

**INDIAN ISLAND FIRST NATION**  
**AUDITOR'S REPORT AND**  
**CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2014**

# INDIAN ISLAND FIRST NATION

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# INDIAN ISLAND FIRST NATION

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## MANAGEMENT'S REPORT

Year ended March 31, 2014

The accompanying consolidated financial statements of Indian Island First Nation and all the information in this annual report are the responsibility of management and have been approved by Chief and Council

The consolidated financial statements have been prepared by the First Nation's management 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 and as such amounts that are the best estimates and judgments of management.

Management responsible for the accuracy, integrity and objectivity of the consolidated financial statements and supporting schedules within reasonable limits of materiality. When alternative accounting methods exist, they have chosen those they deemed most appropriate in the circumstances, in order to ensure that the consolidated financial statements are presented fairly, in all material respects.

To assist management in the discharge of these responsibilities, the Indian Island First Nation's Council have maintained a system of internal control designed to provide reasonable assurance that assets are safeguarded; that transactions are executed with their authorization and that the financial and other records form a reliable base upon which to prepare the consolidated financial statements and supporting schedules.

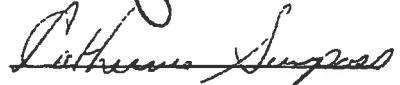
The Indian Island First Nation Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements.

The consolidated financial statements and supporting schedules have been independently examined by the First Nation's auditors. The auditor's report expresses their opinion on the consolidated financial statements.

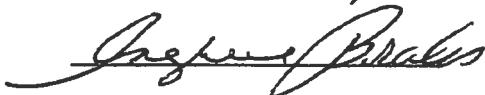
Chief



Councillor



Councillor



Date

July 24, 2014



## **INDEPENDENT AUDITOR'S REPORT**

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**To the Chief and Band Councillors of  
INDIAN ISLAND FIRST NATION**

We have audited the accompanying consolidated financial statements of INDIAN ISLAND FIRST NATION, which comprise the consolidated financial position as at March 31 2014, and the consolidated statements of operations and changes in accumulated surplus, changes 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 Financial Statements***

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 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 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 judgment, 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.

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, the financial statements present fairly, in all material respects, the financial position of INDIAN ISLAND FIRST NATION as at March 31, 2014 and the results of its operations, changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

***Other matters***

Supplementary information contained in schedules on pages 27 - 35 are unaudited.

As mentionned in note 17 of the financial statements, budget figures are also unaudited.



**Nadeau Picard & Associés**  
Chartered Accountants  
Grand Falls, July 24, 2014

# INDIAN ISLAND FIRST NATION

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## CONSOLIDATED FINANCIAL POSITION March 31

|   | 2014                | 2013                |
|---|---------------------|---------------------|
| <b>FINANCIAL ASSETS</b>                           |                     |                     |
| Cash (note 2)                                     | \$ 129,555          | \$ 53,743           |
| Accounts receivable (note 3)                      | <u>329,629</u>      | <u>216,850</u>      |
|   | <u>459,184</u>      | <u>270,593</u>      |
| <b>LIABILITIES</b>                                |                     |                     |
| Bank overdraft                                    | -                   | 18,980              |
| Bank loan (note 6)                                | 159,000             | 120,000             |
| Demand loans (note 7)                             | 157,710             | 262,334             |
| Accounts payable and accrued liabilities (note 8) | 511,032             | 317,815             |
| Trust funds held by AANDC (note 4)                | 660                 | 644                 |
| Long-term debt (note 9)                           | <u>1,493,963</u>    | <u>1,469,986</u>    |
|   | <u>2,322,365</u>    | <u>2,189,759</u>    |
| <b>NET DEBT</b>                                   | <u>(1,863,181)</u>  | <u>(1,919,166)</u>  |
| <b>NON FINANCIAL ASSETS</b>                       |                     |                     |
| Prepaid expenses                                  | 1,000               | 3,000               |
| Tangible capital assets (note 10)                 | 3,836,136           | 3,790,275           |
| Construction in progress (note 11)                | <u>789,951</u>      | <u>744,021</u>      |
|   | <u>4,627,087</u>    | <u>4,537,296</u>    |
| <b>ACCUMULATED SURPLUS</b>                        | <u>\$ 2,763,906</u> | <u>\$ 2,618,130</u> |

## APPROVED BY THE FIRST NATION

Chief K. Basile, Chief  
Calwynn Seayou, Councillor  
Jayneffale, Councillor

## CONSOLIDATED OPERATIONS AND CHANGES IN ACCUMULATED SURPLUS

| Year ended March 31   | 2014<br>Budget<br>(Unaudited) | 2014<br>Actual      | 2013<br>Actual      |
|---|-------------------------------|---------------------|---------------------|
| <b>REVENUE</b>  |                               |                     |                     |
| Federal Government:   |                               |                     |                     |
| Aboriginal Affairs and Northern Development Canada            | \$ 1,256,848                  | \$ 1,256,848        | \$ 1,316,395        |
| Aboriginal Affairs and Northern Development Canada - Clawback | -                             | (10,660)            | (18,728)            |
| Health Canada   | 307,029                       | 307,029             | 253,260             |
| Fisheries and Oceans Canada                                   | 108,873                       | 108,873             | 133,000             |
| Canada Mortgage and Housing Corporation                       | 78,653                        | 144,935             | 86,474              |
| Atlantic Canada Opportunities Agency                          | 28,652                        | 28,652              | 20,000              |
| Aboriginal Business Development Program                       | -                             | 99,568              | -                   |
| Provincial government   | 105,000                       | 148,375             | 311,287             |
| Other   | <u>1,117,337</u>              | <u>1,169,360</u>    | <u>1,186,921</u>    |
|   | <u>3,002,392</u>              | <u>3,252,980</u>    | <u>3,288,609</u>    |
| <b>EXPENSES</b>   |                               |                     |                     |
| Economic Development  | 27                            | 78,000              | 35,421              |
| Education   | 28                            | 527,395             | 300,856             |
| Social Assistance   | 29                            | 414,472             | 273,906             |
| Assisted Living   | 30                            | 29,484              | 34,900              |
| Capital - Infrastructure Assets                               | 31                            | 74,866              | 48,502              |
| Capital Housing   | 32                            | 192,120             | 292,558             |
| Band Financial Management                                     | 33                            | 311,363             | 728,814             |
| Health  | 34                            | 307,029             | 324,901             |
| Aquaculture   | 35                            | 199,000             | 184,790             |
| Fisheries   | 36                            | 726,949             | 784,298             |
| Natural Resources   | 37                            | <u>70,000</u>       | <u>64,514</u>       |
|   | <u>2,930,678</u>              | <u>3,107,204</u>    | <u>3,103,304</u>    |
| <b>ANNUAL SURPLUS</b>   |                               | 71,714              | 185,305             |
| <b>ACCUMULATED SURPLUS, BEGINNING OF PERIOD</b>               |                               | <u>2,618,130</u>    | <u>2,432,825</u>    |
| <b>ACCUMULATED SURPLUS, END OF PERIOD</b>                     | \$ <u>2,689,844</u>           | \$ <u>2,763,906</u> | \$ <u>2,618,130</u> |

## CONSOLIDATED CHANGES IN NET DEBT

March 31

|  | 2014<br>Budget<br>(Unaudited) | 2014<br>Actual               | 2013<br>Actual               |
|--|-------------------------------|------------------------------|------------------------------|
| <b>ANNUAL SURPLUS</b>  | <b>\$ 71,714</b>              | <b>\$ 145,776</b>            | <b>\$ 185,305</b>            |
| Tangible capital assets  |                               |                              |                              |
| Acquisition of tangible capital assets                             | (350,000)                     | (371,980)                    | (355,372)                    |
| Amortization of tangible capital assets                            | 265,000                       | 288,426                      | 265,612                      |
| Disposal of tangible capital assets                                | -                             | 65,000                       | -                            |
| Accumulated amortization on disposal<br>of tangible capital assets | -                             | (27,307)                     | -                            |
|  | <u>(85,000)</u>               | <u>(45,861)</u>              | <u>(89,760)</u>              |
| Other non-financial assets   |                               |                              |                              |
| Additions of construction in progress                              | -                             | (45,930)                     | (67,500)                     |
| Consumption of prepaid expense                                     | -                             | 2,000                        | (3,000)                      |
|  | <u>-</u>                      | <u>(43,930)</u>              | <u>(70,500)</u>              |
| <b>CHANGE IN NET FINANCIAL<br/>ASSETS (NET DEBT)</b>               | <b>(13,286)</b>               | <b>55,985</b>                | <b>25,045</b>                |
| <b>NET DEBT, BEGINNING OF YEAR</b>                                 | <b><u>(1,919,166)</u></b>     | <b><u>(1,919,166)</u></b>    | <b><u>(1,944,211)</u></b>    |
| <b>NET DEBT, END OF YEAR</b>                                       | <b>\$ <u>(1,932,452)</u></b>  | <b>\$ <u>(1,863,181)</u></b> | <b>\$ <u>(1,919,166)</u></b> |

## CONSOLIDATED CASH FLOWS

Year ended March 31

2014

2013

## OPERATING ACTIVITIES

|  |            |            |
|--|------------|------------|
| Annual surplus                               | \$ 145,776 | \$ 185,305 |
| Add (deduct) non-cash items :                |            |            |
| Amortization                                 | 288,426    | 265,612    |
| Gain on disposal of capital assets           | (66,282)   | -          |
|  | 367,920    | 450,917    |
| Net change in non-cash working capital items |            |            |
| Accounts receivable                          | (112,779)  | 249,975    |
| Prepaid                                      | 2,000      | (3,000)    |
| Accounts payable and accrued liabilities     | 193,217    | (231,802)  |
|  | 450,358    | 466,090    |

## FINANCING ACTIVITIES

|   |           |           |
|---|-----------|-----------|
| Increase of long-term debt                              | 102,143   | 133,950   |
| Repayment of long-term debt                             | (78,166)  | (65,609)  |
| Increase in bank loan                                   | 39,000    | 31,000    |
| Increase in demand loans                                | -         | 261,840   |
| Repayment of demand loans                               | (104,624) | (265,782) |
| Advance from (transfer to) the replacement reserve fund | (37,000)  | 9,000     |
|   | (78,647)  | 104,399   |

## CAPITAL ACTIVITIES

|  |           |           |
|--|-----------|-----------|
| Addition to capital assets               | (371,980) | (355,372) |
| Proceeds from disposal of capital assets | 103,975   | -         |
| Net increase in construction in progress | (45,930)  | (67,500)  |
|  | (313,935) | (422,872) |

## INCREASE IN CASH AND CASH EQUIVALENTS

57,776

147,617

## CASH AND CASH EQUIVALENTS (BANK OVERDRAFT), BEGINNING

(18,980)

(166,597)

## CASH AND CASH EQUIVALENTS (BANK OVERDRAFT), ENDING

\$ 38,796

\$ (18,980)

Cash and cash equivalents consist of the cash in operating accounts.

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

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**1. SIGNIFICANT ACCOUNTING POLICIES****Basic of Accounting**

These consolidated financial statements have been prepared by Band management in accordance with the First Nation Reporting Handbook, which states that you follow the Canadian public sector accounting standards for government entities, as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants, which encompasses the following principles:

**a) Accrual Accounting**

Expenses are recorded for all goods and services received or consumed during this fiscal year.

Amounts received or recorded as receivable but not earned by the end of the fiscal year are recorded as deferred revenue.

**b) Reporting Entity and Principles of Financial Reporting**

The Indian Island First Nation reporting entity includes the Indian Island First Nation Government and all related entities which are accountable to the First Nation and are either owned or controlled by it.

These consolidated financial statements consolidate the assets, liabilities and results of operations for the following entities which use accounting principles that lend themselves to consolidation:

- Indian Island First Nation Government Administration
- Indian Island First Nation Trust Funds
- Indian Island Acquaculture Development Corporation
- Indian Island Economic Development Corporation

All inter-entity balances have been eliminated on consolidation.

**c) 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 and are not to be consumed in the normal course of 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, construction in progress and prepaid expenses.

**d) Tangible capital assets**

Tangible capital assets include acquired, built, developed and improved tangible capital assets, whose useful life extends beyond one year and which are intended to be used on an ongoing basis for producing goods or delivering services.

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

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**1. SIGNIFICANT ACCOUNTING POLICIES (continued)****d) Tangible capital assets (continued)**

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.

Amortization is provided for on a straight line basis over their useful lives as follows:

|                  |               |             |
|------------------|---------------|-------------|
| Buildings        | straight line | 10-40 years |
| Roads and paving | straight line | 20 years    |
| Equipment        | straight line | 2-6 years   |
| Vehicule         | straight line | 5 years     |
| Windtower        | straight line | 20-40 years |

Tangible capital assets are written down when conditions indicate that they no longer contribute to Indian Island First Nation's 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.

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.

**e) Deferred Revenue**

Deferred revenue represents unspent Government transfers for programs, where the eligibility criteria has not been met at year end. The unspent revenue is carried forward to be recognized as eligibility criteria is met or until the funder deems the surpluses to be repayable at which time an amount payable is recognized.

**f) Net Debt**

The First Nation's consolidated 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.

**g) Cash and Cash Equivalents**

The First Nation's policy is to disclose bank balances under cash and cash equivalents, including bank overdrafts with balances that fluctuate frequently from being positive to overdrawn and term deposits with a maturity period of three months or less from the date of acquisition. Cash and cash equivalents that the First Nation cannot use for current transactions because they are pledged as security are also excluded from cash and cash equivalents.

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

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**h) 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.

**i) Financial Instruments**

The First Nation's financial instruments consist of cash, accounts receivable, bank loans, demand loans, accounts payable, accrued liabilities and long term debt. The fair value of these financial instruments approximate their carrying values unless otherwise noted.

**j) Use of estimates**

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting periods presented. Actual results could differ from these estimates.

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

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**1. SIGNIFICANT ACCOUNTING POLICIES (continued)****k) Segmented Information**

The First Nation discloses segmented results of operations for the year in note 16 to the consolidated financial statements. The First Nation has segregated its activities into the following segments based on distinguishable groups of activities:

*Economic Development*

Contains activities of the economic development program. The First Nation is currently working on a windtower project.

*Education*

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

*Social*

Provides social assistance to qualifying members. It also includes the section 95 housing and related expenditures

*Health*

Contains activities that provide medical services to band members.

*Public Works*

Contains all activities that relate to the maintenance of buildings and land of the First Nation.

*Band Government*

Includes all other activities not described in another fund. Mainly centralized and shared activities.

*Other*

Includes the forestry, aquaculture and the fisheries activities.

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

**2. CASH**

|                                       |                   |                  |
|---------------------------------------|-------------------|------------------|
| Cash in operating accounts            | \$ 38,796         | \$ -             |
| Cash in Ottawa Trusts                 | 660               | 644              |
| Replacement reserve fund - restricted | <u>90,099</u>     | <u>53,099</u>    |
|                                       | <u>\$ 129,555</u> | <u>\$ 53,743</u> |

Under the terms of an agreement with Canada Mortgage and Housing Corporation, Indian Island First Nation must set aside funds annually for the repair, maintenance and replacement of worn out assets. These funds are to be held in a separate bank account and invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or otherwise approved by the Canada Mortgage and Housing Corporation. Under CMHC requirements the amount of cash which should be held in a separate account for Replacement and Operating reserves should total \$227,085. The actual balance in the account is \$136,087. The First Nation has met with CMHC representatives and has agreed to arrange a funding schedule to eventually fund the discrepancy. Non compliance with this required funding could cause that further CMHC subsidy housing projects be terminated until the situation is resolved.

**3. ACCOUNTS RECEIVABLE**

|  |                   |                   |
|--|-------------------|-------------------|
| Fisheries and Oceans Canada                        | \$ 36,473         | \$ 18,400         |
| Aboriginal Affairs and Northern Development Canada | -                 | 24,851            |
| Health Canada                                      | -                 | 1,714             |
| Canada Mortgage and Housing Corporation            | 3,000             | 30,926            |
| Atlantic Canada Opportunities Agency               | 28,663            | 20,000            |
| Aboriginal Business Development Program            | 99,568            | -                 |
| Provincial Government                              | 16,730            | 10,592            |
| School District #16                                | 37,904            | 17,421            |
| Other receivables                                  | <u>107,291</u>    | <u>92,946</u>     |
|  | <u>\$ 329,629</u> | <u>\$ 216,850</u> |

**4. OTTAWA TRUST MONEYS**

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 Sections 63 to 69 of the Indian Act.

|                 | Beginning<br>balance | Additions    | Withdrawals | Ending<br>balance |
|-----------------|----------------------|--------------|-------------|-------------------|
| Trust - capital | \$ 142               | \$ -         | \$ -        | \$ 142            |
| Trust - revenue | <u>502</u>           | <u>16</u>    | <u>-</u>    | <u>518</u>        |
| Total           | <u>\$ 644</u>        | <u>\$ 16</u> | <u>\$ -</u> | <u>\$ 660</u>     |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31

2014

2013

**5. LIVESTOCK**

The livestock inventory costs such as purchases, salaries and others are expensed in the year incurred.

**6. BANK LOAN**

The First Nation has an authorized line of credit of \$250,000, bearing interest at prime rate plus 2.50%. The line of credit is secured by an assignment on accounts receivable that have a net carrying value of \$329,629 (2013 - \$216,850)

**7. DEMAND LOANS**

|  |                   |                   |
|--|-------------------|-------------------|
| Loan, repayable by monthly instalments of \$6,202 including capital and interest at the rate of 4.10%, maturing in December 2014           | 66,410            | 125,263           |
| Loan, repayable by monthly instalments of \$1,506 including capital and interest at the rate of prime plus 2.05%, maturing in October 2014 | 9,974             | 27,071            |
| Loan, repayable by monthly instalments of \$2,218 including capital and interest at the rate of 4.11%, maturing in January 2016            | 51,026            | 75,000            |
| Loan, without interest or fixed repayment terms  | <u>30,300</u>     | <u>35,000</u>     |
|  | <u>\$ 157,710</u> | <u>\$ 262,334</u> |

**8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

|                    |                   |                   |
|--------------------|-------------------|-------------------|
| Suppliers          | 447,384           | 259,805           |
| Payroll deductions | 2,239             | 218               |
| Sales Tax          | 24,128            | 24,127            |
| Accrued expenses   | <u>37,281</u>     | <u>33,665</u>     |
|                    | <u>\$ 511,032</u> | <u>\$ 317,815</u> |

A separate bank account is not used for the purpose of payroll deductions. All payroll deductions were remitted before year-end except for those above remitted in April 2014.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31**

**2014**                    **2013**

**9. LONG-TERM DEBT**

Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$493 including capital and interest at the rate of 2.67%, maturing in 2035, renewable in February 2015, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on one housing unit

\$        94,518        \$        97,873

Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$285 including capital and interest at the rate of 2.84%, maturing in 2025, renewable in April 2015, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on one housing unit

31,924                    34,409

Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$659 including capital and interest at the rate of 2.76%, maturing in 2020, renewable in June 2015, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on two housing units

42,604                    49,248

Loan, secured by a first mortgage on buildings, repayable by monthly instalments of \$306 including capital and interest at the rate of 2.76%, maturing in 2030, renewable in June 2015, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on one housing unit

47,881                    50,202

Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$520 including capital and interest at the rate of 3.13%, maturing in 2035, renewable in June 2015, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on one housing unit

96,691                    99,873

Subtotal carried forward

\$        313,618        \$        331,605

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31

2014

2013

## 9. LONG-TERM DEBT (continued)

|   |               |               |
|---|---------------|---------------|
| Subtotal from previous page   | \$ 313,618    | \$ 331,605    |
| Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$289 including capital and interest at the rate of 2.75%, maturing in 2020, renewable in February 2016, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on one housing unit | 21,143        | 23,996        |
| Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$279 including capital and interest at the rate of 2.65%, maturing in 2026, renewable in April 2016, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on one housing unit    | 33,979        | 36,395        |
| Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$326 including capital and interest at the rate of 2.65%, maturing in 2031, renewable in April 2016, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on one housing unit    | 53,825        | 56,287        |
| Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$479 including capital and interest at the rate of 2.37%, maturing in 2036, renewable in June 2016, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on one housing unit     | 99,628        | 102,979       |
| Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$264 including capital and interest at the rate of 1.80%, maturing in 2021, renewable in October 2016, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on one housing unit  | <u>22,004</u> | <u>24,754</u> |
| Subtotal carried forward  | \$ 544,197    | \$ 576,016    |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31

2014

2013

## 9. LONG-TERM DEBT (continued)

|   |            |            |
|---|------------|------------|
| Subtotal from previous page   | \$ 544,197 | \$ 576,016 |
| Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$282 including capital and interest at the rate of 1.64%, maturing in 2021, renewable in December 2016, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on one housing unit | 24,359     | 27,317     |
| Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$455 including capital and interest at the rate of 1.49%, maturing in 2037, renewable in January 2017, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on one housing unit  | 105,624    | 109,483    |
| Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$319 including capital and interest at the rate of 1.64%, maturing in 2032, renewable in February 2017, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on one housing unit | 59,259     | 62,099     |
| Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$465 including capital and interest at the rate of 1.67%, maturing in 2037, renewable in April 2017, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on one housing unit    | 106,451    | 110,220    |
| Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$321 including capital and interest at the rate of 1.65%, maturing in 2032, renewable in June 2017, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on one housing unit     | 60,196     | 63,032     |
| Subtotal carried forward  | \$ 900,086 | \$ 948,167 |

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31**

**2014**                    **2013**

**9. LONG-TERM DEBT (continued)**

|  |                     |                     |
|--|---------------------|---------------------|
| <b>Subtotal from previous page</b>   | \$ 900,086          | \$ 948,167          |
| Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$266 including capital and interest at the rate of 1.71%, maturing in 2022, renewable in September 2017, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on one housing unit | 25,218              | 27,952              |
| Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$299 including capital and interest at the rate of 1.71%, maturing in 2027, renewable in September 2017, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on one housing unit | 43,223              | 46,047              |
| Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$320 including capital and interest at the rate of 1.62%, maturing in 2033, renewable in March 2018, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on one housing unit     | 62,395              | 65,207              |
| Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$537 including capital and interest at the rate of 1.52%, maturing in 2038, renewable in May 2018, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on one housing unit       | 130,211             | 133,950             |
| Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$316 including capital and interest at the rate of 3.09%, maturing in 2028, renewable in September 2013, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on one housing unit | 44,057              | 46,523              |
| <b>Subtotal carried forward</b>  | <b>\$ 1,205,190</b> | <b>\$ 1,267,846</b> |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31

2014

2013

## 9. LONG-TERM DEBT (continued)

|  |              |              |
|--|--------------|--------------|
| Subtotal from previous page  | \$ 1,205,190 | \$ 1,267,846 |
| Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$681 including capital and interest at the rate of 1.82%, maturing in 2018, renewable in February 2014, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on two housing units | 35,900       | 43,342       |
| Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$442 including capital and interest at the rate of 2.92%, maturing in 2033, renewable in December 2013, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on one housing unit  | 79,113       | 82,138       |
| Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$251 including capital and interest at the rate of 1.81%, maturing in 2024, renewable in April 2014, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on one housing unit     | 27,519       | 30,008       |
| Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$281 including capital and interest at the rate of 1.81%, maturing in 2029, renewable in April 2014, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on one housing unit     | 44,098       | 46,652       |
| Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$2,663 including capital and interest at the rate of 1.98%, maturing in 2038, renewable in May 2018, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on one housing unit     | 102,143      | -            |
|  | \$ 1,493,963 | \$ 1,469,986 |

Estimated long-term debt principal repayments to be made or refinanced during the next five years are :

|                  |                  |
|------------------|------------------|
| 2015 : \$174,338 | 2018 : \$278,849 |
| 2016 : \$285,934 | 2019 : \$224,316 |
| 2017 : \$399,212 |                  |

**NOTES TO FINANCIAL STATEMENTS**  
March 31, 2014

**10. TANGIBLE CAPITAL ASSETS**

| Cost                                     | Buildings          | Roads and Paving | Equipment        | Vehicles        | Total 2014       | Total 2013       |
|--|--------------------|------------------|------------------|-----------------|------------------|------------------|
| Opening balance                          | \$ 4,641,516       | \$ 618,049       | \$ 643,125       | \$ 11,975       | \$ 5,914,665     | \$ 5,559,293     |
| Additions                                | 133,246            | 94,438           | 132,106          | 12,190          | 371,980          | 355,372          |
| Disposals                                | (65,000)           | -                | -                | -               | (65,000)         | -                |
| Closing balance                          | <u>4,709,762</u>   | <u>712,487</u>   | <u>775,231</u>   | <u>24,165</u>   | <u>6,221,645</u> | <u>5,914,665</u> |
| Accumulated Amortization                 |                    |                  |                  |                 |                  |                  |
| Opening balance                          | 1,796,380          | 97,966           | 228,447          | 1,597           | 2,124,390        | 1,858,778        |
| Amortization                             | 165,235            | 19,382           | 101,414          | 2,395           | 288,426          | 265,612          |
| Accumulated amortization<br>on disposals | (27,307)           | -                | 329,861          | -               | (27,307)         | -                |
| Closing balance                          | <u>1,934,308</u>   | <u>117,348</u>   | <u>329,861</u>   | <u>3,992</u>    | <u>2,385,509</u> | <u>2,124,390</u> |
| Net book value                           | <u>2,775,454</u>   | <u>595,139</u>   | <u>445,370</u>   | <u>20,173</u>   | <u>3,836,136</u> | <u>3,790,275</u> |
| Opening net book value                   | 2,845,135          | 520,083          | 414,679          | 10,378          | 3,790,275        | 3,700,512        |
| Closing net book value                   | <u>2,775,454</u>   | <u>595,139</u>   | <u>445,370</u>   | <u>20,173</u>   | <u>3,836,136</u> | <u>3,790,275</u> |
| Increase (decrease) in<br>net book value | \$ <u>(69,681)</u> | \$ <u>75,056</u> | \$ <u>30,691</u> | \$ <u>9,795</u> | \$ <u>45,861</u> | \$ <u>89,763</u> |

**11. CONSTRUCTION IN PROGRESS**

Construction in progress consists of the development costs for the windtower project.

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

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**12. CONTINGENCIES**

Indian Island 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.

**13. ECONOMIC DEPENDENCE**

The Indian Island First Nation receives a major portion of its revenues pursuant to a funding arrangement with Aboriginal Affairs and Northern Development Canada. The nature and extent of this revenue is of such significance that the First Nation is economically dependent on this source of revenue.

**14. PENSION AGREEMENT**

The First Nation provides defined contribution plan for eligible members of its staff. Members are required to contribute 9% of their salary. The First Nation contributes 9% 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. The Indian Island First Nation contributed during the year \$17,716 (2013 - \$16,292) for retirement benefits.

**15. FAIR VALUE AND RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES****a) Fair value of Financial Assets and Liabilities**

The carrying value of cash, accounts receivable, bank overdraft, bank loan, demand loans, accounts payable and accrued liabilities approximates fair market value due to their short-term nature.

The carrying value of the long-term debt at the balance sheet date is a fair representation of the present value of future cash flows given that the interest rate risk is protected by an agreement with CMHC for the majority of the long-term debt.

**b) Credit Risk**

Credit risk is the risk that a counterparty will default on its financial liabilities.

Financial assets which potentially subject the First Nation to credit risk and concentrations of credit risk consist principally of cash and accounts receivable.

Management manages credit risk associated with accounts receivable by pursuing collections when they are due.

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

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**15. FAIR VALUE AND RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES**  
**(continued)****c) Interest Rate Risk**

The First Nation is exposed to interest rate risk on its fixed and variable interest rate financial instruments. Fixed-interest instruments subject the First Nation to a fair value risk while the variable-rate instruments subject it to a cash flow risk.

**d) Liquidity Risk**

Liquidity risk is the risk that the First Nation will not be able to meet its financial obligations related to financial liabilities as they come due. Financial liabilities consist of accounts payable and accrued liabilities and deferred revenue. Accounts payable and accrued liabilities are paid in the normal course of operations and except under certain exceptions, no later than three months.

The First Nation's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient assets to meet liabilities when due. As at March 31, 2014, the First Nation has a cash balance of \$129,555 and current accounts receivable of \$329,629 which does not cover the bank loan of \$159,000 and the total current accounts payable and accrued liabilities of \$511,032. The First Nation is working on rectifying the situation.

## 16. SEGMENT DISCLOSURE

Indian Island First Nation provides a range of services to its members. 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 in Note 1. The segment results for the period are as follows:

|                                 | Economic Development    |                         | Education               |                         | Social Assistance        |                          | Health                    |                           |
|---------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|--------------------------|--------------------------|---------------------------|---------------------------|
|                                 | 2014                    | 2013                    | 2014                    | 2013                    | 2014                     | 2013                     | 2014                      | 2013                      |
| <b>Revenues</b>                 |                         |                         |                         |                         |                          |                          |                           |                           |
| Federal Government              | \$ -                    | \$ -                    | \$ 467,395              | \$ 229,056              | \$ 559,407               | \$ 492,273               | \$ 307,029                | \$ 253,260                |
| Provincial Government           | -                       | 7,500                   | 76,802                  | 71,901                  | -                        | -                        | -                         | -                         |
| Other revenue                   | <u>61,652</u>           | <u>88,208</u>           | <u>5,165</u>            | <u>11,635</u>           | <u>49,836</u>            | <u>55,989</u>            | <u>-</u>                  | <u>-</u>                  |
| <b>Total revenue</b>            | <b><u>61,652</u></b>    | <b><u>95,708</u></b>    | <b><u>549,362</u></b>   | <b><u>312,592</u></b>   | <b><u>609,243</u></b>    | <b><u>548,262</u></b>    | <b><u>307,029</u></b>     | <b><u>253,260</u></b>     |
| <b>Expenses</b>                 |                         |                         |                         |                         |                          |                          |                           |                           |
| Salaries and benefits           | 34,085                  | 33,140                  | 118,587                 | 137,599                 | -                        | -                        | 240,269                   | 274,616                   |
| Amortization                    | -                       | -                       | -                       | -                       | 40,366                   | 43,183                   | -                         | -                         |
| Debt servicing                  | -                       | -                       | -                       | -                       | 30,163                   | 33,086                   | -                         | -                         |
| Other expenses                  | <u>3,168</u>            | <u>2,281</u>            | <u>383,618</u>          | <u>163,257</u>          | <u>305,776</u>           | <u>334,797</u>           | <u>120,988</u>            | <u>50,285</u>             |
| <b>Total expenses</b>           | <b><u>37,253</u></b>    | <b><u>35,421</u></b>    | <b><u>502,205</u></b>   | <b><u>300,856</u></b>   | <b><u>376,305</u></b>    | <b><u>411,066</u></b>    | <b><u>361,257</u></b>     | <b><u>324,901</u></b>     |
| <b>Annual surplus (deficit)</b> | <b><u>\$ 24,399</u></b> | <b><u>\$ 60,287</u></b> | <b><u>\$ 47,157</u></b> | <b><u>\$ 11,736</u></b> | <b><u>\$ 232,938</u></b> | <b><u>\$ 137,196</u></b> | <b><u>\$ (54,228)</u></b> | <b><u>\$ (71,641)</u></b> |

NOTES TO FINANCIAL STATEMENTS  
March 31, 2014

**16. SEGMENT DISCLOSURE (continued)**

|                                 | Public Works              |                           | Band Government            |                            | Other                   |                          | Total                    |                          |
|---------------------------------|---------------------------|---------------------------|----------------------------|----------------------------|-------------------------|--------------------------|--------------------------|--------------------------|
|                                 | 2014                      | 2013                      | 2014                       | 2013                       | 2014                    | 2013                     | 2014                     | 2013                     |
| <b>Revenues</b>                 |                           |                           |                            |                            |                         |                          |                          |                          |
| Federal Government              | \$ 64,206                 | \$ 33,843                 | \$ 274,515                 | \$ 518,983                 | \$ 209,481              | \$ 199,589               | \$ 1,882,033             | \$ 1,727,004             |
| Provincial Government           | -                         | -                         | 46,500                     | 205,061                    | -                       | -                        | 123,302                  | 284,462                  |
| Other revenue                   |                           |                           | 102,986                    | 91,628                     | 1,028,006               | 1,029,683                | 1,247,645                | 1,277,143                |
| <b>Total revenue</b>            | <b><u>64,206</u></b>      | <b><u>33,843</u></b>      | <b><u>424,001</u></b>      | <b><u>815,672</u></b>      | <b><u>1,237,487</u></b> | <b><u>1,229,272</u></b>  | <b><u>3,252,980</u></b>  | <b><u>3,288,609</u></b>  |
| <b>Expenses</b>                 |                           |                           |                            |                            |                         |                          |                          |                          |
| Salaries and benefits           | 15,717                    | 14,612                    | 132,183                    | 88,870                     | 111,961                 | 114,004                  | 652,802                  | 662,841                  |
| Amortization                    | -                         | -                         | 150,072                    | 137,290                    | 97,988                  | 85,139                   | 288,426                  | 265,612                  |
| Debt servicing                  | -                         | -                         | 6,062                      | 7,758                      | -                       | -                        | 36,225                   | 40,844                   |
| Other expenses                  | 61,992                    | 33,890                    | 264,703                    | 685,194                    | 989,506                 | 864,303                  | 2,129,751                | 2,134,007                |
| <b>Total expenses</b>           | <b><u>77,702</u></b>      | <b><u>48,502</u></b>      | <b><u>553,020</u></b>      | <b><u>919,112</u></b>      | <b><u>1,199,455</u></b> | <b><u>1,063,446</u></b>  | <b><u>3,107,204</u></b>  | <b><u>3,103,304</u></b>  |
| <b>Annual surplus (deficit)</b> | <b><u>\$ (13,503)</u></b> | <b><u>\$ (14,659)</u></b> | <b><u>\$ (129,019)</u></b> | <b><u>\$ (103,440)</u></b> | <b><u>\$ 38,032</u></b> | <b><u>\$ 165,826</u></b> | <b><u>\$ 145,776</u></b> | <b><u>\$ 185,305</u></b> |

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

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**17. BUDGETED FIGURES**

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