INDIAN ISLAND FIRST NATION

AUDITOR'S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016

Nadeau Picard
& Associés

Comptables professionnels agréés
Chartered Professional Accountants

INDEPENDENT AUDITOR'S REPORT

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 2016, 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, 2016 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

As mentionned in note 22 of the financial statements, budget figures are unaudited.

Nadeau Picard & Associés

Nadeau Picard & Associés
Chartered Professional Accountants
Grand Falls, July 27, 2016

CONSOLIDATED FINANCIAL POSITION
March 31

	2016	2015
FINANCIAL ASSETS		
Cash (note 2)	$ 210,326	$ 155,492
Accounts receivable (note 3)	313,513	634,686
	523,839	790,178
LIABILITIES		
Bank overdraft	63,029	-
Bank loan (note 6)	250,000	239,000
Demand loans (note 7)	10,000	41,037
Accounts payable and accrued liabilities (note 8)	261,283	681,266
Due to Government/other Government Organizations (note 9)	253,202	335,172
Trust funds held by AANDC (note 4)	693	686
Deferred revenue (note 10)	17,492	23,625
Long-term debt (note 11)	1,553,710	1,498,750
	2,409,409	2,819,536
NET DEBT	(1,885,570)	(2,029,358)
NON FINANCIAL ASSETS		
Prepaid expenses (note 12)	131,781	7,375
Tangible capital assets (note 13)	3,930,620	3,862,407
Construction in progress (note 14)	812,322	806,951
	4,874,723	4,676,733
ACCUMULATED SURPLUS	$ 2,989,153	$ 2,647,375

APPROVED BY THE FIRST NATION

_______________, Chief

_______________, Councillor

_______________, Councillor

INDIAN ISLAND FIRST NATION

CONSOLIDATED OPERATIONS AND CHANGES IN ACCUMULATED SURPLUS

Year ended March 31	2016 Budget (Unaudited)	2016 Actual	2015 Actual
REVENUE			
Federal Government:			
Aboriginal Affairs and Northern Development Canada	$ 1,656,454	$ 1,646,715	$ 2,040,242
Aboriginal Affairs and Northern Development Canada - Clawback	-	-	(42,416)
Health Canada	262,168	262,168	260,038
Health Canada - prior year clawback	-	-	(8,542)
Fisheries and Oceans Canada	287,144	285,794	114,243
Canada Mortgage and Housing Corporation	77,292	77,292	75,464
Atlantic Canada Opportunities Agency	-	-	12,750
Provincial government	120,000	137,997	110,194
Other	1,300,941	1,692,415	1,309,181
	3,703,999	4,102,381	3,871,154
EXPENSES			
Economic Development	37,000	37,040	34,111
Education	663,927	715,574	476,543
Income Assistance	415,383	396,062	293,725
Assisted Living	30,326	57,841	47,360
Facilities - Operations and maintenance	35,554	57,147	51,049
Other - Capital	198,794	357,186	362,634
Indian Government Support	607,936	605,847	1,288,401
Health	262,168	278,087	264,353
Aquaculture	142,698	187,251	240,876
Fisheries	1,039,446	956,787	857,473
Natural Resources	100,000	111,781	71,160
	3,533,232	3,760,603	3,987,685
ANNUAL SURPLUS (DEFICIT)	170,767	341,778	(116,531)
ACCUMULATED SURPLUS, BEGINNING OF PERIOD	2,647,375	2,647,375	2,763,906
ACCUMULATED SURPLUS, END OF PERIOD	$ 2,818,142	$ 2,989,153	$ 2,647,375

CONSOLIDATED CHANGES IN NET DEBT
March 31

	2016 Budget (Unaudited)	2016 Actual	2015 Actual
ANNUAL SURPLUS (DEFICIT)	$ 170,767	$ 341,778	$ (116,531)
Tangible capital assets			
Acquisition of tangible capital assets	(345,000)	(375,000)	(346,699)
Amortization of tangible capital assets	265,000	306,787	320,428
	(80,000)	(68,213)	(26,271)
Other non-financial assets			
Additions of construction in progress	-	(5,371)	(17,000)
Increase of prepaid expense	-	(124,406)	(6,375)
	-	(129,777)	(23,375)
CHANGE IN NET FINANCIAL ASSETS (NET DEBT)	90,767	143,788	(166,177)
NET DEBT, BEGINNING OF YEAR	(2,029,358)	(2,029,358)	(1,863,181)
NET DEBT, END OF YEAR	$ (1,938,591)	$ (1,885,570)	$ (2,029,358)

CONSOLIDATED CASH FLOWS
Year ended March 31

	2016	2015
OPERATING ACTIVITIES		
Annual surplus (deficit)	$ 341,778	$ (116,531)
Add (deduct) non-cash items :		
Amortization	306,787	320,428
	648,565	203,897
Net change in non-cash working capital items		
Accounts receivable	321,174	(305,057)
Prepaid	(124,406)	(6,375)
Accounts payable and accrued liabilities	(419,981)	352,259
Due to Government and other Government organizations	(81,970)	153,152
Deferred revenue	(6,133)	23,625
	337,249	421,501
FINANCING ACTIVITIES		
Increase of long-term debt	145,482	88,237
Repayment of long-term debt	(90,525)	(83,453)
Increase in bank loan	11,000	80,000
Repayment of demand loans	(31,037)	(116,675)
Transfer to the replacement reserve fund	(33,735)	(54,206)
	1,185	(86,097)
CAPITAL ACTIVITIES		
Addition to capital assets	(375,000)	(346,699)
Net increase in construction in progress	(5,371)	(17,000)
	(380,371)	(363,699)
DECREASE IN CASH AND CASH EQUIVALENTS	(41,937)	(28,295)
CASH AND CASH EQUIVALENTS (BANK OVERDRAFT), BEGINNING	10,501	38,796
CASH AND CASH EQUIVALENTS (BANK OVERDRAFT), ENDING	$ (31,436)	$ 10,501

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

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 CPA Canada, 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.

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 foward 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.

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 defered 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 restricitions 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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Segmented Information

The First Nation discloses segmented results of operations for the year in note 21 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
Povides 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.

2. CASH

Cash in operating accounts	$ 31,593	$ 10,501
Cash in Ottawa Trusts	693	686
Replacement reserve fund - restricted	178,040	144,305
	$ 210,326	$ 155,492

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 $185,851. The actual balance in the account is $209,633.

3. ACCOUNTS RECEIVABLE

Fisheries and Oceans Canada	$ 160,507	$ 7,318
Aboriginal Affairs and Northern Development Canada	68,224	560,429
Canada Mortgage and Housing Corporation	-	10,615
Aboriginal Aquaculture in Canada Initiative	12,697	-
Provincial Government	27,825	12,982
School District #16	23,395	19,418
Other receivables	20,865	23,924
	$ 313,513	$ 634,686

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 balance	Additions	Withdrawals	Ending balance
Trust - capital	$ 142	$ -	$ -	$ 142
Trust - revenue	544	7	-	551
Total	$ 686	$ 7	$ -	$ 693

5. LIVESTOCK

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31

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 $313,513 (2015 - $634,686)

7. DEMAND LOANS

	2016	2015
Demand loans repaid during the year	-	26,037
Loan, without interest or fixed repayment terms	10,000	15,000
	$ 10,000	$ 41,037

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2016	2015
Suppliers	201,570	349,186
Payroll deductions	7,357	2,560
Sales tax	25,195	24,128
Accrued expenses	27,161	305,392
	$ 261,283	$ 681,266

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 2016.

9. DUE TO GOVERNMENT AND OTHER GOVERNMENT ORGANIZATIONS

	2016	2015
Federal government	29,299	57,346
Provincial government	223,903	277,826
	$ 253,202	$ 335,172

10. DEFERRED REVENUE

	2016	2015
AANDC - Lands and Economic Development Services	$ 17,492	$ -
New Horizons	-	23,625
	$ 17,492	$ 23,625

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31

11. LONG-TERM DEBT

	2016	2015
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	92,691	96,198
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	16,356	19,205
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	18,296	21,352
Loan secured by a first mortgage on buidings, 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	97,735	101,707
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	53,441	56,373
Subtotal carried forward	$ 278,519	$ 294,835

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31

11. LONG-TERM DEBT (continued)

	2016	2015
Subtotal from previous page	$ 278,519	$ 294,835
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	98,727	102,618
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	54,386	57,314
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	19,609	22,437
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	37,430	40,350
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	56,634	59,537
Subtotal carried forward	$ 545,305	$ 577,091

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31

11. LONG-TERM DEBT (continued)

	2016	2015
Subtotal from previous page	$ 545,305	$ 577,091
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 on housing unit.	121,150	125,713
Loan secured by a first mortgage on buildings, repayable by monthly instalments of $300 including capital and interest at the rate of 2.35%, maturing in 2028, renewable in September 2018, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on one housing unit	38,797	41,457
Loan secured by a first mortgage on buildings, repayable by monthly instalments of $685 including capital and interest at the rate of 2.08%, maturing in October 2018, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on two housing units	20,652	28,354
Loan secured by a first mortgage on buildings, repayable by monthly instalments of $411 including capital and interest at the rate of 2.11%, maturing in 2033, renewable in January 2019, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on one housing unit	72,445	75,812
Loan secured by a first mortgage on buildings, repayable by monthly instalments of $252 including capital and interest at the rate of 1.92%, maturing in 2024, renewable in April 2019, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on one housing unit	22,428	24,997
Subtotal carried forward	$ 820,777	$ 873,424

11. LONG-TERM DEBT (continued)

	2016	2015
Subtotal from previous page	$ 820,777	$ 873,424
Loan secured by a first mortgage on buildings, repayable by monthly instalments of $283 including capital and interest at the rate of 1.92%, maturing in 2029, renewable in April 2019, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on one housing unit	38,889	41,517
Loan secured by a first mortgage on buildings, repayable by monthly instalments of $432 including capital and interest at the rate of 1.98%, maturing in 2039, renewable in May 2019, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on one housing unit	96,244	99,486
Loan secured by a first mortgage on buildings, repayable by monthly instalments of $639 including capital and interest at the rate of 1.39%, maturing in January 2020, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on two housing units	$ 28,618	$ 35,776
Loan secured by a first mortgage on buildings, repayable by monthly instalments of $427 including capital and interest at the rate of 1.12%, maturing in 2035, renewable in February 2020, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on one housing unit	86,911	91,032
Loan secured by a first mortgage on buildings, repayable by monthly instalments of $262 including capital and interest at the rate of 1.05%, maturing in 2025, renewable in April 2020, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on one housing unit	26,538	29,369
Subtotal carried forward	$ 1,097,977	$ 1,170,604

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31

11. LONG-TERM DEBT (continued)

	2016	2015
Subtotal from previous page	$ 1,097,977	$ 1,170,604
Loan secured by a first mortgage on buildings, repayable by monthly instalments of $411 including capital and interest at the rate of 1.23%, maturing in 2040, renewable in May 2020, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on one housing unit	103,113	88,237
Loan, secured by a first mortgage on buildings, repayable by monthly instalments of $278 including capital and interest at the rate of 1.39%, maturing in 2030, renewable in June 2020, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on one housing unit	42,848	45,494
Loan secured by a first mortgage on buildings, repayable by monthly instalments of $444 including capital and interest at the rate of 1.39%, maturing in 2035, renewable in June 2020, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on one housing unit	89,535	93,409
Loan secured by a first mortgage on buildings, repayable by monthly instalments of $278 including capital and interest at the rate of 1.01%, maturing in November 2020, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on one housing unit	15,190	18,211
Loan secured by a first mortgage on buildings, repayable by monthly instalments of $482 including capital and interest at the rate of 1.01%, maturing in 2041, renewable in February 2021, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on one housing unit	127,388	-
Subtotal carried forward	$ 1,476,051	$ 1,415,955

11. LONG-TERM DEBT (continued)

	2016	2015
Subtotal from previous page	1,476,051	1,415,955
Loan secured by a first mortgage on buildings, repayable by monthly instalments of $259 including capital and interest at the rate of 1.11%, maturing in 2026, renewable in April 2021, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on one housing unit	28,955	31,499
Loan secured by a first mortgage on buildings, repayable by monthly instalments of $292 including capital and interest at the rate of 1.11%, maturing in 2031, renewable in April 2021, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on one housing unit	48,704	51,296
	$ 1,553,710	$ 1,498,750

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

2017 : $359,918
2018 : $317,724
2019 : $201,739
2020 : $301,668
2021 : $324,555

12. PREPAID EXPENSES

	2016	2015
Tuition fees	$ 129,566	$ -
Other	2,215	7,375
	$ 131,781	$ 7,375

13. TANGIBLE CAPITAL ASSETS

	Buildings	Roads and Paving	Equipment	Vehicule	Total 2016	Total 2015
Cost						
Opening balance	$ 5,006,671	$ 712,487	$ 820,021	$ 29,165	$ 6,568,344	$ 6,221,645
Additions	157,940	-	184,060	33,000	375,000	346,699
Disposals	-	-	-	-	-	-
Closing balance	5,164,611	712,487	1,004,081	62,165	6,943,344	6,568,344
Accumulated Amortization						
Opening balance	2,110,885	137,910	447,734	9,408	2,705,937	2,385,509
Amortization	177,427	20,618	102,324	6,418	306,787	320,428
Accumulated amortization on disposals	-	-	-	-	-	-
Closing balance	2,288,312	158,528	550,058	15,826	3,012,724	2,705,937
Net book value	$ 2,876,299	$ 553,959	$ 454,023	$ 46,339	$ 3,930,620	$ 3,862,407
Opening net book value	2,895,786	574,577	372,287	19,757	3,862,407	3,836,136
Closing net book value	2,876,299	553,959	454,023	46,339	3,930,620	3,862,407
Increase (decrease) in net book value	$ (19,487)	$ (20,618)	$ 81,736	$ 26,582	$ 68,213	$ 26,271

14. CONSTRUCTION IN PROGRESS

Construction in progress consists of the development costs for the windtower project. The project is still on-going as of March 31, 2016.

15. 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.

16. 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 $21,260 (2015 - $18,988) for retirement benefits.

17. 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.

17. 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, 2016, the First Nation has a cash balance of $210,326 and current accounts receivable of $313,513 which does not cover the bank overdraft of $63,029, the bank loan of $250,000, the demand loan of $10,000 and the total current accounts payable and accrued liabilities of $514,485. The First Nation is working on rectifying the situation.

18. CONTINGENT LIABILITIES

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..

19. EXPENSES BY OBJECT

The following is a summary of expenses by object:

Wages & employee benefits	$ 953,922	$ 811,875
Fees and contract services	304,251	955,755
Insurance	30,044	22,499
Interest	37,666	51,755
Office supplies and equipment	33,010	73,382
Professional services	59,208	61,164
Repairs & maintenance	93,838	95,271
Supplies & services	71,869	50,669
Telephone	6,868	7,980
Travel	32,627	28,020
Tuition	523,796	315,009
Utilities	239,499	240,732
Other	1,067,218	953,146
Amortization	306,787	320,428
	$ 3,760,603	$ 3,987,685

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20. GOVERNMENT TRANSFERS

	Operating	Capital	2015 Total
Federal government transfers			
Aboriginal Affairs and Northern Development Canada	$ 1,646,715	$ -	$ 1,646,715
Health Canada	262,168	-	262,168
Canada Mortgage and Housing Corporation	77,292	-	77,292
Department of Fisheries and Oceans	126,366	159,428	285,794
	2,112,541	159,428	2,271,969
Provincial government transfers	137,997	-	137,997
	$ 2,250,538	$ 159,428	$ 2,409,966

	Operating	Capital	2015 Total
Federal government transfers			
Aboriginal Affairs and Northern Development Canada	$ 2,031,742	$ 8,500	$ 2,040,242
Health Canada	260,038	-	260,038
Canada Mortgage and Housing Corporation	75,464	-	75,464
Department of Fisheries and Oceans	87,045	3,755	90,800
Atlantic Canada Opportunities Agency	-	12,750	12,750
Aboriginal Business Development Program	23,443	-	23,443
	2,477,732	25,005	2,502,737
Provincial government transfers	110,194	-	110,194
	$ 2,587,926	$ 25,005	$ 2,612,931

21. SEGMENT DISCLOSURE

Indian Island First Nation provides a range of services to its members. For each segment separatly reported, the segment revenue and expenses represent both amounts that are directly attribuable 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	
	2016	2015	2016	2015	2016	2015	2016	2015
Revenues								
Federal Government	$ -	$ -	$ 573,927	$ 426,620	$ 492,675	$ 489,936	$ 262,168	$ 251,496
Provincial Government	-	-	93,551	79,856	-	-	-	-
Other revenue	37,000	45,750	31,596	12,430	112,712	44,956	-	-
Total revenue	37,000	45,750	699,074	518,906	605,387	534,892	262,168	251,496
Expenses								
Salaries and benefits	37,000	33,000	60,809	42,196	21,098	9,907	210,471	205,992
Amortization	-	-	-	-	60,079	43,600	-	-
Debt servicing	-	-	-	-	25,996	30,004	-	-
Other expenses	40	1,111	654,765	434,347	496,767	398,054	67,616	58,361
Total expenses	37,040	34,111	715,574	476,543	603,940	481,565	278,087	264,353
Annual surplus (deficit)	$ (40)	$ 11,639	$ (16,500)	$ 42,363	$ 1,447	$ 53,327	$ (15,919)	$ (12,857)

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21. SEGMENT DISCLOSURE (continued)

	Public Works		Band Government		Other		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Revenues								
Federal Government	$ 35,554	$ 40,635	$ 614,099	$ 1,116,099	$ 285,794	$ 114,243	$ 2,264,217	$ 2,439,029
Provincial Government	-	-	-	-	-	-	93,551	79,856
Other revenue	-	-	106,748	95,928	1,456,557	1,153,204	1,744,613	1,352,268
Total revenue	35,554	40,635	720,847	1,212,027	1,742,351	1,267,447	4,102,381	3,871,153
Expenses								
Salaries and benefits	18,736	16,453	187,109	193,392	143,142	141,166	678,365	642,106
Amortization	-	-	140,438	159,863	106,270	116,965	306,787	320,428
Debt servicing	-	-	567	1,628	-	-	26,563	31,632
Other expenses	38,411	34,596	484,883	1,155,672	1,006,406	911,377	2,748,888	2,993,518
Total expenses	57,147	51,049	812,997	1,510,555	1,255,818	1,169,508	3,760,603	3,987,684
Annual surplus (deficit)	$ (21,593)	$ (10,414)	$ (92,150)	$ (298,528)	$ 486,533	$ 97,939	$ 341,778	$ (116,531)

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22. BUDGETED FIGURES

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

23. COMPARATIVE FIGURES

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