

INDIAN ISLAND FIRST NATION

**AUDITOR'S REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS**

MARCH 31, 2019

INDIAN ISLAND FIRST NATION

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INDEPENDENT AUDITOR'S REPORT

To the Chief and Band Councillors

Opinion

We have audited the consolidated financial statements of Indian Island First Nation (First Nation), which comprise the consolidated statement of financial position as at March 31, 2019, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the First Nation as at March 31, 2019, and the results of its consolidated operations and change in accumulated surplus, change in net debt and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the First Nation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

Without modifying our opinion, we draw attention to note 24 of the financial statements, saying that the budget figures are unaudited.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the First Nation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the First Nation or to cease operations, or has no realistic alternative but to do so.

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Those charged with governance are responsible for overseeing the First Nation's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the First Nation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the First Nation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the First Nation to cease to continue as a going concern.

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- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the First Nation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the First Nation's audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Nadeau Picard & Associés, CPA

Nadeau Picard & Associés, CPA
Chartered Professional Accountants

Grand Falls, New Brunswick
July 22, 2019

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INDIAN ISLAND FIRST NATION

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CONSOLIDATED FINANCIAL POSITION

March 31

2019

2018

FINANCIAL ASSETS

Cash (note 2)	\$ 309,721 ✓	\$ 1,192,034
Accounts receivable (note 3)	1,080,721	258,357
Term deposit (note 4)	1,000,000	1,000,000
Inventories for resale (note 6)	51,267	38,408
Restricted cash (note 7)	<u>266,694</u>	<u>241,278</u>
	<u>2,708,403</u>	<u>2,730,077</u>

LIABILITIES

Accounts payable and accrued liabilities (note 9)	552,044	379,782
Due to Government/other Government Organizations (note 10)	176,079	312,288
Trust funds held by ISC (note 5)	738	729
Deferred revenue (note 11)	934,207	619,294
Long-term debt (note 12)	<u>1,861,023</u>	<u>1,851,357</u>
	<u>3,524,091</u>	<u>3,163,450</u>

NET DEBT

<u>(815,688)</u>	<u>(433,373)</u>
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NON FINANCIAL ASSETS

Prepaid expenses (note 13)	180,832	154,218
Deposit on tangible capital assets	-	147,330
Tangible capital assets (note 14)	6,159,262	5,127,106
Construction in progress (note 15)	<u>1,570,514</u>	<u>1,143,350</u>
	<u>7,910,608</u>	<u>6,572,004</u>

ACCUMULATED SURPLUS

\$ <u>7,094,920</u>	\$ <u>6,138,631</u>
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APPROVED BY THE FIRST NATION

 , Chief

 , Councillor

 , Councillor

INDIAN ISLAND FIRST NATION

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CONSOLIDATED OPERATIONS AND CHANGES IN ACCUMULATED SURPLUS

Year ended March 31	2019 Budget (Unaudited)	2019 Actual	2018 Actual
REVENUE			
Federal Government:			
Indigenous Services Canada	\$ 2,779,714	\$ 1,962,283	\$ 1,807,489
Indigenous Services Canada - Clawback	-	(5,538)	(57,585)
Health Canada	400,830	290,095	337,850
Fisheries and Oceans Canada	721,400	721,400	131,801
Canada Mortgage and Housing Corporation	143,914	143,914	358,395
Canadian Heritage	3,300	3,300	7,500
Provincial government	147,998	149,508	78,798
Rental income	100,000	100,386	103,614
Fisheries	1,975,000	2,070,273	3,654,322
Aquaculture	150,000	150,854	130,033
Tobacco sales	130,000	135,911	6,411
Other	<u>315,983</u>	<u>354,149</u>	<u>408,742</u>
	<u>6,868,139</u>	<u>6,076,535</u>	<u>6,967,370</u>
EXPENSES			
Economic Development	158,000	159,283	42,694
Education	662,249	611,297	567,283
Income Assistance	418,029	475,336	370,795
Assisted Living	30,519	33,928	34,516
Facilities - Operations and maintenance	35,781	67,460	65,016
Other - Capital	467,357	579,519	511,689
Indian Government Support	1,464,833	890,158	834,584
Health	290,095	297,649	315,505
Aquaculture	175,569	248,118	211,783
Fisheries	1,597,201	1,646,674	1,679,209
Natural Resources	5,000	3,052	116,906
Consulting	<u>36,000</u>	<u>107,772</u>	<u>7,480</u>
	<u>5,340,633</u>	<u>5,120,246</u>	<u>4,757,460</u>
ANNUAL SURPLUS	1,527,506	956,289	2,209,910
ACCUMULATED SURPLUS, BEGINNING OF PERIOD	<u>6,138,631</u>	<u>6,138,631</u>	<u>3,928,721</u>
ACCUMULATED SURPLUS, END OF PERIOD	\$ <u>7,666,137</u>	\$ <u>7,094,920</u>	\$ <u>6,138,631</u>

INDIAN ISLAND FIRST NATION

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CONSOLIDATED CHANGES IN NET DEBT

March 31

2019

2018

ANNUAL SURPLUS

\$ 956,289 \$ 2,209,910

Tangible capital assets

Acquisition of tangible capital assets	(1,528,329)	(765,832)
Amortization of tangible capital assets	484,273	443,209
Deposit on tangible capital assets	147,330	(147,330)
Disposal of tangible capital assets	59,196	157,185
Accumulated amortization on disposal of tangible capital assets	(47,296)	(156,394)
	(884,826)	(469,162)

Other non-financial assets

Additions of construction in progress	(427,164)	(45,219)
Increase of prepaid expense	(26,614)	(21,190)
	(453,778)	(66,409)

CHANGE IN NET DEBT

(382,315) 1,674,339

NET DEBT, BEGINNING OF YEAR

(433,373) (2,107,712)

NET DEBT, END OF YEAR

\$ (815,688) \$ (433,373)

INDIAN ISLAND FIRST NATION

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CONSOLIDATED CASH FLOWS

Year ended March 31

2019

2018

OPERATING ACTIVITIES

Annual surplus	\$ 956,289	\$ 2,209,910
Add (deduct) non-cash items :		
Amortization	484,273	443,209
Loss (gain) on disposal of tangible capital assets	<u>11,900</u>	<u>(459)</u>
	1,452,462	2,652,660
Net change in non-cash working capital items		
Accounts receivable	(822,364)	102,091
Prepaid	(26,614)	(21,191)
Inventories	(12,859)	(38,408)
Accounts payable and accrued liabilities	172,261	(175,387)
Due to Government and other Government organizations	(136,209)	31,681
Deferred revenue	<u>314,913</u>	<u>145,864</u>
	<u>941,590</u>	<u>2,697,310</u>

FINANCING ACTIVITIES

Increase of long-term debt	124,600	151,640
Repayment of long-term debt	(114,933)	(113,384)
Transfer to the replacement reserve fund	<u>(25,407)</u>	<u>(24,403)</u>
	<u>(15,740)</u>	<u>13,853</u>

CAPITAL ACTIVITIES

Deposit on capital assets	147,330	(147,330)
Addition to capital assets	(1,528,329)	(765,832)
Proceeds from disposal of capital assets	-	1,250
Net increase in construction in progress	<u>(427,164)</u>	<u>(45,219)</u>
	<u>(1,808,163)</u>	<u>(957,131)</u>

INVESTING ACTIVITIES

Increase of term deposit	<u>-</u>	<u>(1,000,000)</u>
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INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

(882,313) 754,032

CASH AND CASH EQUIVALENTS, BEGINNING

1,192,034 438,002

CASH AND CASH EQUIVALENTS, ENDING

\$ 309,721 \$ 1,192,034

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES**Nature of Operations**

Indian Island First Nation is a First Nation government that provides a wide range of services to the members of its community. By its nature, the entity is non-taxable. The entity is governed by a board of elected Chief and Council.

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 Aquaculture Development Corporation
- Indian Island Economic Development Corporation
- Indian Island First Nation Consulting 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, deposit on capital assets and prepaid expenses.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Inventories

Tobacco inventories are measured at the lower of cost and net realizable value. The cost is determined using the first-in, first-out method. Net realizable value is the estimated selling price in the ordinary course of business, less any applicable variable selling costs.

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

e) 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.

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 and boat	straight line	2-10 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.

f) 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.

g) 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (continued)**h) 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.

i) 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.

j) Financial Instruments

The First Nation's financial instruments consist of cash, accounts receivable, term deposits, accounts payable and accrued liabilities, due to Government and other Government Organizations and long term debt. The fair value of these financial instruments approximate their carrying values unless otherwise noted.

k) 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. The main estimates relate to the useful life of capital assets.

l) Trust Funds

Trust funds represent the Indian Monies Trust funds held by the Federal Government. These funds are administered by the Federal Government.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

The First Nation discloses segmented results of operations for the year in note 23 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, fisheries and consulting activities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31
2019**2018****2. CASH**

Cash in operating accounts	\$ <u>309,721</u>	\$ <u>1,192,034</u>
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3. ACCOUNTS RECEIVABLE

Fisheries and Oceans Canada	\$ 321,262	\$ 27,620
Indigenous Services Canada	505,707	4,914
Health Canada	44,100	-
Canada Mortgage and Housing Corporation	51,171	-
Provincial Government	55,281	3,638
Enhanced education	4,414	1,856
Other receivables	<u>98,786</u>	<u>220,329</u>
	\$ <u>1,080,721</u>	\$ <u>258,357</u>

4. TERM DEPOSITS

Term deposits are recorded at cost. Term deposits are written down where there has been a loss in value that is other than a temporary decline. The current term deposit carry an interest rate of 2% and is maturing in March 2020.

5. 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	<u>587</u>	<u>9</u>	<u>-</u>	<u>596</u>
Total	\$ <u>729</u>	\$ <u>9</u>	\$ <u>-</u>	\$ <u>738</u>

6. INVENTORIES FOR RESALE

Tobacco	\$ <u>51,267</u>	\$ <u>38,408</u>
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31

2019

2018

7. RESTRICTED CASH

Cash in Ottawa Trusts	\$ 738	\$ 729
Replacement reserve fund - restricted	<u>265,956</u>	<u>240,549</u>
	<u>\$ 266,694</u>	<u>\$ 241,278</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 \$263,178. The actual balance in the account is \$265,956.

8. 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 \$755,037 (2018 - \$258,357)

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Suppliers	482,696	250,401
Payroll deductions	12,589	9,465
Sales tax	26,900	23,744
Accrued expenses	<u>29,859</u>	<u>96,172</u>
	<u>\$ 552,044</u>	<u>\$ 379,782</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 2019.

10. DUE TO GOVERNMENT AND OTHER GOVERNMENT ORGANIZATIONS

Federal government - ISC	49,835	101,882
Provincial government	<u>126,244</u>	<u>210,406</u>
	<u>\$ 176,079</u>	<u>\$ 312,288</u>

NOTES TO FINANCIAL STATEMENTS

11. DEFERRED REVENUE

	Balance Beginning of year	Amount of funding received	Amount recognized as revenue	Balance end of year
<u>Federal Government</u>	\$	\$	\$	\$
ISC - Ec Dev. Planning	-	-	-	-
ISC - Mitigation	163,768	-	(121,990)	285,758
ISC - Recovery	299,889	171,784	-	471,673
ISC - Skill Link Prog	-	60,000	-	60,000
ISC - Renovations and additions	85,000	-	85,000	-
ISC - Mjr Renos, Extensn & Repair	59,228	-	59,228	-
Health Canada - Medical Service - Capital Investments	-	110,735	-	110,735
Total Federal Government	607,885	342,519	22,238	928,166
<u>Other</u>				
North Shore Micmac District	4,959	77,901	79,025	3,835
Other	6,450	30,625	34,869	2,206
Total Other	11,409	108,526	113,894	6,041
Total	\$ 619,294	\$ 451,045	\$ 136,132	\$ 934,207

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31

2019

2018

12. LONG-TERM DEBT

Loan paid during the year - 4,758

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 Indigenous Services Canada and a first mortgage on two housing units

6,351

13,876

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 Indigenous Services Canada and a first mortgage on one housing unit

74,258

78,522

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 Indigenous Services Canada and a first mortgage on one housing unit

17,799

20,742

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 Indigenous Services Canada and a first mortgage on one housing unit

91,908

95,688

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 Indigenous Services Canada and a first mortgage on one housing unit

34,461

37,295

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 Indigenous Services Canada and a first mortgage on one housing unit

77,039

81,261

Subtotal carried forward

\$ 301,816

\$ 332,142

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31

2019

2018

12. LONG-TERM DEBT (continued)

Subtotal from previous page	\$ 301,816	\$ 332,142
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 Indigenous Services Canada and a first mortgage on one housing unit	5,506	8,767
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 Indigenous Services Canada and a first mortgage on one housing unit	113,686	118,298
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 Indigenous Services Canada and a first mortgage on one housing unit	20,465	23,332
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 Indigenous Services Canada and a first mortgage on one housing unit	39,676	42,728
Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$426 including capital and interest at the rate of 1.14%, maturing in 2036, renewable in June 2021, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on one housing unit	80,432	84,607
Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$259 including capital and interest at the rate of 1.03%, maturing in August 2021, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on one housing unit	<u>7,426</u>	<u>10,445</u>
Subtotal carried forward	\$ 569,007	\$ 620,319

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31

2019

2018

12. LONG-TERM DEBT (continued)

Subtotal from previous page	\$ 569,007	\$ 620,319
Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$280 including capital and interest at the rate of 1.31%, maturing in November 2021, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on one housing unit	8,789	12,006
Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$514 including capital and interest at the rate of 1.31%, maturing in 2041, renewable in December 2021, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on one housing unit	121,337	125,888
Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$445 including capital and interest at the rate of 1.48%, maturing in 2037, renewable in January 2022, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on one housing unit	85,441	89,599
Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$479 including capital and interest at the rate of 1.48%, maturing in 2042, renewable in January 2022, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on one housing unit	111,252	115,320
Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$315 including capital and interest at the rate of 1.44%, maturing in 2032, renewable in February 2022, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on one housing unit	44,260	47,379
Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$454 including capital and interest at the rate of 1.43%, maturing in 2037, renewable in April 2022, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on one housing unit	<u>86,461</u>	<u>90,645</u>
Subtotal carried forward	\$ 1,026,547	\$ 1,101,156

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31

2019

2018

12. LONG-TERM DEBT (continued)

Subtotal from previous page	\$ 1,026,547	\$ 1,101,156
Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$476 including capital and interest at the rate of 1.43%, maturing in 2042, renewable in April 2022, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on one housing unit	112,234	116,311
Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$313 including capital and interest at the rate of 1.30%, maturing in 2032, renewable in June 2022, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on one housing unit	45,171	48,319
Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$267 including capital and interest at the rate of 1.84%, maturing in September 2022, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on one housing unit	10,837	13,808
Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$301 including capital and interest at the rate of 1.84%, maturing in 2027, renewable in September 2022, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on one housing unit	28,385	31,443
Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$591 including capital and interest at the rate of 1.97%, maturing in 2042, renewable in December 2022, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on one housing unit	134,500	138,904
Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$338 including capital and interest at the rate of 2.39%, maturing in 2033, renewable in March 2023, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on one housing unit	<u>47,797</u>	<u>50,681</u>
Subtotal carried forward	\$ 1,405,471	\$ 1,500,622

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31

2019

2018

12. LONG-TERM DEBT (continued)

Subtotal from previous page	\$ 1,405,471	\$ 1,500,622
Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$587 including capital and interest at the rate of 2.49%, maturing in 2038, renewable in May 2023, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on on housing unit.	107,399	111,803
Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$587 including capital and interest at the rate of 2.49%, maturing in 2038, renewable in May 2023, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on on housing unit.	124,600	-
Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$303 including capital and interest at the rate of 2.52%, maturing in 2028, renewable in September 2023, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on one housing unit	\$ 30,437	\$ 33,280
Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$414 including capital and interest at the rate of 2.22%, maturing in 2033, renewable in January 2024, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on one housing unit	61,898	65,484
Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$252 including capital and interest at the rate of 1.86%, maturing in March 2024, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on one housing unit	14,416	17,138
Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$283 including capital and interest at the rate of 1.86%, maturing in 2029, renewable in April 2024, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on one housing unit	30,692	33,476
Subtotal carried forward	1,774,913	1,761,803

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31
2019**2018****12. LONG-TERM DEBT (continued)**

Subtotal from previous page 1,774,913 1,761,803

Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$427 including capital and interest at the rate of 1.87%, maturing in 2039, renewable in May 2024, secured by a ministerial guarantee from Indigenous Services Canada and a first mortgage on one housing unit

86,110	89,554
<u>\$ 1,861,023</u>	<u>\$ 1,851,357</u>

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

2020 : \$117,219
 2021 : \$112,858
 2022 : \$109,461
 2023 : \$106,019
 2024 : \$106,116

The interest expense for the year on long-term debt was \$27,819 (2018 - \$26,464)

13. PREPAID EXPENSES

Tuition fees	\$ 129,566	\$ 129,566
Lease	47,100	18,500
Other	<u>4,166</u>	<u>6,152</u>
	<u>\$ 180,832</u>	<u>\$ 154,218</u>

NOTES TO FINANCIAL STATEMENTS

14. TANGIBLE CAPITAL ASSETS

Cost	Land and Buildings	Roads and Paving	Equipment and boat	Vehicle	Total 2019	Total 2018
Opening balance	\$ 6,428,519	\$ 740,686	\$ 1,422,110	\$ 168,818	\$ 8,760,133	\$ 8,151,486
Additions	1,297,826	-	228,503	2,000	1,528,329	765,832
Disposals	-	-	(59,196)	-	(59,196)	(157,185)
Closing balance	<u>7,726,345</u>	<u>740,686</u>	<u>1,591,417</u>	<u>170,818</u>	<u>10,229,266</u>	<u>8,760,133</u>
Accumulated Amortization						
Opening balance	2,715,848	198,724	676,773	41,682	3,633,027	3,346,212
Amortization	252,266	16,563	181,520	33,924	484,273	443,209
Accumulated amortization on disposals	-	-	(47,296)	-	(47,296)	(156,394)
Closing balance	<u>2,968,114</u>	<u>215,287</u>	<u>810,997</u>	<u>75,606</u>	<u>4,070,004</u>	<u>3,633,027</u>
Net book value	\$ <u>4,758,231</u>	\$ <u>525,399</u>	\$ <u>780,420</u>	\$ <u>95,212</u>	\$ <u>6,159,262</u>	\$ <u>5,127,106</u>
Opening net book value	3,712,671	541,962	745,337	127,136	5,127,106	4,805,274
Closing net book value	<u>4,758,231</u>	<u>525,399</u>	<u>780,420</u>	<u>95,212</u>	<u>6,159,262</u>	<u>5,127,106</u>
Increase (decrease) in net book value	\$ <u>1,045,560</u>	\$ <u>(16,563)</u>	\$ <u>35,083</u>	\$ <u>(31,924)</u>	\$ <u>1,032,156</u>	\$ <u>321,832</u>

15. CONSTRUCTION IN PROGRESS

Construction in progress consists of the development costs for a windtower project, an oyster holding facility and a boat. These projects are still on-going as of March 31, 2019.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16. ECONOMIC DEPENDENCE

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

17. 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. Indian Island First Nation contributed during the year \$27,107 (2018 - \$24,758) for retirement benefits.

18. 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, term deposit, 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

18. 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.

19. CONTINGENT LIABILITIES

These financial statements are subject to review by the First Nation's funding agents. It is possible that adjustments could be made based on the results of their reviews.

20. EXPENSES BY OBJECT

	<u>2019</u>	<u>2018</u>
The following is a summary of expenses by object:		
Wages & employee benefits	\$ 953,031	\$ 996,657
Fees and contract services	527,843	478,083
Insurance	42,982	37,725
Interest	36,955	35,261
Office supplies and equipment	57,511	49,799
Professional services	27,720	30,140
Repairs & maintenance	151,821	170,656
Supplies & services	250,853	93,641
Telephone	9,285	8,351
Travel	83,452	33,770
Tuition	431,886	418,544
Utilities	303,695	267,560
Other	1,758,939	1,694,064
Amortization	484,273	443,209
	<u>\$ 5,120,246</u>	<u>\$ 4,757,460</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

21. RECONCILIATION OF INDIGENOUS SERVICES CANADA (ISC) FUNDING

ISC funding per consolidated financial statements	\$ 1,962,283
Less: Deferred revenue - Renovations and additions	85,000
Deferred revenue - Mjr Renos, Extensns & Repair	59,228
Deferred revenue - Mitigation	163,768
Deferred revenue - Recovery	299,889
Accounts receivable - Response (Amendment #45)	<u>325,684</u>
	<u>933,569</u>
Plus: Deferred revenue - Skill Link Program	60,000
Deferred revenue - Mitigation	285,758
Deferred revenue - Recovery	<u>471,673</u>
	<u>817,431</u>
Funding per ISC revenue confirmation	\$ <u>1,846,145</u>

22. GOVERNMENT TRANSFERS

	<u>Operating</u>	<u>Capital</u>	<u>2019 Total</u>
Federal government transfers			
Indigenous Services Canada	\$ 1,660,555	\$ 301,728	\$ 1,962,283
Health Canada	290,095	-	290,095
Canada Mortgage and Housing Corporation	116,164	27,750	143,914
Department of Fisheries and Oceans	118,257	603,143	721,400
Canadian Heritage	<u>3,300</u>	<u>-</u>	<u>3,300</u>
	<u>2,188,371</u>	<u>932,621</u>	<u>3,120,992</u>

Provincial government transfers	<u>96,127</u>	<u>53,381</u>	<u>149,508</u>
	<u>\$ 2,284,498</u>	<u>\$ 986,002</u>	<u>\$ 3,270,500</u>

	<u>Operating</u>	<u>Capital</u>	<u>2018 Total</u>
Federal government transfers			
Indigenous Services Canada	\$ 1,786,289	\$ 21,200	\$ 1,807,489
Health Canada	303,910	33,940	337,850
Canada Mortgage and Housing Corporation	88,395	270,000	358,395
Department of Fisheries and Oceans	117,253	14,548	131,801
Canadian Heritage	<u>7,500</u>	<u>-</u>	<u>7,500</u>
	<u>2,303,347</u>	<u>339,688</u>	<u>2,643,035</u>

Provincial government transfers	<u>78,798</u>	<u>-</u>	<u>78,798</u>
	<u>\$ 2,382,145</u>	<u>\$ 339,688</u>	<u>\$ 2,721,833</u>

NOTES TO FINANCIAL STATEMENTS

23. 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	
	2019	2018	2019	2018	2019	2018	2019	2018
Revenues								
Federal Government	\$ -	\$ -	\$ 546,086	\$ 535,940	\$ 561,943	\$ 775,789	\$ 290,095	\$ 337,850
Provincial Government	-	-	26,468	25,078	-	-	-	-
Other revenue	173,911	43,411	87,652	55,870	100,386	103,614	-	-
Total revenue	173,911	43,411	660,206	616,888	662,329	879,403	290,095	337,850
Expenses								
Salaries and benefits	38,000	37,000	104,603	101,099	32,703	31,585	229,663	210,766
Amortization	-	-	-	-	61,408	72,181	-	-
Debt servicing	-	-	-	-	27,819	26,464	-	-
Other expenses	121,283	5,694	506,694	466,184	628,926	518,943	67,986	104,739
Total expenses	159,283	42,694	611,297	567,283	750,856	649,173	297,649	315,505
Annual surplus (deficit)	\$ 14,628	\$ 717	\$ 48,909	\$ 49,605	\$ (88,527)	\$ 230,230	\$ (7,554)	\$ 22,345

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

24. BUDGETED FIGURES

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

25. COMPARATIVE FIGURES

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