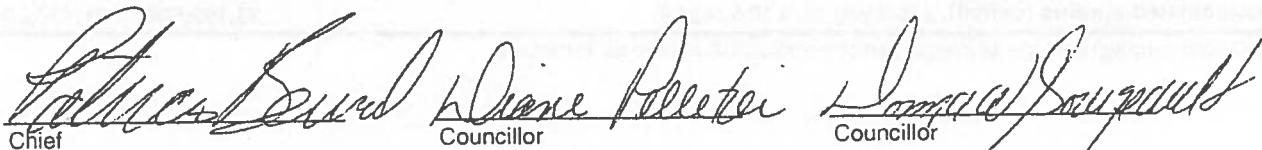
As at March 31,	2014	2013
	\$	\$
	(restated)	
Financial assets		
Cash and cash equivalents		
Unrestricted cash	3,254,854	1,967,948
Reserve funds, Section 95 Housing (note 4)	134,781	128,870
Trust fund held by federal government (note 3)	630,371	596,204
Term deposits, bearing interest @ 0.80%, expires in March 2015	1,092,599	
Accounts receivable (note 5)	2,832,078	1,768,170
Inventories for resale	408,422	477,738
	8,353,105	4,938,930
Financial liabilities		
Accounts payable and accrued liabilities (note 7)	1,186,229	761,111
Deferred revenues (note 8)	52,378	43,208
Bank demand loan, bearing interest at prime plus 1.75% per annum, payable monthly	-	4,777,596
Long-term debt (note 9)	7,285,672	1,543,261
	8,524,279	7,125,176
Net financial assets (net debt) (page 5)	(171,175)	(2,186,246)
Non-financial assets		
Prepaid expenses (note 10)	248,036	399,140
Tangible capital assets (note 11)	23,115,644	22,944,340
	23,363,680	23,343,480
Accumulated surplus (note 12 & pages 3 et 4)	23,192,506	21,157,234

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

Contingencies (note 15)

Subsequent events (note 20)

On behalf of Madawaska Maliseet First Nation:



The image shows three handwritten signatures in black ink. From left to right: 1) A signature that appears to be 'Peter Gould' with the title 'Chief' written below it. 2) A signature that appears to be 'Diane Belanger' with the title 'Councillor' written below it. 3) A signature that appears to be 'Lorraine Raymond' with the title 'Councillor' written below it.

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (NET DEBT)

For the year ended March 31,	2014	2013
	\$	\$
	(restated)	
Annual surplus (deficit)	3,141,272	2,427,756
Changes to previous year annual surplus		
Deduct:		
Unexpended set funding payable to AANDC	-	(8,255)
Unexpended set funding from Health Canada carried forward	-	(15,843)
Adjustment to tax rebate revenues	-	(11,618)
Restated annual surplus (page 3)	3,141,272	2,392,040
Other items		
Distribution to Band members from Band-owned businesses	(1,106,000)	(709,000)
Changes in non-financial assets		
Tangible capital assets		
Acquisition of tangible capital assets (note 11)	(1,503,418)	(5,121,144)
Amortization of tangible capital assets (note 11)	1,332,113	706,545
Other non-financial assets		
Recognition (acquisition) of prepaid expenses	151,104	(65,852)
Net increase (decrease) in non-financial assets	(20,201)	(4,480,451)
Changes in net financial assets (net debt)	2,015,071	(2,797,411)
Net financial assets (net debt), beginning of year	(2,186,246)	611,165
Net debt, end of year (page 4)	(171,175)	(2,186,246)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended March 31,	2014	2013
	\$	\$
Operating transactions		(restated)
Annual surplus	3,141,272	2,392,040
Items not affecting cash		
Amortization of tangible capital assets	1,332,113	706,545
Change in non-cash charges to operations		
Decrease (increase) in accounts receivable	(1,063,908)	134,405
Decrease (increase) in inventories for resale	69,316	80,886
Decrease (increase) in prepaid expenses	151,104	(65,852)
Increase (decrease) in accounts payable and accrued liabilities	425,118	205,685
Increase (decrease) in deferred revenues	9,170	13,392
Cash provided by (applied to) operating transactions	4,064,185	3,467,101
Capital transactions		
Acquisitions of tangible capital assets	(1,503,418)	(5,121,144)
Cash provided by (applied to) capital transactions	(1,503,418)	(5,121,144)
Investing transactions		
Investment in term deposits	(1,092,599)	-
Net withdrawal (deposit) from (in) Trust fund held by federal government	(34,167)	(487,239)
Cash provided by (applied to) investing transactions	(1,126,766)	(487,239)
Financing activities		
Debt issues	5,822,000	5,119,482
Debt repayment	(4,857,185)	(71,620)
Distribution to Band members from Band-owned businesses	(1,106,000)	(709,000)
Cash provided by (applied to) financing activities	(141,185)	4,338,862
Net increase (decrease) in cash and cash equivalents	1,292,817	2,197,580
Cash and cash equivalents, beginning of year	2,096,818	(100,762)
Cash and cash equivalents, end of year	3,389,635	2,096,818
Cash and cash equivalents consist of:		
Unrestricted	3,254,854	1,967,948
Restricted	134,781	128,870
	3,389,635	2,096,818

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2014

1. Governing statutes and nature of operations

Madawaska Maliseet First Nation New Brunswick is regulated under Indian Law without being incorporated. Such as a local government, the activities are governed by a Council which is composed of a Chief and two councillors with a goal to administrate the equity of the First Nation with the best interest of the community.

Health services is operated within Madawaska Maliseet First Nation operations. Its objective is to provide adequate health care to the community.

Section 95 Housing Project is operated within Madawaska Maliseet First Nation operations. Its objective is to provide adequate housing to low income families.

Most of the revenues are generated from government funding, tax rebates, gaming agreement, sales of tobacco, gas and general merchandises and rental income.

2. Summary of significant accounting policies**Basis of accounting**

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

Reporting Entity

The Madawaska Maliseet First Nation New Brunswick reporting entity includes the Madawaska Maliseet First Nation New Brunswick government and all related entities that are controlled by the First Nation.

Principles of consolidation

All controlled entities are fully consolidated on a line-by-line basis except for the commercial enterprises which meet the definition of government business enterprise, which are included in the consolidated financial statements on a modified equity basis. Inter-organizational balances and transactions are eliminated upon consolidation.

Asset classification

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations. Non-financial assets are acquired, constructed or developed assets that do not provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale. Non-financial assets include tangible capital assets, prepaid expenses and inventories.

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 three months or less at acquisition which are held for the purpose of meeting short-term cash commitments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 20142. Summary of significant accounting policies [... continuation]Inventories for resale

Inventories of supplies and goods available for resale are recorded at the lower of cost and net realizable value.

Loans receivable

Loans receivable are recorded at cost less any amount for valuation allowance. Valuation allowances are made when collection is in doubt as assessed by management. Loans are reviewed on an annual basis by management. Interest income is accrued on loans receivable to the extent it is deemed collectable.

Tangible capital assets

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset.

Leases that transfer substantially all the benefits and risks of ownership to the lessee are recorded as capital leases. Accordingly, at the inception of the leases, the tangible capital asset and related lease obligations are recorded at an amount equal to the present value of future lease payments discounted at the lower of the interest rate inherent in the lease contracts and Madawaska Maliseet First Nation New Brunswick incremental cost of borrowing.

Amortization is provided annually at rates calculated to write off the assets over their useful lives using the declining balance method as follows:

Buildings	5%
Housing	5%
Paving & land improvements	5%
Residential lots	5%
Roads & commercial lots	5%
Sidewalks	5%
Water systems & underground networks	5%
Fishing vessels	10%
Fishing traps & gear	20%
Material & equipment	20%
Amusement park	20%
Security system	20%
Signs	20%
Household appliances	20%
Vehicles	30%
Computer equipment & softwares	30%

Half-year rule applies for the acquisitions during the year.

Tangible capital assets are written down when conditions indicate that they no longer contribute to Madawaska Maliseet First Nation New Brunswick ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the consolidated statement of operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2014

2. Summary of significant accounting policies [... continuation]**Tangible capital assets [...continuation]**

Contributed capital assets are recorded into revenues at their fair value on the date of donation, except in circumstances where fair value cannot be reasonably determined, in which case they are recognized at nominal value. Transfers of capital assets from related parties are recorded at carrying value.

Certain assets which have historical or cultural value, including works of art, historical documents and historical and cultural artifacts, are not recognized as tangible capital assets. Assets under construction are not amortized until the asset is available to be put into service.

Inventories held for use

Inventories of supplies held for consumption are recorded at the lower of cost and replacement cost.

Employee benefit obligations

Madawaska Maliseet First Nation provides defined contribution plan for eligible members of its staff. Members are required to contribute 5.5% of their salary up to a maximum of 9.0% of their basic salary. The First Nation contributes 5.5% which contributions are directed to the member's contribution account. The amount of retirement benefit to be received by the employees will be the amount of retirement annuity that could be purchased based on the member's share of the pension plan at the time of the member's withdrawal from the plan.

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.

Measurement uncertainty

In preparing the financial statements for the government of Madawaska Maliseet First Nation, the Council is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. These estimates are based on Council's best knowledge of current events and actions that Madawaska Maliseet First Nation may undertake in the future. Actual results could differ from these estimates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2014

3. Trust funds held by federal government

The Ottawa Trust Accounts arise 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 Section 63 to 69 of the Indian Act.

	2014	2013
	\$	\$
Balance, beginning of year:	596,204	108,965
Revenues:		
NB Power transmission line	6,900	506,900
Pipeline Right of Way (include current and previous year)	29,893	-
Head lease lot	11,960	11,960
Interest earned	15,415	6,379
Expenditures:		
Funeral assistance	(14,000)	(14,000)
Housing	(16,000)	(24,000)
Balance, end of year	630,371	596,204

4. Reserve funds

Under the terms of the agreement with CMHC, the **replacement reserve** account is to be credited for an amount of \$ 1,000 annually for each unit. These funds, along with accumulated interest, must be held in a separate bank account and/or invested in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC. The funds in the account may only be used as approved by CMHC. Withdrawals are credited to interest first and then to principal.

	Pre-1997	Post-1996	2014	2013
	\$	\$	\$	\$
Replacement Reserve (excluding interests), beginning of year	23,761	97,322	121,082	112,391
Annual allotment	-	22,000	22,000	22,084
Contribution as requested by CMHC	-	-	-	3,392
Withdrawal for repairs	(1,684)	(7,617)	(9,301)	(16,784)
Replacement Reserve (excluding interests), end of year	22,077	111,705	133,781	121,083
Accumulated interests, beginning of year	84	-	84	-
Interest income	81	368	449	378
Withdrawal requested for repairs	(165)	(368)	(533)	(294)
Accumulated interests, end of year	-	-	-	84
Replacement Reserve (including interests), end of year	22,077	111,705	133,781	121,167

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2014**4. Reserve funds [...continuation]**

Under the terms of the agreement with CMHC, a portion of accumulated surplus is to be retained in an **operating reserve** fund. These funds, along with accumulated interest, must be held in a separate bank account and/or invested in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC. The funds in the account may only be used to fund any future deficit. Withdrawals are credited to interest first and then to principal.

	2014	2013
	\$	\$
Operating Reserve (excluding interests), beginning of year	6,703	12,634
Contribution (withdrawal) as requested by CMHC	(6,703)	(5,931)
Operating Reserve (excluding interests), end of year	-	6,703
Accumulated interests, beginning of year	-	-
Interest income	-	-
Accumulated interests, end of year	-	-
Operating Reserve (including interests), end of year	-	6,703

Under the terms of the agreement with CMHC, excess federal assistance payments received must be retained in a **subsidy reserve** up to a maximum of \$ 500 per unit, plus interest. The reserve is to be comprised of monies deposited 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 CMHC from time to time. The funds in this account may only be used to meet future subsidy requirements of income-tested occupants over and above the maximum federal assistance. Withdrawals are credited to interest first and then to principal. When the fund has attained the maximum of \$ 500 per unit, up to 10% of the excess assistance during a year may be transferred to the other projects owned by the borrower requiring additional assistance if they are within the same municipality or are assisted under the same program.

	2014	2013
	\$	\$
Subsidy Surplus Reserve, beginning of year	1,000	1,000
Contributions (withdrawal)	-	-
Subsidy Surplus Reserve, end of year	1,000	1,000
Total reserve funds	134,781	128,870

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2014

	2014	2013
	\$	\$
Aboriginal Affairs and Northern Development Canada	27,000	27,000
Health Canada	7,104	5,905
Fisheries and Oceans Canada	303,140	318,241
Province of New Brunswick (Education, Tax rebates, VLT)	2,230,411	1,239,589
ASETS program	47,631	47,631
Sub-Total government and other government organizations	2,615,286	1,638,366
Trade and others	215,272	129,307
Tenants, section 95	1,521	497
	2,832,078	1,768,170
6. Bank indebtedness		
Authorized line of credit of 500,000 \$, bearing interest at prime plus 0.70% per annum payable monthly, secured by accounts receivable and inventory.		
	2014	2013
	\$	\$
Aboriginal Affairs and Northern Development Canada (unexpended set funding)	-	9,415
Health Canada (unexpended set funding)	338	338
Harmonized Sales Tax	51,038	50,700
Payroll remittances	3,884	6,962
Sub-Total government and other government organizations	55,260	67,415
Salaries & vacation	11,704	21,816
Suppliers and accruals	1,119,265	671,880
	1,186,229	761,111
8. Deferred revenues		
	2014	2013
	\$	\$
Aboriginal Affairs and Northern Development Canada (unexpended fixed funding)	15,079	8,184
Health Canada (unexpended set funding)	15,499	15,893
First Nation Tax Commission	15,000	5,000
First Nation Education Initiatives, Capital	-	12,000
Learning centre	-	2,181
Leaning equipment	1,800	-
Commercial rent	5,000	-
New Brunswick Union of Indians	52,378	43,258

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2014

9. Long-term debt	2014	2013
	\$	\$
Loan payable, Royal Bank of Canada, repayable in monthly installments of 62,203 \$, including principal and interest at 5.12%, maturing in March 2024, renewable on March 01, 2019, secured by the Minister of Aboriginal Affairs and Northern Development Canada.	5,822,000	-
Loan payable, Ally Credit Canada Limited, repayable in monthly installments of 505 \$, including principal and interest at 6.98%, maturing in March 2017, secured by Jeep Patriot 2011.	16,375	21,114
Loan payable, Ally Credit Canada Limited, repayable in monthly installments of 591 \$, including principal and interest at 4.99%, maturing in April 2017, secured by Dodge RAM 2012.	20,242	26,171
Mortgage (Section 95), Royal Bank of Canada, repayable in monthly installments of 335 \$, including principal and interest at 5.59%, maturing in December 2021, renewable on December 01, 2014, secured by the Minister of Aboriginal Affairs and Northern Development Canada.	25,195	27,722
Mortgage (Section 95), Royal Bank of Canada, repayable in monthly installments of 337 \$, including principal and interest at 5.59%, maturing in August 2024, renewable on December 01, 2014, secured by the Minister of Aboriginal Affairs and Northern Development Canada.	31,853	34,036
Mortgage (Section 95), Royal Bank of Canada, repayable in monthly installments of 419 \$, including principal and interest at 3.65%, maturing in March 2026, renewable on March 01, 2016, secured by the Minister of Aboriginal Affairs and Northern Development Canada.	48,874	52,049
Mortgage (Section 95), Royal Bank of Canada, repayable in monthly installments of 389 \$, including principal and interest at 3.25%, maturing in November 2023, renewable on November 01, 2018, secured by the Minister of Aboriginal Affairs and Northern Development Canada.	38,647	41,871
Mortgage (Section 95), Royal Bank of Canada, repayable in monthly installments of 441 \$, including principal and interest at 5.55%, maturing in March 2024, renewable on April 15, 2014, secured by the Minister of Aboriginal Affairs and Northern Development Canada.	40,610	43,546
Mortgage (Section 95), Royal Bank of Canada, repayable in monthly installments of 445 \$, including principal and interest at 5.59%, maturing in December 2024, renewable on December 01, 2014, secured by the Minister of Aboriginal Affairs and Northern Development Canada.	42,924	45,763
Mortgage (Section 95), Royal Bank of Canada, repayable in monthly installments of 397 \$, including principal and interest at 2.79%, maturing in January 2027, renewable on January 01, 2017, secured by the Minister of Aboriginal Affairs and Northern Development Canada.	51,405	54,682

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2014

9. Long-term debt [...continuation]	2014	2013
	\$	\$
Mortgage (Section 95), Royal Bank of Canada, repayable in monthly installments of 397 \$, including principal and interest at 2.79%, maturing in January 2027, renewable on January 01, 2017, secured by the Minister of Aboriginal Affairs and Northern Development Canada.	51,405	54,682
Mortgage (Section 95), Royal Bank of Canada, repayable in monthly installments of 397 \$, including principal and interest at 2.79%, maturing in January 2027, renewable on January 01, 2017, secured by the Minister of Aboriginal Affairs and Northern Development Canada.	51,405	54,682
Mortgage (Section 95), Royal Bank of Canada, repayable in monthly installments of 397 \$, including principal and interest at 2.79%, maturing in January 2027, renewable on January 01, 2017, secured by the Minister of Aboriginal Affairs and Northern Development Canada.	51,405	54,682
Mortgage (Section 95), Royal Bank of Canada, repayable in monthly installments of 401 \$, including principal and interest at 2.79%, maturing in January 2027, renewable on January 01, 2017, secured by the Minister of Aboriginal Affairs and Northern Development Canada.	51,906	55,216
Mortgage (Section 95), Royal Bank of Canada, repayable in monthly installments of 1,215 \$, including principal and interest at 2.57%, maturing in January 2028, renewable on January 14, 2018, secured by the Minister of Aboriginal Affairs and Northern Development Canada.	169,577	179,659
Mortgage (Section 95), Royal Bank of Canada, repayable in monthly installments of 410 \$, including principal and interest at 2.75%, maturing in January 2028, renewable on January 21, 2018, secured by the Minister of Aboriginal Affairs and Northern Development Canada.	56,577	59,893
Mortgage (Section 95), Royal Bank of Canada, repayable in monthly installments of 439 \$, including principal and interest at 4.16%, maturing in March 2029, renewable on March 1, 2014, secured by the Minister of Aboriginal Affairs and Northern Development Canada.	58,640	61,389
Mortgage (Section 95), Royal Bank of Canada, repayable in monthly installments of 436 \$, including principal and interest at 5.25%, maturing in March 2035, renewable on March 1, 2015, secured by the Minister of Aboriginal Affairs and Northern Development Canada.	66,533	68,200
Mortgage (Section 95), Royal Bank of Canada, repayable in monthly installments of 522 \$, including principal and interest at 5.49%, maturing in June 2033, renewable on June 1, 2016, secured by the Minister of Aboriginal Affairs and Northern Development Canada.	74,472	76,566
Mortgage (Section 95), Royal Bank of Canada, repayable in monthly installments of 513 \$, including principal and interest at 3.98%, maturing in July 2035, renewable on July 1, 2016, secured by the Minister of Aboriginal Affairs and Northern Development Canada.	88,373	90,932

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2014

9. Long-term debt [...continuation]	2014	2013
	\$	\$
Mortgage (Section 95), Royal Bank of Canada, repayable in monthly installments of 465 \$, including principal and interest at 3.04%, maturing in July 2035, renewable on July 1, 2016, secured by the Minister of Aboriginal Affairs and Northern Development Canada.	87,550	90,408
Mortgage (Section 95), Royal Bank of Canada, repayable in monthly installments of 376 \$, including principal and interest at 3.98%, maturing in June 2036, renewable on June 1, 2016, secured by the Minister of Aboriginal Affairs and Northern Development Canada.	66,491	68,298
Mortgage (Section 95), Royal Bank of Canada, repayable in monthly installments of 447 \$, including principal and interest at 2.67%, maturing in August 2036, renewable on August 1, 2017, secured by the Minister of Aboriginal Affairs and Northern Development Canada.	90,438	93,333
Mortgage (Section 95), Royal Bank of Canada, repayable in monthly installments of 460 \$, including principal and interest at 2.93%, maturing in September 2036, renewable on September 1, 2017, secured by the Minister of Aboriginal Affairs and Northern Development Canada.	90,818	93,614
Mortgage (Section 95), Royal Bank of Canada, repayable in monthly installments of 455 \$, including principal and interest at 2.84%, maturing in February 2037, renewable on February 1, 2018, secured by the Minister of Aboriginal Affairs and Northern Development Canada.	91,957	94,752
Current portion of long-term debt	7,285,672 542,765	1,543,261 80,229
	6,742,907	1,463,032

The aggregate amount of payments required over the next five years on the above indebtedness is as follows:

2015 - 542,765 \$ 2016 - 569,833 \$ 2017 - 598,568 \$ 2018 - 615,507 \$ 2019 - 646,592 \$

10. Prepaid expenses	2014	2013
	\$	\$
Honoraria	-	37,500
Insurance	28,255	26,942
Tuition fees	182,316	286,185
Students allowances and hot lunches	20,770	16,398
Commercial lease	5,980	5,980
Others	20,715	26,135
	258,036	399,140

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2014

11. Tangible capital assets

Cost	2013	Acquisitions	Disposals	2014
	\$	\$	\$	\$
Administration and municipal-type services				
Land	154,014	232,997	-	387,011
Paving & land improvements	206,622	62,730	-	269,352
Buildings	4,970,874	493,396	-	5,464,270
Housing	346,654	97,500	-	444,154
Residential lots	1,657,765	-	-	1,657,765
Roads & commercial lots	1,538,489	-	-	1,538,489
Sidewalks	1,094,026	-	-	1,094,026
Water systems & underground networks	1,045,419	-	-	1,045,419
Fishing vessels [including major repairs]	673,060	-	-	673,060
Fishing traps & gear	143,382	40,441	-	183,823
Material & equipment	469,417	90,653	-	560,070
Signs	26,761	-	-	26,761
Vehicles	389,534	-	-	389,534
Computer equipment & software	75,560	10,790	-	86,350
Health Services				
Building, paving & land improvements	129,193	-	-	129,193
Equipment, learning material & amusement park	159,382	-	-	159,382
Computer equipment	9,926	-	-	9,926
Section 95				
Land	5,000	-	-	5,000
Paving & land improvements	1,465	-	-	1,465
Housing	2,463,034	-	-	2,463,034
Household appliances	51,259	-	-	51,259
Saint John Valley Gas Bar				
Land	112,905	-	-	112,905
Building	846,514	-	-	846,514
Paving & land improvements	113,400	-	-	113,400
Material & equipment	164,913	-	-	164,913
Computer equipment	8,532	-	-	8,532
Security system	17,867	-	-	17,867
Signs	3,963	-	-	3,963
Eagle View Smoke Shop				
Land	80,000	-	-	80,000
Building	284,069	-	-	284,069
Material & equipment	64,073	5,851	-	69,924
Security system	16,257	-	-	16,257
Signs	8,413	-	-	8,413
Madawaska Maliseet Economic Development Corp.				
Land improvements, roads & underground network	11,005,091	461,460	-	11,466,551
Material & equipment	23,909	7,600	-	31,509
Signs	330,348	-	-	330,348
	28,691,090	1,503,418	-	30,194,508

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2014

11. Tangible capital assets [...continuation]

Accumulated amortization	2013	Amortization	Disposals	2014
	\$	\$	\$	\$
Administration and municipal-type services				
Paving & land improvements	38,378	9,980	-	48,358
Buildings	2,067,325	157,512	-	2,224,837
Housing	53,766	17,082	-	70,848
Residential lots	322,880	66,744	-	389,624
Roads & commercial lots	392,380	57,305	-	449,685
Sidewalks	105,112	49,446	-	154,558
Water systems & underground networks	468,114	28,865	-	496,979
Fishing vessels [including major repairs]	171,474	50,159	-	221,633
Fishing traps & gear	96,172	13,486	-	109,658
Material & equipment	348,753	33,198	-	381,951
Signs	11,989	2,954	-	14,943
Vehicles	292,926	28,982	-	321,908
Computer equipment & software	55,758	7,559	-	63,317
Health Services				
Building, paving & land improvements	33,979	4,761	-	38,740
Equipment, learning material & amusement park	82,915	15,293	-	98,208
Computer equipment	9,330	179	-	9,509
Section 95				
Paving & land improvements	509	38	-	547
Housing	573,601	94,472	-	668,073
Household appliances	32,066	3,839	-	35,905
Saint John Valley Gas Bar				
Building	289,936	27,829	-	317,765
Paving & land improvements	37,240	3,808	-	41,048
Material & equipment	136,664	5,650	-	142,314
Computer equipment	7,565	290	-	7,855
Security system	12,899	994	-	13,893
Signs	3,484	96	-	3,580
Eagle View Smoke Shop				
Building	39,726	12,217	-	51,943
Material & equipment	48,731	3,654	-	52,385
Security system	9,512	1,349	-	10,861
Signs	3,567	969	-	4,536
Madawaska Maliseet Economic Development Corp.				
Land improvements, roads & underground network	-	561,791	-	561,791
Material & equipment	-	5,542	-	5,542
Signs	-	66,070	-	66,070
	5,746,751	1,332,113	-	7,078,864
Unamortized balance	22,944,339			23,115,644

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2014

	2014	2013
	\$	\$
Accumulated surplus consists of:		
Invested in tangible capital assets (note 13)	15,829,972	16,623,483
Restricted cash		
Trust funds held by federal government (note 3)	630,371	596,204
Reserve funds, Section 95 (note 4)	134,781	128,870
Unrestricted surplus (note 14)	6,597,381	3,808,677
	<u>23,192,506</u>	<u>21,157,234</u>
 13. Invested in tangible capital assets		
	2014	2013
	\$	\$
Tangible capital assets	23,115,644	22,944,340
Loans related to investment in tangible capital assets		
Bank demand loan	-	(4,777,596)
Long-term debt	(7,285,672)	(1,543,261)
Invested in tangible capital assets	<u>15,829,972</u>	<u>16,623,483</u>
 14. Unrestricted surplus		
	2014	2013
	\$	\$
Unrestricted surplus, beginning of year	3,808,677	1,982,459
Annual surplus	3,141,272	2,392,040
Distribution to Band members from Band-owned businesses	(1,106,000)	(709,000)
Annual surplus invested in tangible capital assets	793,510	633,262
Annual surplus invested in restricted cash	(40,078)	(490,084)
Unrestricted surplus, end of year	<u>6,597,381</u>	<u>3,808,677</u>

15. ContingenciesContribution agreements

The Madawaska Maliseet First Nation has entered into contribution agreements with various federal government departments. Funding received under these contribution agreements is subject to repayment if the First Nation fails to comply with the terms and conditions of the agreements.

Bank guarantee

The Madawaska Maliseet First Nation is contingently liable for mortgage loans for a total amount of 2,455,020 \$, as at July 31, 2014, for the Band members which is secured by a promissory note co-signed by the Madawaska Maliseet First Nation and the Minister of Aboriginal Affairs and Northern Development Canada.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**As at March 31, 2014**

16. Pension agreement

Madawaska Maliseet First Nation provides defined contribution plan for eligible members of its staff. Members are required to contribute 5.5% of their salary up to a maximum of 9.0% of their basic salary. The First Nation contributes 5.5% which contributions are directed to the member's contribution account. The amount of retirement benefit to be received by the employees will be the amount of retirement annuity that could be purchased based on the member's share of the pension plan at the time of the member's withdrawal from the plan. Madawaska Maliseet contributed during the year 32,337 \$ (32,086 \$ in 2012/13) for retirement benefits.

17. Transactions with related parties

Madawaska Maliseet First Nation paid to **J. Bernard & Sons Ltd.**, a business controlled by the Chief, an amount of 189,298 \$ up to August 31, 2013 for services rendered as a general contractor in excavating and related activities. These transactions are in the normal course of operations of the Band and, as per Chief and councillors, are measured at fair market value, which is the amount of consideration established and agreed to by the related parties.

18. Economic dependence

The government of Madawaska Maliseet First Nation receives a major portion of its revenue from Aboriginal Affairs and Northern Development Canada, Health Canada, tax rebates and gaming agreement with the province of New Brunswick. The nature and extent of these revenues is of such significance that the First Nation is economically dependent on these source of revenues.

19. Financial instruments

The financial instruments consist of cash, accounts receivable & payable and mortgages. Unless otherwise noted, it is the management opinion that the organization is not exposed to significant interest and credit risks arising from these financial instruments and not at all exposed to currency exchange risk. The fair value of the short-term financial instruments approximates their carrying values, unless otherwise noted. Furthermore, the fair value of the mortgages is not readily obtainable. However, the overall interests rates bearing on the mortgages are representative of the actual market rates and, therefore, the fair value of the mortgages approximates its carrying value.

20. Subsequent events

On August 11, 2014, the province of New Brunswick send a letter to Madawaska Maliseet First Nation stating that the Premier David Alward has assigned the Minister of Finance with the important task of redesigning the financial arrangements between First Nations and the Government of New Brunswick. Therefore, pursuant to section 13 in the Agreement on the Collection of Provincial: Tabacco Tax, Gasoline Tax, Sales Tax, and Self-Licensing relating to Gaming between Madawaska Maliseet First Nation and the Province of New Brunswick, that letter served as an official notice of termination of the agreement effective November 9, 2014. However, the letter state that although the current agreements will be ending, there will be no immediate impact to the Band's revenue streams. The letter also states that the Government of New Brunswick will respect the fact that some communities have made long-term investments based on the current arrangements.

The new arrangements will be implemented in consultation with First Nations and will be introduced over 5 years in order to mitigate the impact of the termination of the existing agreements and to help your community shift its budgetary planning cycle to align with new funding arrangements.

21. Comparative figures

Certain comparative figures have been reclassified to conform with the presentation adopted in the current year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2014

22. Government transfers	2014			2013		
	Operating	Capital	Total	Operating	Capital	Total
	\$	\$	\$	\$	\$	\$
Federal government transfers						
AANDC	1,420,052	68,693	1,488,745	1,324,626	65,557	1,390,183
Unexpended carried forward	(6,895)	-	(6,895)	(8,184)	-	(8,184)
Unexpended repayable to AANDC	-	-	-	(9,415)	-	(9,415)
Health Canada	332,313	-	332,313	300,804	5,905	306,709
CMHC & RRAP	84,387	-	84,387	111,277	-	111,277
Department of Fisheries & Oceans	79,320	121,820	201,140	79,320	187,921	267,241
Aboriginal Head Start On Reserve	30,681	-	30,681	26,709	3,916	30,625
ASETS program	87,789	-	87,789	87,789	-	87,789
First Nation Education Initiative	6,392	-	6,392	6,348	-	6,348
ACOA	-	58,178	58,178	-	-	-
Total Federal government transfers	2,034,039	248,691	2,282,730	1,919,274	263,299	2,182,573
Provincial government transfers	189,798	-	189,798	152,067	523,420	675,487
	2,223,837	248,691	2,472,528	2,071,341	786,719	2,858,060

23. Expenses by object	2014		2013	
	\$	\$	\$	\$
Salaries and fringe benefits				
Band's operations		1,239,089		1,073,071
Government business enterprises		568,237		584,594
Honoraria chief and councillors		90,000		90,000
Severance pay		144,077		-
Pension plan		32,337		32,086
Interest on long-term debt		285,872		217,054
Professional services		164,841		152,478
Utilities		236,675		219,607
Other		1,611,459		1,232,477
Amortization		1,332,113		706,545
	5,704,700		4,307,912	

24. Annual surplus net of capital related revenues and amortization	2014		2013	
	\$	\$	\$	\$
Annual surplus		3,140,928		2,407,883
Capital related revenues included in annual surplus:				
Federal government transfers for capital (note 22)		(248,691)		(263,299)
Provincial government transfers for capital (note 22)		-		(523,420)
		(248,691)		(786,719)
Amortization expense included in annual surplus		1,332,113		706,545
Annual surplus (deficit) net of capital related revenues and amortization		4,224,350		2,327,709

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2014

25. Segment Disclosure

Madawaska Maliseet First Nation provides a range of services to its members. For management reporting purposes, operations and activities are organized and reported by services provided. For each segment separately reported, the segment revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The presentation by segment is based on the same accounting policies as described in the summary of significant Accounting Policies as described in Note 2. The segment results for the period are as follows:

	Health Services			Band Government			Infrastructure & Public Works		
	Budget	2014	2013	Budget	2014	2013	Budget	2014	2013
Revenues									
Federal government operating transfers	-	332,313	306,709	-	216,582	206,696	-	68,062	64,955
Federal government capital transfers	-	-	5,905	-	-	-	-	-	-
Provincial government operating transfers	-	-	-	-	-	-	-	-	-
Provincial government capital transfers	-	-	-	-	-	-	-	-	-
Other revenues	-	-	-	-	-	-	-	-	-
Total Revenues	-	332,313	312,614	-	216,582	206,696	-	68,062	64,955
Expenses									
Salaries and fringe benefits	-	230,171	197,466	-	416,970	427,343	-	73,626	32,118
Other expenses	-	249,777	216,053	-	498,116	362,663	-	354,178	286,315
Debt servicing (interest)	-	-	-	-	-	-	-	-	-
Amortization	-	8,163	11,476	-	29,932	32,471	-	196,734	192,998
Total Expenses	-	488,111	424,995	-	945,018	822,477	-	624,538	511,431
Annual surplus (deficit)	-	(155,798)	(112,381)	-	(728,436)	(615,781)	-	(556,476)	(446,476)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2013

24. Segment Disclosure (...continuation)

	Housing			Education			Social Services		
	Budget	2014	2013	Budget	2014	2013	Budget	2014	2013
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues									
Federal government operating transfers	-	84,387	111,277	-	653,757	623,915	-	250,616	239,176
Federal government capital transfers	-	-	-	-	-	-	-	-	-
Provincial government operating transfers	-	-	-	-	81,080	83,974	-	-	-
Provincial government capital transfers	-	-	-	-	-	-	-	-	-
Other revenues	-	241,517	220,089	-	-	-	-	-	-
Total Revenues	-	325,904	331,366	-	734,837	707,889	-	250,616	239,176
Expenses									
Salaries and fringe benefits	-	29,902	33,150	-	44,544	42,828	-	39,548	39,434
Other expenses	-	374,901	294,323	-	960,218	805,290	-	175,316	165,470
Debt servicing (interest)	-	52,382	55,859	-	-	-	-	-	-
Amortization	-	186,780	184,734	-	10,923	13,231	-	4,605	4,996
Total Expenses	-	643,965	568,066	-	1,015,685	861,349	-	219,469	209,900
Annual surplus (deficit)	-	(318,061)	(236,700)	-	(280,848)	(153,460)	-	31,147	29,276

24. Segment Disclosure (...continuation)

		Other subsidized programs					Provincial tax rebates / VLT* / BOB*			Total		
		Budget	2014	2013	Budget	2014	2013	Budget	2014	2013	Budget	
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Revenues												
Federal government operating transfers	-	428,322	366,546	-	-	-	-	-	2,034,039	1,919,274	-	
Federal government capital transfers	-	248,691	257,394	-	-	-	-	-	248,691	263,299	-	
Provincial government operating transfers	-	108,718	68,093	-	-	-	-	-	189,798	152,067	-	
Provincial government capital transfers	-	-	523,420	-	-	-	-	-	-	523,420	-	
Other revenues	-	109,387	567,434	-	11,908,539	9,766,659	-	-	12,259,443	10,554,182	-	
Total Revenues	-	895,118	1,782,887	-	11,908,539	9,766,659	-	-	14,731,971	13,412,242	-	
Expenses												
Salaries and fringe benefits	-	404,328	300,732	-	568,237	584,594	-	-	1,807,326	1,657,665	-	
Other expenses	-	356,919	292,531	-	5,195,963	6,016,293	-	-	8,165,388	8,438,938	-	
Debt servicing (interest)	-	233,490	161,195	-	-	-	-	-	285,872	217,054	-	
Amortization	-	204,718	213,688	-	690,258	52,951	-	-	1,332,113	706,545	-	
Total Expenses	-	1,199,455	968,146	-	6,454,458	6,653,838	-	-	11,590,699	11,020,202	-	
Annual surplus (deficit)	-	(304,337)	814,741	-	5,454,081	3,112,821	-	-	3,141,272	2,392,040	-	

* VLT: Video Lottery Terminal

* BOB: Band-Owned Businesses

Dale Soucy, CGA
Expert-Comptable, Auditeur

Independant auditor's report

Schedule of remuneration and expenses

Elected and unelected senior officials

To the Chief, Councillors and Band members of
Madawaska Maliseet First Nation New Brunswick

The accompanying **Schedule of remuneration and expenses for elected and unelected officials** are derived figures from the complete audited consolidated financial statements of Madawaska Maliseet First Nation New Brunswick as at **March 31, 2014** dated August 20, 2014.

Management's Responsibility

Management is responsible for the preparation and fair presentation of these derived figures taken from the audited financial statements prepared 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

My responsibility is to express an opinion on the Schedule of Salaries, Honoraria, Other remuneration and Travel expenses for elected and unelected officials based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity'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 financial statements.

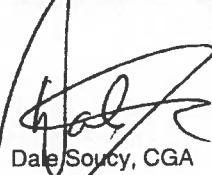
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion the Schedule of remuneration and expenses for elected and unelected officials present fairly, in all material respects, the actual expense for the year ended on March 31, 2014.

Other matters

These derived figures do not contain all the disclosures required by the Canadian public sector accounting standards. For more information on the Band's financial position, financial performance and its cash flow, reference should be made to the audited financial statements.



Dale Soucy, CGA

Edmundston, NB
August 20, 2014