

LENNOX ISLAND FIRST NATION

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2015

LENNOX ISLAND FIRST NATION

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

MARCH 31, 2015

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.

Lenahan 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 McNamara
Chief

Corinne Dymont
Band manager

7/24/15
Date

July 24, 2015
Date

LENNOX ISLAND FIRST NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MARCH 31, 2015

	2015	2014
Financial Assets		
Cash (Note 7)	\$ 598,287	\$ 8,343
Accounts receivable (Note 4)	788,442	626,802
Due from Minigoo Fisheries	402,480	289,056
Trust funds held by federal government (Note 5)	49,252	47,393
Investment in Minigoo Fisheries Inc. (Note 3)	(489,912)	(62,414)
Long-term investments (Note 6)	139,343	139,343
	1,487,892	1,048,523
Liabilities		
Accounts payable (Note 8)	1,040,376	384,268
Deferred revenue (Note 9)	141,445	-
Funding repayable to AANDC (Note 10)	44,781	44,781
Long-term debt (Note 11)	4,967,828	5,094,154
	6,194,430	5,523,203
Net debt	(4,706,538)	(4,474,680)
Non-financial Assets		
Tangible capital assets (Note 12)	22,303,699	23,071,722
Prepaid expenses (Note 13)	15,040	21,504
	22,318,739	23,093,226
Accumulated Surplus	\$ 17,612,201	\$ 18,618,546

Approved on behalf of the Lennox Island First Nation

Chief M. Kozette, Chief

Debra Benard, Councillor

St. Brant, Councillor

W. J. J., Councillor

The accompanying notes are an integral part of the financial statements

LENNOX ISLAND FIRST NATION
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2015

	2015 Budget Unaudited	2015 Actual	2014 Actual
Revenue			
Aboriginal Affairs and Northern Development	\$ 4,140,835	\$ 5,977,171	\$ 4,372,094
Health Canada	1,075,112	1,075,112	1,697,605
Other	559,254	676,244	844,580
Economic Development	458,000	469,723	447,198
Department of Fisheries and Oceans	162,000	315,223	503,677
Canada Mortgage and Housing Corporation	86,000	238,443	429,663
Fisheries	1,500,000	2,532,827	1,742,095
	7,981,201	11,284,743	10,036,912
Expenditures			
Social development	1,146,496	1,172,284	1,246,588
Education	1,469,654	1,614,221	1,600,122
Economic development	664,000	717,208	678,186
Band management	643,500	759,665	723,563
Capital	112,000	106,163	128,751
Capital facilities operating and maintenance	630,350	2,250,150	696,739
Membership	20,300	18,024	28,659
Health	1,356,416	1,347,184	1,441,964
Fisheries	1,500,000	2,786,267	2,079,046
Cultural program	31,750	33,517	53,059
Rental program	132,500	146,621	135,866
	7,706,966	10,951,304	8,812,543
Surplus before other income	274,235	333,439	1,224,369
Other income			
Equity (loss) of Minigoo Fisheries Inc.	(90,000)	(427,498)	(367,566)
Amortization	(915,000)	(912,286)	(942,749)
	(1,005,000)	(1,339,784)	(1,310,315)
Deficit	(730,765)	(1,006,345)	(85,946)
Accumulated surplus at beginning of year	18,704,492	18,618,546	18,704,492
Accumulated surplus at end of year	\$ 17,973,727	\$ 17,612,201	\$ 18,618,546

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, 2015

	2015 Budget	2015 Actual	2014 Actual
Surplus/(Deficit)	\$ (730,765)	\$ (1,006,345)	\$ (85,946)
Acquisition of tangible capital assets	-	(144,265)	(1,072,829)
Amortization of tangible capital assets	915,000	912,286	942,749
	915,000	768,021	(130,080)
Acquisition of prepaid asset	-	6,466	(4,554)
Increase/(decrease) in net financial assets	184,235	(231,858)	(220,580)
Net debt at beginning of year	(4,474,680)	(4,474,680)	(4,254,100)
Net debt at end of year	\$ (4,290,445)	\$ (4,706,538)	\$ (4,474,680)

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, 2015

	2015	2014
Cash flows from		
Operating activities		
Deficit	\$ (1,006,345)	\$ (85,946)
Items not affecting cash		
Amortization	912,286	942,749
	(94,059)	856,803
Change in non-cash operating working capital		
Accounts receivable	(161,640)	337,194
Prepaid expenses	6,464	(4,554)
Trust funds held by federal government	(1,859)	(1,171)
Investment in Minigoo Fisheries Inc.	427,498	367,566
Accounts payable	656,110	(398,562)
Deferred revenue	141,445	(221,602)
Funding repayable to AANDC	-	(28,752)
	973,959	906,922
Capital activities		
Acquisition of tangible capital assets	(144,265)	(1,072,829)
Financing activities		
Advances to Minigoo Fisheries Inc.	(113,424)	(239,526)
Repayment of long-term debt	(284,790)	(284,874)
Proceeds of long-term debt	158,464	-
	(239,750)	(524,400)
Increase (decrease) in cash and cash equivalents	589,944	(690,307)
Cash and cash equivalents, beginning of year	8,343	698,650
Cash and cash equivalents, end of year	\$ 598,287	\$ 8,343

The accompanying notes are an integral part of the financial statements

LENNOX ISLAND FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2015

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.

LENNOX ISLAND FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2015

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

LENNOX ISLAND FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2015

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.

LENNOX ISLAND FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2015

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, 2015

3. Investment in Government Business Enterprises

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

Minigoo Fisheries Inc.

	2015 Total
Cash	\$ (472,525)
Accounts receivable	66,094
Inventory	92,320
Tangible capital assets	440,669
Due from/(to) Fisherman's Pride	856
Total assets	\$ 127,414
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Accounts payable	\$ 1,104
Long-term debt	213,642
Due to Lennox Island First Nation	402,480
Total liabilities	617,226
Equity	(489,812)
Total liabilities and equity	\$ 127,414
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	2015 Total
Revenue	\$ 6,324,883
Cost of goods sold	5,370,542
Expenses	316,066
Debt servicing	67,900
Amortization	93,791
Wages and benefits	904,082
Total expenses	6,752,381
Net income	\$ (427,498)

LENNOX ISLAND FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2015

4. Accounts receivable

	2015	2014
Aboriginal Affairs and Northern Development	\$ 73,077	\$ 76,152
Mikmaq Confederacy of PEI	-	78,481
Health Canada	-	40,200
Other	88,352	32,920
Province of Prince Edward Island	30,071	20,494
Department of Fisheries & Oceans	290,834	94,436
Fisherman's Pride receivables	21,485	12,818
Band members rental program	262,859	256,551
Dept. of Canadian Heritage	7,375	14,750
CMHC	14,389	-
	\$ 788,442	\$ 626,802

5. Trust funds held by Federal Government

	March 31, 2014	Additions (interest)	Withdrawals	March 31, 2015
Revenue	\$ 44,849	\$ 1,859	\$ -	\$ 46,708
Capital	2,544	-	-	2,544
	\$ 47,393	\$ 1,859	\$ -	\$ 49,252

6. Long-term investments

	2015	2014
Apartment building	\$ 45,000	\$ 45,000
Ellerslie biological station	94,343	94,343
	\$ 139,343	\$ 139,343

LENNOX ISLAND FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2015

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.

	2015	2014
CMHC replacement reserve (restricted)	\$ 197,523	\$ 207,297
Term deposits	500,000	500,000
Net bank balance	220,764	(288,954)
Operating lines of credit	(320,000)	(410,000)
	\$ 598,287	\$ 8,343

8. Accounts Payable

	2015	2014
Trade	\$ 885,659	\$ 232,599
Western School Board	53,355	56,277
Pension plan remittance	19,443	17,341
Fisheries programs	53,615	19,982
Health programs	28,305	39,092
Other	-	12,856
Payroll remittance	-	6,121
	\$ 1,040,377	\$ 384,268

Remittances for band employee benefits are current as of March 31, 2015.

9. Deferred revenue

	2015	2014
Province of PEI - Ec.dev.funding	\$ 100,000	\$ -
Garden project	41,445	-
	\$ 141,445	\$ -

These amounts represent unexpended funds under contribution agreements and therefore may be subject to repayment to the funding source if not used in accordance with the funding terms and conditions.

LENNOX ISLAND FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2015

10. Funding repayable to AANDC

	2015	2014
12/13 tuition contribution funding	\$ 44,781	\$ 44,781
	\$ 44,781	\$ 44,781

11. Long-term debt

	2015	2014
Canada Mortgage and Housing Corporation 1.05% loan, payable \$497 monthly including interest, due April 1, 2020, one house	\$ 107,634	\$ 111,734
Canada Mortgage and Housing Corporation 1.12% loan, payable \$896 monthly including interest, due February 1, 2020, two houses	192,039	199,628
Canada Mortgage and Housing Corporation 2.04% loan, payable \$1,022 monthly including interest, due March 1, 2019, two houses	193,485	201,746
Canada Mortgage and Housing Corporation 2.04% loan, payable \$511 monthly including interest, due March 1, 2019, one house	96,727	100,857
Canada Mortgage and Housing Corporation 1.62% loan, payable \$975 monthly including interest, due March 1, 2018, two houses	182,894	191,580
Canada Mortgage and Housing Corporation 1.53% loan, payable \$1,235 monthly including interest, due December 1, 2017, four houses	230,538	241,762
Canada Mortgage and Housing Corporation 1.65% loan, payable \$965 monthly including interest, due June 1, 2017, three houses	172,605	181,285
Canada Mortgage and Housing Corporation 1.8% loan, payable \$630 monthly including interest, due October 1, 2016, two houses	108,492	114,061
Canada Mortgage and Housing Corporation 2.75% loan, payable \$322 monthly including interest, due February 1, 2016, one house	49,675	52,150

LENNOX ISLAND FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2015

11. Long-term debt, continued

	2015	2014
Canada Mortgage and Housing Corporation 1.12% loan, payable \$280 monthly including interest, due February 1, 2020, one house	46,212	48,795
Canada Mortgage and Housing Corporation 2.11% loan, payable \$301 monthly including interest, due on January 1, 2019, one house	43,224	45,908
Canada Mortgage and Housing Corporation 1.67% loan, payable \$287 monthly including interest, due on June 1, 2018, one house	41,010	43,754
Canada Mortgage and Housing Corporation 1.67% loan, payable \$272 monthly including interest, due on April 1, 2017, one house	35,358	38,018
Canada Mortgage and Housing Corporation 1.96% loan, payable \$914 monthly including interest, due on October 1, 2014, four apartment units	-	6,384
GMAC 0% loan, payable \$357 monthly, due March 2015, secured by vehicle	-	4,287
Royal Bank Prime plus 3% loan, payable \$1,530 monthly plus interest, due March 2015, secured by government guarantee	-	19,890
Ulnooweg Development Group Inc. 8% loan, payable \$9,080 per month (May, June, August, September, October only) including interest, due December 2019	217,648	245,241
Royal Bank 6.79% demand loan, payable \$378 monthly including interest, due December 2016, secured by a building	6,137	10,112
Royal Bank 9.38% demand loan, payable \$3,822 monthly including interest, due February 2016, secured by a building	43,249	82,992
Bank of Montreal 5.39% demand loan, payable \$12,151 monthly including interest, due March 2016, amortized until April 2036	1,830,771	1,876,549

LENNOX ISLAND FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2015

11. Long-term debt, continued

	2015	2014
Bank of Montreal Prime plus 2% loan, due on demand, payable \$5,349 monthly including interest	771,226	796,365
Canada Mortgage and Housing Corporation 2.65% loan, payable \$573 monthly including interest, due April 1, 2016, one house	111,280	115,179
Canada Mortgage and Housing Corporation 2.65% loan, payable \$1,143 monthly including interest, due April 1, 2016, two houses	222,125	229,908
Evangeline Credit Union Prime plus 3% demand loan, payable \$20,990 annually plus interest, due November 2016, secured by vessels	104,994	125,969
Royal Bank Prime plus 6.9% loan, due on demand, payable \$10,000 annually plus interest, amortized until June 2014	10,000	10,000
Royal Bank 4.1% loan, \$1,126 monthly plus interest, due February 2018, secured by school bus	37,081	-
Ulnooweg 8% loan, \$5,037 monthly incl. interest, advanced to Minigoo Fisheries Inc.	113,424	-
	\$ 4,967,828	\$ 5,094,154

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:

2016	\$ 390,617
2017	229,836
2018	235,348
2019	231,502
2020 and thereafter	3,880,525
	\$ 4,967,828

LENNOX ISLAND FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2015

12. Tangible Capital Assets

	Cost	Additions	Accumulated amortization	2015 Net book value
Housing and buildings	\$ 14,298,876	\$ -	\$ 4,705,141	\$ 9,593,735
Vehicles	119,368	-	115,707	3,661
Computer equipment	77,350	-	77,350	-
Furniture and fixtures	127,865	-	127,865	-
Equipment	1,380,647	5,775	719,994	666,428
Water and sewer	7,085,425	-	1,838,900	5,246,525
Roads and paving	8,485,213	92,034	2,595,276	5,981,971
Fishing boats	1,620,085	-	1,133,385	486,700
Motor equipment	580,053	-	299,506	280,547
School bus	-	46,455	2,323	44,132
	\$ 33,774,882	\$ 144,264	\$ 11,615,447	\$ 22,303,699

	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
	\$ 32,702,052	\$ 1,072,829	\$ 10,703,160	\$ 23,071,722

LENNOX ISLAND FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2015

13. Prepaid expenses

	2015	2014
Post secondary living allowances	\$ 12,540	\$ 13,435
Honoraria	2,500	4,500
Other	-	3,569
	<hr/> \$ 15,040	<hr/> \$ 21,504

14. Expenses by object

	2015	2014
Wages and benefits	\$ 3,743,568	\$ 3,813,112
Women's shelter operating costs	174,543	164,346
Social program payments	433,959	427,669
Programs and activities	614,271	669,081
Transfers to other programs	71,304	70,610
Tuition and post secondary costs	584,657	566,516
Supplies and services	221,249	204,274
Interest and bank charges	222,801	233,582
Professional services	57,299	76,330
Contractor services	1,779,242	178,436
Other	940,675	1,101,450
Amortization	912,286	942,749
Commercial fisheries	2,107,736	1,307,137
	<hr/> \$ 11,863,590	<hr/> \$ 9,755,292

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.

LENNOX ISLAND FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2015

16. Contingent Liabilities

Lennox Island First Nation (LIFN) 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, LIFN would be required to honor the liability with the lender and would acquire ownership of the particular vessel and gear. Additionally, LIFN has provided a guarantee in the amount of \$500,000 to Evangeline Credit Union for an operating line of credit issued to Minigoo Fisheries Inc. This amount has been invested at the Credit Union in a GIC owned by LIFN and is included in the term deposits line in Note 7.

The aggregate loan principal balance outstanding, for the remaining fishermen, guaranteed by Lennox Island First Nation, was \$30,667 as at March 31, 2015.

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.

LENNOX ISLAND FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2015

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 \$1,190,922 (2014 - \$915,858). 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 \$1,040,376 (2014 - \$384,268). 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.

LENNOX ISLAND FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2015

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.

20. Annual surplus net of capital related revenues and amortization

	2015	2014
Annual surplus (deficit)	\$ (1,006,345)	\$ (85,946)
Deduct: Federal government transfers for capital	-	(947,242)
Deduct: Provincial government transfers for capital	(92,034)	(100,000)
Add: Amortization expense included in annual surplus	912,286	942,749
Annual surplus net of capital related revenues and amortization	\$ (186,093)	\$ (190,439)