

PABINEAU FIRST NATION

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

PABINEAU FIRST NATION
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING
MARCH 31, 2018

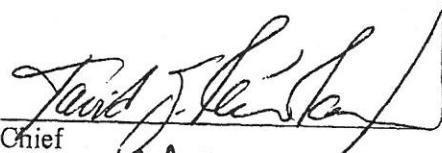
The accompanying consolidated financial statements are the responsibility of management. The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards and necessarily include estimates which are based on management's best judgments.

Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.

Management is also responsible for implementing and maintaining a system of internal controls designed to give reasonable assurance that transactions are appropriately authorized, assets are safeguarded from loss and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The consolidated financial statements have been reviewed and approved by Chief and Council.

Lenehan McCain & Associates, an independent firm of accountants, has been engaged to examine the consolidated financial statements in accordance with Canadian generally accepted auditing standards. Their report stating the scope of their examination and opinion on the consolidated financial statements, follows.



Chief


Councillor


Councillor

September 4, 2018
Date

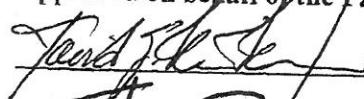
Sep. 21st, 2018
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Sep 24, 2018
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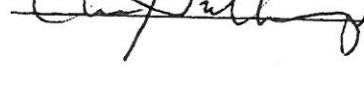
PABINEAU FIRST NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2018

	2018	2017
Financial Assets		
Cash (Note 3)	\$ 4,447,086	\$ 1,213,073
Accounts receivable (Note 4)	1,440,719	937,486
Trust funds held by Federal Government (Note 18)	41,168	39,857
Long-term investments (Note 5)	367,275	-
Loan receivable (Note 14)	71,532	71,532
<u>Inventory (Note 16)</u>	<u>217,849</u>	<u>157,228</u>
	<u>6,585,629</u>	<u>2,419,176</u>
Liabilities		
Accounts payable (Note 8)	504,835	147,152
Deferred revenue (Note 11)	140	1,500
Deferred revenue - INAC funding (Note 11)	80,446	80,446
<u>Long-term debt (Note 6)</u>	<u>478,671</u>	<u>-</u>
	<u>1,064,092</u>	<u>229,098</u>
Net financial assets	5,521,537	2,190,078
Non-financial Assets		
Tangible capital assets (Note 9)	8,937,376	8,516,503
<u>Prepaid expenses (Note 20)</u>	<u>8,252</u>	<u>37,715</u>
	<u>8,945,628</u>	<u>8,554,218</u>
Accumulated Surplus	\$ 14,467,165	\$ 10,744,296

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 CHANGE IN NET FINANCIAL ASSETS

FOR THE YEAR ENDED MARCH 31, 2018

	2018 Budget	2018 Actual	2017 Actual
<u>Surplus</u>	\$ 1,348,605	\$ 3,722,869	\$ 676,193
Acquisition of tangible capital assets	-	(986,711)	(689,533)
Amortization of tangible capital assets	399,000	565,840	398,792
	399,000	(420,871)	(290,741)
<u>Change in prepaid expenses</u>	-	29,461	(37,714)
Increase in net financial assets	1,747,605	3,331,459	347,737
<u>Net financial assets at beginning of year</u>	2,190,078	2,190,078	1,842,341
<u>Net financial assets at end of year</u>	\$ 3,937,683	\$ 5,521,537	\$ 2,190,078

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, 2018

	2018 Budget	2018 Actual	2017 Actual
Revenue			
Indigenous and Northern Affairs Canada	\$ 1,744,905	\$ 2,396,933	\$ 1,762,592
Gas bar and smoke shop	3,413,000	5,828,756	3,100,214
Commercial fisheries	504,000	1,766,367	453,413
Health Canada	380,000	373,641	383,122
Seafood Market	129,000	137,276	127,900
Department of Fisheries and Oceans	213,000	261,348	198,532
Other	2,361,000	2,198,739	843,330
	8,744,905	12,963,060	6,869,103
Expenditures			
Administration	935,500	887,564	946,873
Community operations	211,000	373,088	283,880
Education	574,000	623,148	553,015
Social development	393,000	389,791	373,458
Health	386,500	379,748	416,492
Community job creation	108,300	79,088	110,587
Fisheries	287,300	297,472	331,268
Capital housing	120,000	250,604	165,366
Seafood Market & Takeout	125,200	118,496	122,456
Pabineau Gas Bar & Smoke Shop	3,144,300	4,595,098	2,490,725
Trucking	712,200	680,254	-
	6,997,300	8,674,351	5,794,120
Surplus before other income	1,747,605	4,288,709	1,074,983
Other income			
Amortization	(399,000)	(565,840)	(398,791)
Surplus	1,348,605	3,722,869	676,193
Accumulated surplus at beginning of year	10,744,296	10,744,296	10,068,104
Accumulated surplus at end of year	\$ 12,092,901	\$ 14,467,165	\$ 10,744,296

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, 2018

	2018	2017
Cash flows from		
Operating activities		
Surplus	\$ 3,722,869	\$ 676,193
Items not affecting cash		
Amortization expense	<u>565,840</u>	<u>398,791</u>
	4,288,709	1,074,984
Change in non-cash operating working capital		
Accounts receivable	(503,233)	(444,791)
Inventory	(60,621)	(28,130)
Prepaid expenses	29,463	(37,715)
Trust funds held by Federal Government	(1,311)	(725)
Accounts payable	357,681	(328,729)
Deferred revenue	<u>(1,360)</u>	<u>1,500</u>
	4,109,328	236,394
Capital activities		
Acquisition of tangible capital assets	<u>(986,711)</u>	<u>(689,532)</u>
Financing activities		
Proceeds from long-term debt	645,338	-
Repayment of long-term debt	<u>(166,667)</u>	-
	478,671	-
Investing activities		
Investment in Oinpegitjoig Wind GP Ltd.	<u>(367,275)</u>	-
Increase (decrease) in cash and cash equivalents	3,234,013	(453,138)
Cash and cash equivalents, beginning of year	1,213,073	1,666,211
Cash and cash equivalents, end of year	\$ 4,447,086	\$ 1,213,073

The accompanying notes are an integral part of the financial statements

PABINEAU FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2018

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 and Pabineau Trucking.

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 CPA Canada.

(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.

(b) 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.

(c) 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 being 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.

Trucking revenue is recorded when the related service has been performed.

PABINEAU FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2018

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

(d) 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.

(e) 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 1993 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	30-40%
Computer equipment	30 %
Furniture and equipment	20 %
Equipment	20 %
Paving	8%
Store	4 %
Water system and reservoir	4 %
Roads	20 %
Boats	15 %
Community centre and health centre	4 %
School bus	30 %
Store equipment	20 %

(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.

PABINEAU FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2018

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

(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.

(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, deferred revenue 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.

(l) Investments

Investments subject to significant influence are accounted for using the cost method.

PABINEAU FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2018

3. Cash

	2018	2017
Bank balances	\$ 4,434,262	\$ 1,200,847
GIC	10,324	10,226
Petty cash	2,500	2,000
	\$ 4,447,086	\$ 1,213,073

4. Accounts Receivable

	2018	2017
Indigenous and Northern Affairs Canada	\$ -	\$ 39,107
Province of New Brunswick	785,654	627,281
Department of Fisheries and Oceans	217,580	198,532
North Shore MicMac District Council	76,646	72,566
Other	280,349	-
Canada Mortgage and Housing Corporation	80,490	-
	\$ 1,440,719	\$ 937,486

5. Long-term investments

	2018	2017
Oinpegitjoig Wind GP Ltd.	\$ 367,275	\$ -

On February 22, 2018 the First Nation signed a limited partnership agreement with Natural Forces NB Inc. to establish the formation of Oinpegitjoig Wind GP Ltd. The investment represents a 51% ownership stake in the project of \$307,275 and additional legal and administrative expenses of \$60,000.

6. Long-term debt

	2018	2017
CIBC Prime plus 0.25% loan, payable \$27,778 monthly plus interest, due September 2020, secured by highway trucks and trailers	\$ 478,671	\$ -

PABINEAU FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2018

6. Long-term debt, continued

Principal portion of long-term debt due within the next two years:

2019	\$ 333,336	
2020	145,335	
	<hr/> \$ 478,671	

	2018	2017
<u>Interest expense for the year on long-term debt</u>	<u>\$ 9,688</u>	<u>\$ -</u>

7. Contingent Liabilities

Pabineau First Nation has entered into contribution agreements with various federal and provincial 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 as resolution results are indeterminable at this time.

8. Accounts Payable

	2018	2017
Trade	\$ 196,568	\$ 15,706
Tuition payable to Province of New Brunswick	64,229	59,800
HST payable	176,550	49,750
Payroll withholding taxes / pension contributions	25,494	21,896
<u>Funding repayable to INAC</u>	<u>41,994</u>	<u>-</u>
	<hr/> \$ 504,835	<hr/> \$ 147,152

PABINEAU FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

9. Tangible Capital Assets

	Cost	Accumulated amortization	Balance, end of year	2018 net book value
	Balance, beginning of year	Balance, end of year	beginning of year	Amortization
Land	\$ 678,557	\$ 678,557	\$ -	\$ 678,557
Buildings	935,412	935,412	311,484	598,971
Automotive equipment	186,630	929,734	1,116,364	162,196
Computer equipment	86,492	916	87,408	4,158
Furniture and equipment	87,296	-	87,296	77,249
Equipment	311,321	7,280	318,601	3,268
Paving	-	45,678	45,678	19,542
Paintings	1,600	-	1,600	1,827
Store	184,687	-	184,687	1,827
4,644	-	-	-	-
Computer software	6,948,751	6,948,751	1,287,985	226,430
Water system and reservoir	432,464	432,464	79,578	70,577
Roads	426,000	-	426,000	364,970
Boats	286,049	-	286,049	87,951
Community centre	60,000	-	60,000	56,541
School bus	76,923	3,103	80,026	60,892
Store equipment	850,830	-	850,830	198,156
Health centre				
				26,107
				224,263
				626,567
	\$ 11,557,656	\$ 986,711	\$ 12,544,367	\$ 3,041,152
				\$ 565,840
				\$ 3,606,992
				\$ 8,937,375

PABINEAU FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

		Cost		Accumulated amortization			
	Balance, beginning of year	Balance, end of year		Balance, beginning of year	Amortization	Balance, end of year	2017 Net book value
Land	\$ 254,063	\$ 424,494	\$ 678,557	\$ -	\$ -	\$ -	\$ 678,557
Buildings	935,412	-	935,412	285,487	25,997	311,484	623,928
Automotive equipment	186,630	-	186,630	165,141	6,446	171,587	15,043
Computer equipment	86,492	-	86,492	67,348	5,743	73,091	13,401
Furniture and equipment	87,296	-	87,296	66,877	4,084	70,961	16,335
Equipment	293,171	18,150	311,321	196,001	21,249	217,250	94,071
Paintings	1,600	-	1,600	-	-	-	1,600
Store	184,687	-	184,687	50,702	5,360	56,062	128,625
Computer software	4,644	-	4,644	4,644	-	4,644	-
Water system and reservoir	7,092,966	(144,215)	6,948,751	1,049,115	238,870	1,287,985	5,660,766
Roads	41,360	391,104	432,464	40,244	39,334	79,578	352,886
Boats	426,000	-	426,000	354,200	10,770	364,970	61,030
Community centre	286,049	-	286,049	79,697	8,254	87,951	198,098
School bus	60,000	-	60,000	55,059	1,482	56,541	3,459
Store equipment	76,923	-	76,923	56,884	4,008	60,892	16,031
Health centre	850,830	-	850,830	170,961	27,195	198,156	652,674
	\$ 10,868,123	\$ 689,533	\$ 11,557,656	\$ 2,642,360	\$ 398,792	\$ 3,041,152	\$ 8,516,504

PABINEAU FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2018

10. 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.

11. Deferred revenue

The deferred revenue is comprised of:

	2018	2017
2004-2005 tuition	\$ 80,446	\$ 80,446
Other	140	1,500
	<hr/> \$ 80,586	<hr/> \$ 81,946

12. 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.

13. Budgeted figures

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

14. 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 unsecured and non-interest bearing.

	2018	2017
Balance, beginning of year	\$ 71,532	\$ 71,532
Balance, end of year	<hr/> \$ 71,532	<hr/> \$ 71,532

PABINEAU FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2018

15. 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 \$1,440,719 (2017 - \$937,486). 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 \$504,835 (2017 - \$147,152). 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

At times, the First Nation may be exposed to interest rate risk. This risk exists due to interest rate exposure on certain term loans, which are 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, 2018

16. Inventory

	2018	2017
Seafood Market	\$ 1,000	\$ 1,000
Gas Bar - fuel	26,538	22,063
Gas Bar - tobacco	190,311	134,165
	<hr/>	<hr/>
	\$ 217,849	\$ 157,228

17. Expenses by object

	2017	2016
Wages and benefits	\$ 1,641,676	\$ 1,505,831
Cost of goods sold	4,507,129	2,434,796
Materials and supplies	139,244	56,577
Travel and training	83,161	129,925
Programs and activities	188,575	42,550
Social development	353,391	337,058
Tuition and post-secondary costs	324,759	313,848
Repairs and maintenance	355,730	429,058
Interest and bank charges	33,967	21,908
Professional services	39,566	72,882
Utilities	176,180	167,110
Other	830,973	282,577
Amortization	565,840	398,791
	<hr/>	<hr/>
	\$ 9,240,191	\$ 6,192,911

18. 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, 2017	Additions (Interest)	Withdrawals	March 31, 2018
Revenue Capital	\$ 39,708 149	\$ 1,311 -	\$ - -	\$ 41,019 149
	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 39,857	\$ 1,311	\$ -	\$ 41,168

PABINEAU FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

19. Annual Surplus Net of Capital Related Revenues and Amortization

	2018	2017
<u>Annual surplus (deficit)</u>	<u>\$ 3,722,869</u>	<u>\$ 676,193</u>
Less capital related revenues included in annual surplus:		
Federal government transfers for capital	(210,425)	-
Add amortization expense included in annual surplus	565,840	398,791
	<u>355,415</u>	<u>398,791</u>
Annual surplus (deficit) net of capital related revenues and amortization	<u>\$ 4,078,284</u>	<u>\$ 1,074,984</u>

20. Prepaid expenses

	2018	2017
Insurance	\$ 8,252	\$ -
Fuel	-	37,715
	<u>\$ 8,252</u>	<u>\$ 37,715</u>