

PABINEAU FIRST NATION

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016

Independent Auditor's Report

To the Chief, Council and Members of
Pabineau First Nation

We have audited the accompanying consolidated financial statements of Pabineau First Nation, which comprise the consolidated statement of financial position as at March 31, 2016, and the consolidated statements of operations and accumulated surplus, change 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 consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the First Nation's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the First Nation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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 consolidated financial statements present fairly, in all material respects, the financial position of Pabineau First Nation as at March 31, 2016, and the results of its operations, the changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

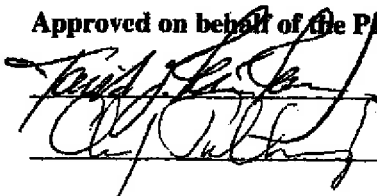
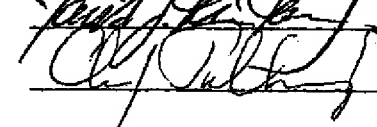
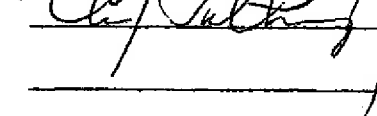
Woodstock, New Brunswick
July 29, 2016

Lenahan McCain & Associates
Lenahan McCain & Associates
Chartered Professional Accountants

PABINEAU FIRST NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2016

	2016	2015
Financial Assets		
Cash (Note 3)	\$ 1,666,211	\$ 2,121,401
Accounts receivable (Note 4)	492,695	438,498
Trust funds held by Federal Government (Note 5)	39,132	38,726
Loan receivable (Note 6)	71,532	71,532
Inventory (Note 7)	129,098	127,164
	<u>2,398,668</u>	<u>2,797,321</u>
Liabilities		
Accounts payable (Note 8)	475,881	1,072,466
Deferred revenue (Note 10)	-	39,257
Deferred revenue - INAC funding (Note 10)	80,446	208,671
	<u>556,327</u>	<u>1,320,394</u>
Net financial assets	<u>1,842,341</u>	<u>1,476,927</u>
Non-financial Assets		
Tangible capital assets (Note 9)	8,225,763	8,171,489
Prepaid expenses	-	13,161
	<u>8,225,763</u>	<u>8,184,650</u>
Accumulated Surplus	<u>\$ 10,068,104</u>	<u>\$ 9,661,577</u>

Approved on behalf of the Pabineau First Nation

 Chief
 Councillor
 Councillor

The accompanying notes are an integral part of the financial statements

PABINEAU FIRST NATION

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

FOR THE YEAR ENDED MARCH 31, 2016

	2016 Budget	2016 Actual	2015 Actual
Revenue			
Indigenous and Northern Affairs Canada	\$ 1,465,079	\$ 1,519,517	\$ 2,877,946
Gas bar and smoke shop	1,550,000	1,992,949	2,160,297
Commercial fisheries	240,000	387,953	339,350
Health Canada	308,698	361,265	320,238
Seafood Market	189,000	163,327	167,704
Department of Fisheries and Oceans	163,000	163,000	163,000
Other	534,003	730,709	1,448,782
	4,449,780	5,318,720	7,477,317
Expenditures			
Administration	762,700	599,584	762,215
Community operations	242,500	295,033	424,559
Education	562,000	610,947	495,057
Social development	467,000	351,862	359,518
Health	363,853	366,203	322,738
Community job creation	121,000	108,413	141,672
Fisheries	467,500	298,691	289,649
Capital housing	67,000	123,842	48,788
Seafood Market & Takeout	203,500	160,189	162,927
Pabineau Gas Bar & Smoke Shop	1,625,500	1,615,036	1,750,045
	4,882,553	4,529,800	4,757,168
Surplus before other income	(432,773)	788,920	2,720,149
Other income			
Amortization	(366,000)	(382,393)	(366,011)
Surplus	(798,773)	406,527	2,354,139
Accumulated surplus at beginning of year	9,661,577	9,661,577	7,307,439
Accumulated surplus at end of year	\$ 8,862,804	\$ 10,068,104	\$ 9,661,577

The accompanying notes are an integral part of the financial statements

PABINEAU FIRST NATION

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

FOR THE YEAR ENDED MARCH 31, 2016

	2016 Budget	2016 Actual	2015 Actual
Surplus	\$ (798,773)	\$ 406,527	\$ 2,354,138
Acquisition of tangible capital assets	-	(436,667)	(1,931,912)
Amortization of tangible capital assets	366,000	382,393	366,011
	366,000	(54,274)	(1,565,901)
Change in prepaid expenses	-	13,161	(13,161)
Increase in net financial assets	(432,773)	365,414	775,076
Net financial assets at beginning of year	1,476,927	1,476,927	701,851
Net financial assets at end of year	\$ 1,044,154	\$ 1,842,341	\$ 1,476,927

The accompanying notes are an integral part of the financial statements

PABINEAU FIRST NATION
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2016

	2016	2015
Cash flows from		
Operating activities		
Surplus	\$ 406,527	\$ 2,354,139
Items not affecting cash		
Amortization expense	382,393	366,011
	788,920	2,720,150
Change in non-cash operating working capital		
Accounts receivable	(54,197)	322,546
Inventory	(1,934)	(17,958)
Prepaid expenses	13,161	(13,161)
Trust funds held by Federal Government	(406)	(17,077)
Accounts payable	(596,585)	623,243
Deferred revenue	(39,257)	39,257
Deferred revenue - INAC funding	(128,225)	(718,160)
Loan receivable	-	300
	(18,523)	2,939,140
Capital activities		
Acquisition of tangible capital assets	(436,667)	(1,931,909)
Financing activities		
Repayment of long-term debt	-	(102,790)
Increase (decrease) in cash and cash equivalents	(455,190)	904,441
Cash and cash equivalents, beginning of year	2,121,401	1,216,960
Cash and cash equivalents, end of year	\$ 1,666,211	\$ 2,121,401

The accompanying notes are an integral part of the financial statements

PABINEAU FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016

1. Reporting Entity

The consolidated financial statements of Pabineau First Nation reflects the assets, liabilities, revenues, expenditures, changes in net debt and accumulated surplus of the reporting entity. The reporting entity is comprised of the organizations accountable for the administration of their affairs and resources to the Chief and Council or controlled by the band including Pabineau Seafood Market and Takeout, as well as Pabineau Gas Bar and Tobacco Shop.

2. Basis of Presentation and Significant Accounting Policies

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

(a) Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks net of bank overdrafts and term deposits having a maturity of one year or less at acquisition which are held for the purpose of meeting short-term cash commitments.

PABINEAU FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016

2. Basis of Presentation and Significant Accounting Policies (continued)

(b) Tangible Capital Assets

Tangible capital assets (TCAs) are items that can be physically touched, are used to provide First Nation services, are used for First Nation administration purposes or are used for the construction and/or maintenance of other TCAs owned by the First Nation, will be useful for a period greater than one year and will be used by the First Nation on a regular basis.

Certain tangible capital assets, including but not limited to roads and infrastructure, have been recorded at a nominal amount of \$1 as specific historical data was not available. Whereas all such assets are amortized over a period not longer than twenty-five years, it is management's opinion that all assets acquired prior to 1988 would now be fully amortized.

Tangible capital assets are recorded at cost, which includes all amounts directly attributable to acquisition, construction, development or betterment of the asset, and are amortized on the declining balance method over their estimated useful lives. Amortization begins in the year acquired. Current descriptions and useful lives are as follows:

Building and improvements	4 %
Vehicles	30 %
Computer equipment	30 %
Furniture and equipment	20 %
Equipment	20 %
Store	4 %
Water system and reservoir	4 %
Roads	20 %
Boats	15 %
Community centre and health centre	4 %
School bus	30 %
Store equipment	20 %

(c) Net financial assets

The First Nation's financial statements are presented so as to highlight net financial assets as the measurement of financial position. The net financial assets of the First Nation is determined by its financial assets less its liabilities. Net financial assets is comprised of two components, non-financial assets and accumulated surplus.

PABINEAU FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016

2. Basis of Presentation and Significant Accounting Policies (continued)

(d) 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 (both operating and capital) 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.

Revenue at the Seafood Market and Gas Bar is recognized at the point of sale to a customer.

(e) Expense Recognition

Expenses are recorded on the accrual basis as they are incurred and measurable based on receipt of goods or services and obligation to pay.

(f) Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. These estimates are reviewed periodically and are reported in earnings in the period in which they become known. Actual results could differ from those estimates.

(g) Asset Classification

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

PABINEAU FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016

2. Basis of Presentation and Significant Accounting Policies (continued)

(h) Segment Disclosure

The financial statements of Pabineau First Nation provide supporting schedules which are established by program based on government funding provided. The various programs have been amalgamated for the purpose of presentation in the consolidated financial statements. Details of the operations of each program are set out in the supplementary schedules for management information purposes.

(i) Financial Instruments

The First Nation's financial instruments consist of cash, accounts receivable, accounts payable and long-term debt. Unless otherwise noted it is management's opinion that the First Nation is not exposed to significant interest, currency or credit risks.

(j) Inventory

Inventory represents goods available for resale. These goods are recorded at the lower of cost and net realizable value with cost recorded using the First-In First-Out (FIFO) method.

(k) Intangible assets

The First Nation owns fishing licenses which have been acquired without financial consideration and are therefore not recorded as assets in these financial statements.

3. Cash

	2016	2015
Bank balances	\$ 1,654,211	\$ 1,209,516
GIC	10,000	10,000
Petty cash	2,000	2,000
	<u>\$ 1,666,211</u>	<u>\$ 2,121,401</u>

PABINEAU FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016

4. Accounts Receivable

	2016	2015
Indigenous and Northern Affairs Canada	\$ 72,027	\$ 16,484
Canada Mortgage and Housing Corporation	6,450	-
Department of Fisheries and Oceans	163,000	163,000
Province of New Brunswick	212,556	228,985
Other	37,622	21,878
Health Canada	1,040	-
North Shore MicMac District Council	-	7,000
AFNCNB	-	1,151
	\$ 492,695	\$ 438,498

5. Trust Funds Held by Federal Government

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

	March 31, 2015	Additions (Interest)	Withdrawals	March 31, 2016
Revenue	\$ 38,577	\$ 406	\$ -	\$ 38,983
Capital	149	-	-	149
	\$ 38,726	\$ 406	\$ -	\$ 39,132

6. Loan Receivable

The First Nation is of the opinion that this amount will be collected. Although there are no set terms of repayment, council will use all means necessary and deemed appropriate to collect this loan receivable. The loan is non-interest bearing.

	2016	2015
Balance, beginning of year	\$ 71,532	\$ 71,832
Repayments	-	(300)
Balance, end of year	\$ 71,532	\$ 71,532

PABINEAU FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016

7. Inventory

	2016	2015
Seafood Market		
Gas Bar - fuel	\$ 1,000	\$ 1,000
Gas Bar - tobacco	20,097	30,708
	108,001	95,456
	\$ 129,098	\$ 127,164

8. Accounts Payable

	2016	2015
Trade		
Payroll withholding taxes / pension contributions	\$ 329,357	\$ 694,420
Funding repayable to INAC	15,302	10,971
HST payable	-	15,227
Tuition payable to Province of New Brunswick	55,918	26,490
Accrued liabilities	75,303	129,919
	-	195,437
	\$ 475,880	\$ 1,072,464

PABINEAU FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016

9. Tangible Capital Assets

	Balance, beginning of year	Additions	Balance, end of year	Cost Balance, end of year	Balance, beginning of year	Amortization of year	Balance, end of year	2016 net book value
Land	\$ 5,000	\$ 249,063	\$ 254,063	\$ 254,063	\$ -	\$ -	\$ -	\$ 254,063
Buildings	935,412	-	935,412	935,412	258,406	27,081	285,487	649,925
Automotive equipment	186,630	-	186,630	186,630	155,933	9,208	165,141	21,489
Computer equipment	83,688	2,804	86,492	86,492	59,744	7,604	67,348	19,144
Furniture and equipment	75,280	12,016	87,296	87,296	63,274	3,603	66,877	20,419
Equipment	291,171	2,000	293,171	293,171	171,959	24,042	196,001	97,170
Paintings	1,600	-	1,600	1,600	-	-	-	1,600
Store	184,687	-	184,687	184,687	45,120	5,582	50,702	133,985
Computer software	4,644	-	4,644	4,644	4,644	-	4,644	-
Water system and reservoir	6,922,182	170,784	7,092,966	7,092,966	800,846	248,269	1,049,115	6,043,851
Roads	41,360	-	41,360	41,360	39,965	279	40,244	1,116
Boats	426,000	-	426,000	426,000	341,529	12,671	354,200	71,800
Community centre	286,049	-	286,049	286,049	71,098	8,599	79,697	206,352
School bus	60,000	-	60,000	60,000	52,941	2,118	55,059	4,941
Store equipment	76,923	-	76,923	76,923	51,874	5,010	56,884	20,039
Health centre	850,830	-	850,830	850,830	142,633	28,328	170,961	679,869
	\$ 10,431,456	\$ 436,667	\$ 10,868,123	\$ 10,868,123	\$ 2,259,966	\$ 382,394	\$ 2,642,360	\$ 8,225,763

PABINEAU FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016

	Balance, beginning of year	Additions	Balance, end of year	Cost	Balance, beginning of year	Amortization of year	Balance, end of year	2015 Net book value
Land	\$ 5,000	\$ -	\$ 5,000	\$ -	\$ -	\$ -	\$ -	\$ 5,000
Buildings	935,412	-	935,412	230,198	28,208	258,406	677,006	677,006
Automotive equipment	186,630	-	186,630	142,777	13,156	155,933	30,697	30,697
Computer equipment	76,779	6,909	83,688	50,963	8,781	59,744	23,944	23,944
Furniture and equipment	75,280	-	75,280	60,273	3,001	63,274	12,006	12,006
Equipment	285,330	5,841	291,171	142,886	29,073	171,959	119,212	119,212
Paintings	1,600	-	1,600	-	-	-	1,600	1,600
Store	184,687	-	184,687	39,304	5,816	45,120	139,567	139,567
Computer software	4,644	-	4,644	4,644	-	4,644	-	-
Water system and reservoir	5,004,022	1,918,160	6,922,182	585,752	215,094	800,846	6,121,336	6,121,336
Roads	41,360	-	41,360	39,616	349	39,965	1,395	1,395
Boats	426,000	-	426,000	326,623	14,906	341,529	84,471	84,471
Community centre	286,049	-	286,049	62,142	8,956	71,098	214,951	214,951
School bus	60,000	-	60,000	49,916	3,025	52,941	7,059	7,059
Store equipment	75,923	1,000	76,923	45,737	6,137	51,874	25,049	25,049
Health centre	850,830	-	850,830	113,125	29,508	142,633	708,197	708,197
	\$ 8,499,546	\$ 1,931,910	\$ 10,431,456	\$ 1,893,956	\$ 366,010	\$ 2,259,966	\$ 8,171,490	\$ 8,171,490

PABINEAU FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016

10. Deferred revenue - INAC funding

The deferred revenue is comprised of:

	2016	2015
2004-2005 tuition (Schedule 3)	\$ 80,446	\$ 80,446
Little River Project	-	39,257
Water system capital project (Schedule 2)	-	128,225
	<u>\$ 80,446</u>	<u>\$ 247,928</u>

11. Economic Dependence

Pabineau First Nation receives a significant portion of its revenue pursuant to funding arrangements with Indigenous and Northern Affairs Canada and other federal government departments.

12. Contingent Liabilities

Pabineau 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. The likelihood of compliance reviews and any potential findings are not determinable as at the date on the auditor's report.

The First Nation is in a dispute with the Province of NB related to chipsealing of streets carried out by the Department of Transportation during the 15/16 fiscal year. The billings amount to \$277,389 however First Nation management is of the position that the services performed are the responsibility of the Province and not the First Nation. This contingent liability is not recognized in the consolidated statement of financial position.

13. Comparative Amounts

Certain of the comparative amounts have been reclassified to conform with the presentation adopted in the current period with no changes to the accumulated surplus.

PABINEAU FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016

14. Financial Instrument Risks and Uncertainties

The First Nation is exposed to the following risks in respect of certain of the financial instruments held:

Credit risk

The financial instruments that potentially subject the First Nation to a significant concentration of credit risk consist primarily of cash and accounts receivable.

The First Nation maintains cash balances with Canadian chartered banks which is insured by the Canada Deposit Insurance Corporation up to CDN \$100,000. From time to time, these balances exceed the federally insured limits and expose the First Nation to credit risk from concentration of cash. The First Nation limits this risk by transacting with reputable financial institutions.

The First Nation does have credit risk in accounts receivable \$492,695 (2015 - \$438,498). Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The First Nation reduces its exposure to credit risk by performing valuations on a regular basis and creating an allowance for bad debts when applicable. The First Nation derives substantially all of its revenues and therefore, accounts receivable, from government sources. In the opinion of management, the credit risk exposure to the First Nation is low and is not material.

Liquidity risk

The First Nation does have a liquidity risk in the accounts payable and accrued liabilities of \$475,880 (2015 - \$1,072,466). Liquidity risk is the risk that the First Nation cannot repay its obligations when they become due to its creditors. The First Nation reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due and maintains a responsible cash position. In the opinion of management, the liquidity risk exposure to the First Nation is low and is not material.

Interest rate risk

The First Nation is exposed to interest rate risk. This risk exists due to interest rate exposure on its long-term debt, which is variable based on the bank's prime rates. This exposure may have an effect on its interest expenses in future periods. The First Nation reduces its exposure to interest rate risk by regularly monitoring published bank prime interest rates which have been stable over the period presented. The First Nation does not use derivative instruments to reduce its exposure to interest rate risk. In the opinion of management the interest rate risk exposure to the First Nation is low and is not material.

PABINEAU FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016

15. Expenses by object

	2016	2015
Wages and benefits	\$ 1,369,031	\$ 1,284,179
Cost of goods sold	1,572,740	1,711,378
Travel and training	96,549	107,308
Programs and activities	51,075	49,877
Social development	315,205	329,874
Tuition and post-secondary costs	315,581	318,001
Repairs and maintenance	301,336	444,864
Interest and bank charges	13,253	21,932
Professional services	7,500	26,208
Utilities	27,931	34,889
Other	459,599	428,658
Amortization	382,393	366,011
	\$ 4,912,193	\$ 5,123,179

16. Budgeted figures

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

17. Annual Surplus Net of Capital Related Revenues and Amortization

	2016	2015
Annual surplus (deficit)	\$ 406,527	\$ 2,354,139
Less capital related revenues included in annual surplus:		
Federal government transfers for capital	-	1,200,000
Federal government transfers for capital - deferred revenue	-	846,385
	-	2,046,385
Add amortization expense included in annual surplus	382,393	366,011
Annual surplus (deficit) net of capital related revenues and amortization	\$ 788,920	\$ 673,764
