

**LENNOX ISLAND FIRST NATION**

**CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2014**

**LENNOX ISLAND FIRST NATION**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2014**

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LENNOX ISLAND FIRST NATION  
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING  
MARCH 31, 2014

The accompanying consolidated financial statements of Lennox Island First Nation are the responsibility of Chief and Council. 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.

Lenihan 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/Mayak  
Chief  
Finance Dept  
Finance manager

August 18, 2014  
Date  
August 18, 2014  
Date

**LENEHAN MCCAIN & ASSOCIATES  
CHARTERED ACCOUNTANTS**

389 Connell Street, Suite 200  
Woodstock, New Brunswick  
E7M 5G5

Telephone (506) 325-2101  
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**Independent Auditor's Report**

To the Members of  
Lennox Island First Nation

We have audited the accompanying consolidated financial statements of Lennox Island First Nation, which comprise the consolidated statement of financial position as at March 31, 2014, and the consolidated statements of operations, 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 consolidated financial position of Lennox Island First Nation as at March 31, 2014, and the consolidated 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.

*Lennox McCain & Associates  
Chartered Accountants*

Woodstock, New Brunswick  
August 13, 2014

LENNOX ISLAND FIRST NATION  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
MARCH 31, 2014

	2014	2013
<b>Financial Assets</b>		
Cash (Note 7)	\$ 8,343	\$ 698,650
Accounts receivable (Note 4)	626,802	961,996
Due from Minigoo Fisheries	289,056	49,530
Trust funds held by federal government (Note 5)	47,393	46,222
Investment in Minigoo Fisheries Inc. (Note 3)	(62,414)	305,152
<u>Long-term investments (Note 6)</u>	<u>139,343</u>	<u>139,343</u>
	<u>1,048,523</u>	<u>2,202,893</u>
<b>Liabilities</b>		
Accounts payable (Note 8)	384,268	782,830
Deferred revenue (Note 9)	-	221,602
Funding repayable to AANDC (Note 10)	44,781	73,533
<u>Long term debt (Note 11)</u>	<u>5,094,154</u>	<u>5,379,027</u>
	<u>5,523,203</u>	<u>6,456,992</u>
<b>Net debt</b>	<b>(4,474,680)</b>	<b>(4,254,099)</b>
<b>Non-financial Assets</b>		
Tangible capital assets (Note 12)	23,071,722	22,941,641
<u>Prepaid expenses (Note 13)</u>	<u>21,504</u>	<u>16,950</u>
	<u>23,093,226</u>	<u>22,958,591</u>
<b>Accumulated Surplus</b>	<b>\$ 18,618,546</b>	<b>\$ 18,704,492</b>

Approved on behalf of the Lennox Island First Nation

\_\_\_\_\_, Chief  
 \_\_\_\_\_, Councillor  
 \_\_\_\_\_, Councillor  
 \_\_\_\_\_, Councillor

The accompanying notes are an integral part of the financial statements

LENNOX ISLAND FIRST NATION  
CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT  
FOR THE YEAR ENDED MARCH 31, 2014

	2014 Budget	2014 Actual	2013 Actual
<b>Surplus/(Deficit)</b>	<b>\$ (590,075)</b>	<b>\$ (85,946)</b>	<b>\$ 1,552,171</b>
Acquisition of tangible capital assets	-	(1,072,829)	(1,634,927)
Amortization of tangible capital assets	915,000	942,749	917,493
	<b>915,000</b>	<b>(130,080)</b>	<b>(717,434)</b>
<b>Acquisition of prepaid asset</b>	<b>-</b>	<b>(4,555)</b>	<b>30,114</b>
Increase/(decrease) in net financial assets	324,925	(220,581)	864,851
<b>Net debt at beginning of year</b>	<b>(4,254,099)</b>	<b>(4,254,099)</b>	<b>(5,118,950)</b>
<b>Net debt at end of year</b>	<b>\$ (3,929,174)</b>	<b>\$ (4,474,680)</b>	<b>\$ (4,254,099)</b>

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The accompanying notes are an integral part of the financial statements

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**LENNOX ISLAND FIRST NATION**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED MARCH 31, 2014**

	2014 Budget	2014 Actual	2013 Actual
<b>Revenue</b>			
Aboriginal Affairs and Northern Development	\$ 4,725,810	\$ 4,372,094	\$ 7,128,651
Fisheries	983,078	1,742,095	950,133
Health Canada	1,321,748	1,697,605	1,593,283
Other	378,938	1,198,257	729,103
Department of Fisheries and Oceans	150,000	478,560	544,122
Economic Development	535,076	447,198	480,631
Canada Mortgage and Housing Corporation	94,977	101,103	133,862
	<b>8,189,627</b>	<b>10,036,912</b>	<b>11,559,785</b>
<b>Expenditures</b>			
Social development	1,756,670	1,246,588	1,180,210
Education	1,458,915	1,600,122	1,393,905
Economic development	628,385	678,186	1,569,768
Band management	596,971	729,563	733,402
Capital	111,014	148,751	1,294,788
Capital facilities operating and maintenance	635,059	696,739	643,376
Membership	39,000	28,659	21,381
Health	1,433,344	1,441,964	1,218,885
Fisheries	980,343	2,079,046	1,134,784
Cultural program	38,374	53,059	93,211
Rental program	96,627	109,866	111,564
	<b>7,774,702</b>	<b>8,812,543</b>	<b>9,395,274</b>
<b>Surplus before other income</b>	<b>414,925</b>	<b>1,224,369</b>	<b>2,164,511</b>
<b>Other income</b>			
Equity (loss) of Minigoo Fisheries Inc.	(90,000)	(367,566)	305,152
Amortization	(915,000)	(942,749)	(917,492)
	<b>(1,005,000)</b>	<b>(1,310,315)</b>	<b>(612,340)</b>
<b>Surplus (deficit)</b>	<b>1590,075</b>	<b>(85,946)</b>	<b>1,552,171</b>
<b>Accumulated surplus at beginning of year</b>	<b>18,704,492</b>	<b>18,704,492</b>	<b>17,152,321</b>
<b>Accumulated surplus at end of year</b>	<b>\$ 18,114,417</b>	<b>\$ 18,618,546</b>	<b>\$ 18,704,492</b>

The accompanying notes are an integral part of the financial statements

**LENNOX ISLAND FIRST NATION**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED MARCH 31, 2014**

	2014	2013
<b>Cash flows from</b>		
<b>Operating activities</b>		
Surplus (deficit)	\$ (85,946)	\$ 1,552,171
Items not affecting cash		
Amortization	942,749	917,493
	856,803	2,469,664
Change in non-cash operating working capital		
Accounts receivable	337,194	(603,467)
Prepaid expenses	(4,554)	30,114
Trust funds held by federal government	(1,171)	(1,108)
Investment in Minigoo Fisheries Inc.	367,566	(305,152)
Accounts payable	(398,562)	(771,660)
Deferred revenue	(221,602)	217,402
Funding repayable to AANDC	(28,752)	44,781
	906,922	1,080,574
<b>Capital activities</b>		
Acquisition of tangible capital assets	(1,072,829)	(1,634,927)
<b>Financing activities</b>		
Advances to Minigoo Fisheries Inc.	1,239,526	(49,530)
Repayment of long-term debt	(284,874)	(277,093)
	(524,400)	(326,623)
Decrease in cash and cash equivalents	(690,307)	(880,976)
<b>Cash and cash equivalents, beginning of year</b>	<b>698,650</b>	<b>1,579,626</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 8,343</b>	<b>\$ 698,650</b>

The accompanying notes are an integral part of the financial statements

**LENNOX ISLAND FIRST NATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2014**

**1. Reporting entity**

The consolidated financial statements of Lennox Island First Nation reflect 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. Inter-fund and inter-corporate balances and transactions have been eliminated. The entities included in the consolidated financial statements are as follows:

- Fisherman's Pride Inc.
- Lennox Island Development Corporation
- Keskudek Limited Partnership
- Minigoo Fisheries Inc.

**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.

**(b) Principles of Consolidation**

All controlled entities are fully consolidated on a line-by-line basis except for Minigoo Fisheries Inc. which meets the definition of government business enterprise. This enterprise is included in the consolidated financial statements on a modified equity basis.

**Consolidation Method**

This method combines the accounts of distinct organizations. It requires uniform accounting policies for the organizations. Inter-organizational balances and transactions are eliminated under this method. This method reports the organizations as if they were one organization.

**Modified Equity Method**

This method is used for commercial enterprises which meet the definition of government business enterprises. The modified equity method reports a commercial enterprise's net assets as an investment on the Consolidated Statement of Financial Position. The net income of the commercial enterprises is reported as equity earnings (loss) on the Consolidated Statement of Operations. Inter-organizational transactions and balances are not eliminated. All gains or losses arising from inter-organizational transactions between commercial enterprises or other First Nation organizations are eliminated.

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LENNOX ISLAND FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2014

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

**(c) Net Debt**

The First Nation's 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. Net debt is comprised of two components, non-financial assets and accumulated surplus.

**(d) 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.

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 straight line method over their estimated useful lives. The First Nation has determined a capitalization threshold of \$2,500. Any item purchased under this threshold will be recorded as an expense in the year the item is acquired. Amortization begins in the year acquired. Current descriptions and useful lives are as follows:

Housing & buildings	40 years
Vehicles	5 years
Computer equipment	5 years
Furniture & fixtures	5 years
Equipment	10 years
Water & sewer	40 years
Roads/paving	75 years
Fishing boats	10 years
Motor equipment	20 years

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**LENNOX ISLAND FIRST NATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2014**

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

**(e) 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.

**(f) Use of Estimates**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically and are reported in earnings in the period in which they become known. Actual results could differ from these 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.

**(h) Segment disclosure**

The financial statements of Lennox Island 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.

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**LENNOX ISLAND FIRST NATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2014**

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

**(i) Financial Instruments**

The First Nation's financial instruments consist of cash, accounts receivable, bank indebtedness, accounts payable and long-term debt.

The First Nation's exposure to interest rate fluctuations is with respect to the portion of its long term debt and operating line of credit which bear interest at floating rates. The floating rate debt is subject to interest rate cash flow risk, as the required cash flows to service the debt will fluctuate as a result of changes in market rates. Management is of the opinion that the First Nation is not exposed to currency risk or credit risk. Credit risk exists to the extent that the First Nation would be unable to enforce collection of any accounts receivable.

**(j) Intangible assets**

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

**LENNOX ISLAND FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2014**

**3. Investment in Government Business Enterprises**

Lennox Island First Nation's investment in government business enterprises consist of the following:

- Minigoo Fisheries Inc.

	<b>2014 Total</b>
Cash	\$ (215,292)
Accounts receivable	143,673
Inventory	82,003
Tangible capital assets	514,449
Prepaid expenses	366
Due from/(to) Fisherman's Pride	(17,220)
<b>Total assets</b>	<b>\$ 507,979</b>
Accounts payable	\$ 1,091
Long-term debt	280,146
Due to Lennox Island First Nation	289,056
<b>Total liabilities</b>	<b>570,293</b>
<b>Equity</b>	<b>(62,314)</b>
<b>Total liabilities and equity</b>	<b>\$ 507,979</b>
	<b>2014 Total</b>
<b>Revenue</b>	<b>\$ 4,083,296</b>
Cost of goods sold	3,181,078
Expenses	223,389
Debt servicing	64,721
Amortization	109,809
Wages and benefits	871,865
<b>Total expenses</b>	<b>4,450,862</b>
<b>Net income</b>	<b>\$ (367,566)</b>

LENNOX ISLAND FIRST NATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2014

**4. Accounts receivable**

	2014	2013
Aboriginal Affairs and Northern Development	\$ 116,352	\$ 181,248
Mi'kmaq Confederacy of PEI	78,481	5,000
Health Canada	-	-40,200
Other	32,920	69,883
Province of Prince Edward Island	20,494	23,312
Department of Fisheries & Oceans	94,436	303,228
Fisherman's Pride receivables	12,818	45,900
Band members rental program	256,551	240,434
Dept. of Canadian Heritage	14,750	42,672
CMHC	-	12,119
	<b>\$ 626,802</b>	<b>\$ 963,996</b>

**5. Trust funds held by Federal Government**

	March 31, 2013	Additions (interest)	Withdrawals	March 31, 2014
Revenue	\$ 43,678	\$ 1,171	\$ -	\$ 44,849
Capital	2,544	-	-	2,544
	<b>\$ 46,222</b>	<b>\$ 1,171</b>	<b>\$ -</b>	<b>\$ 47,393</b>

**6. Long-term investments**

	2014	2013
Apartment building	\$ 45,000	\$ 45,000
Ellerslie biological station	94,343	94,343
	<b>\$ 139,343</b>	<b>\$ 139,343</b>

**LENNOX ISLAND FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2014**

**7. Cash**

Two demand operating loans have been authorized by the Royal Bank of Canada to a maximum of \$1,150,000. Each of the operating lines bears interest at prime plus 1.25%, and are secured by a general security agreement.

	2014	2013
Term deposits and net bank balance	\$ 418,343	\$ 913,650
Bank indebtedness	(410,000)	(215,000)
	<hr/> \$ 8,343	<hr/> \$ 698,650

**8. Accounts Payable**

	2014	2013
Trade	\$ 238,720	\$ 595,273
Western School Board	56,277	28,243
Pension plan remittance	17,341	18,449
Fisheries programs	19,982	117,118
Health programs	39,092	6,548
Other	12,856	11,078
Payroll remittance	-	6,121
	<hr/> \$ 384,268	<hr/> \$ 782,830

Remittances for band employee benefits are current as of March 31, 2014.

**9. Deferred revenue**

	2014	2013
Health program - Construction project at health centre	\$ -	\$ 161,602
AANDC women's shelter capital project	-	60,000
	<hr/> \$ -	<hr/> \$ 221,602

These amounts represent unexpended funds under contribution agreements and therefore may be subject to repayment to the funding source.

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**LENNOX ISLAND FIRST NATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2014**

**10. Funding repayable to AANDC**

	2014	2013
12/13 tuition contribution funding	\$ 44,781	\$ 44,781
11/12 tuition contribution funding	-	28,752
	<hr/> <b>\$ 44,781</b>	<hr/> <b>\$ 73,533</b>

**11. Long-term debt**

	2014	2013
Canada Mortgage and Housing Corporation 2.51% loan, payable \$569 monthly including interest, due March 1, 2015	\$ 111,734	\$ 115,733
Canada Mortgage and Housing Corporation 2.65% loan, payable \$1,033 monthly including interest, due February 1, 2015	199,628	206,694
Canada Mortgage and Housing Corporation 2.04% loan, payable \$1,022 monthly including interest, due March 1, 2019	201,746	209,771
Canada Mortgage and Housing Corporation 2.04% loan, payable \$511 monthly including interest, due March 1, 2019	100,857	104,870
Canada Mortgage and Housing Corporation 1.62% loan, payable \$975 monthly including interest, due March 1, 2018	191,580	200,126
Canada Mortgage and Housing Corporation 1.53% loan, payable \$1,235 monthly including interest, due December 1, 2017	241,762	252,817
Canada Mortgage and Housing Corporation 1.65% loan, payable \$965 monthly including interest, due June 1, 2017	181,285	189,825
Canada Mortgage and Housing Corporation 1.8% loan, payable \$630 monthly including interest, due October 1, 2016	114,061	119,530

**LENNOX ISLAND FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2014**

**11. Long-term debt, continued**

	2014	2013
Canada Mortgage and Housing Corporation 2.75% loan, payable \$322 monthly including interest, due February 1, 2016	<b>52,150</b>	54,558
Canada Mortgage and Housing Corporation 2.65% loan, payable \$312 monthly including interest, due February 1, 2015	<b>48,795</b>	51,231
Canada Mortgage and Housing Corporation 2.11% loan, payable \$301 monthly including interest, due on January 1, 2019	<b>45,908</b>	48,447
Canada Mortgage and Housing Corporation 1.67% loan, payable \$287 monthly including interest, due on June 1, 2018	<b>43,754</b>	46,434
Canada Mortgage and Housing Corporation 1.67% loan, payable \$272 monthly including interest, due on April 1, 2017	<b>38,018</b>	40,635
Canada Mortgage and Housing Corporation 1.96% loan, payable \$914 monthly including interest, due on October 1, 2014	<b>6,384</b>	17,110
GMAC 0% loan, payable \$357 monthly, due March 2015, secured by vehicle	<b>4,287</b>	8,574
Royal Bank Prime plus 3% loan, payable \$1,530 monthly plus interest, due March 2015, secured by government guarantee	<b>19,890</b>	38,250
Ulnooweg Development Group Inc. 8% loan, payable \$9,080 per month (May, June, August, September, October only) including interest, due December 2019	<b>245,241</b>	270,774
Royal Bank 6.79% demand loan, payable \$378 monthly including interest, due December 2016, secured by a building	<b>10,112</b>	13,523
Royal Bank 9.38% demand loan, payable \$3,822 monthly including interest, due February 2016, secured by a building	<b>82,992</b>	119,191

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**LENNOX ISLAND FIRST NATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2014**

**11. Long-term debt, continued**

	<b>2014</b>	<b>2013</b>
Bank of Montreal 5.39% demand loan, payable \$12,151 monthly including interest, due March 2016, amortized until April 2036	1,876,549	1,932,085
Bank of Montreal Prime plus 2% loan, due on demand, payable \$5,349 monthly including interest	796,365	825,440
Canada Mortgage and Housing Corporation 2.65% loan, payable \$573 monthly including interest, due April 1, 2016	115,179	118,977
Canada Mortgage and Housing Corporation 2.65% loan, payable \$1,143 monthly including interest, due April 1, 2016	229,908	237,488
Evangeline Credit Union Prime plus 3% demand loan, payable \$20,990 annually plus interest, due November 2016, secured by vessels	125,969	146,944
Royal Bank Prime plus 6.9% loan, due on demand, payable \$10,000 annually plus interest, amortized until June 2014	10,000	10,000
	<hr/> <b>\$ 5,094,154</b>	<hr/> <b>\$ 5,379,027</b>

All of the Canada Mortgage and Housing Corporation loans listed above are amortized over twenty five years and have been guaranteed by Aboriginal Affairs and Northern Development Canada.

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

2015	\$ 283,000
2016	256,000
2017	217,000
2018	223,000
2019 and thereafter	<hr/> 4,115,154
	<hr/> <b>\$ 5,094,154</b>

LENNOX ISLAND FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2014

**12. Tangible Capital Assets**

	Cost	Additions	Accumulated amortization	2014 Net book value
Housing and buildings	\$ 13,436,324	\$ 862,552	\$ 4,348,855	\$ 9,950,021
Vehicles	119,368	-	111,378	7,990
Computer equipment	77,350	-	72,882	4,468
Furniture and fixtures	127,865	-	114,602	13,263
Equipment	1,380,647	-	584,602	796,045
Water and sewer	7,085,425	-	1,661,764	5,423,661
Roads and paving	8,285,213	200,000	2,480,913	6,004,300
Fishing boats	1,609,807	10,277	1,057,661	562,424
Motor equipment	580,053	-	270,503	309,550
	<b>\$ 32,702,052</b>	<b>\$ 1,072,829</b>	<b>\$ 10,703,160</b>	<b>\$ 23,071,722</b>
	Cost	Additions	Accumulated amortization	2013 Net book value
Housing and buildings	\$ 13,101,426	\$ 334,898	\$ 3,991,668	\$ 9,444,656
Vehicles	113,218	6,150	97,261	22,107
Computer equipment	77,350	-	68,416	8,934
Furniture and fixtures	127,865	-	101,339	26,526
Equipment	1,380,647	-	448,947	931,700
Water and sewer	7,085,425	-	1,484,628	5,600,796
Roads and paving	7,273,036	1,012,177	2,367,777	5,917,436
Fishing boats	1,328,106	281,702	958,874	650,933
Motor equipment	580,053	-	241,500	338,553
	<b>\$ 31,067,136</b>	<b>\$ 1,634,927</b>	<b>\$ 9,760,410</b>	<b>\$ 22,941,641</b>

**13. Prepaid expenses**

	2014	2013
Post secondary living allowances	\$ 13,435	\$ 10,700
Honoraria	4,500	6,250
Other	3,569	-
	<b>\$ 21,504</b>	<b>\$ 16,950</b>

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**14. Expenses by object**

	2014	2013
Wages and benefits	\$ 3,813,112	\$ 3,211,418
Women's shelter operating costs	164,346	147,780
Social program payments	427,669	496,358
Programs and activities	669,081	658,783
Transfers to other programs	70,610	908,446
Tuition and post secondary costs	566,516	518,328
Supplies and services	204,274	339,251
Interest and bank charges	233,582	252,748
Professional services	76,330	129,172
Contractor services	178,436	1,067,681
Other	1,101,450	1,068,112
Amortization	942,749	917,492
Commercial fisheries	1,307,137	597,197
	<hr/> <b>\$ 9,755,292</b>	<hr/> <b>\$ 10,312,766</b>

**15. Economic Dependence**

Lennox Island First Nation receives a significant portion of its revenue pursuant to a funding agreement with Aboriginal Affairs and Northern Development Canada.

**16. Contingent Liabilities**

Lennox Island First Nation has provided guarantees for certain loans made to individual fishermen by Evangeline Credit Union for fishing vessels and gear. Should an individual fisherman default on the terms of the loan, Lennox Island First Nation would be required to honor the liability with the lender and would acquire ownership of the particular vessel and gear.

The aggregate loan principal balance outstanding, for the remaining fishermen, guaranteed by Lennox Island First Nation, was \$51,869 as at March 31, 2014.

Lennox Island First Nation has entered into contribution agreements with various federal government departments. Funding received under these contribution agreements is subject to repayment if the First Nation fails to comply with the terms and conditions of the agreements. The likelihood of compliance reviews and any potential findings are not determinable as at the date on the auditor's report.

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**17. Financial Instruments 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 \$915,858 (2013 - \$1,013,526). 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 \$384,268 (2013 - \$782,830). 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; maintains an adequate line of credit to repay trade creditors 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 bank indebtedness, 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 relatively stable over the period presented. There are some loans payable that are at fixed term rates and therefore, do not affect interest rate risk. 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.

**18. Budgeted figures**

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

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**19. Comparative Amounts**

Certain comparative amounts have been reclassified to conform with the presentation adopted in the current period. There is no impact to the accumulated surplus balance.