



### **Independent Auditor's Report**

To the Chief and Council and 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, 2016, 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, 2016, 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.

*Lenehan McCain & Associates*  
Chartered Professional Accountants

Woodstock, New Brunswick  
July 26, 2016



# LENNOX ISLAND FIRST NATION

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MARCH 31, 2016

	2016	2015
<b>Financial Assets</b>		
Cash (Note 7)	\$ 324,105	\$ 598,287
Accounts receivable (Note 4)	548,785	788,442
Due from Minitigo Fisheries	787,389	402,480
Trust funds held by federal government (Note 5)	65,074	49,252
Investment in Minitigo Fisheries Inc. (Note 3)	(809,983)	(489,912)
Long-term investments (Note 6)	139,343	139,343
	<u>1,054,713</u>	<u>1,487,892</u>
<b>Liabilities</b>		
Accounts payable (Note 8)	411,279	1,040,376
Deferred revenue (Note 9)	125,000	141,445
Funding repayable to INAC (Note 10)	44,781	44,781
Long-term debt (Note 11)	5,056,017	4,967,828
	<u>5,637,077</u>	<u>6,194,430</u>
<b>Net debt</b>	<u>(4,582,364)</u>	<u>(4,706,538)</u>
<b>Non-financial Assets</b>		
Tangible capital assets (Note 12)	22,304,128	22,303,699
Prepaid expenses (Note 13)	17,826	15,040
	<u>22,321,954</u>	<u>22,318,739</u>
<b>Accumulated Surplus</b>	<u>\$ 17,739,590</u>	<u>\$ 17,612,201</u>

Approved on behalf of the Lennox Island First Nation

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

*Mary Ruddy*, Councillor

*Henry Turner*, 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, 2016

	2016 Budget	2016 Actual	2015 Actual
Surplus/(Deficit)	\$ (484,819)	\$ 127,389	\$ (1,006,345)
Acquisition of tangible capital assets	-	(963,656)	(144,265)
Amortization of tangible capital assets	915,000	963,227	912,286
	915,000	(429)	768,021
(Increase) decrease in prepaid expenses	-	(2,786)	6,466
Increase/(decrease) in net financial assets	430,181	124,174	(231,858)
Net debt at beginning of year	(4,706,538)	(4,706,538)	(4,474,680)
Net debt at end of year	\$ (4,276,357)	\$ (4,582,364)	\$ (4,706,538)

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, 2016**

	<b>2016 Budget</b>	<b>2016 Actual</b>	<b>2015 Actual</b>
<b>Revenue</b>			
Indigenous and Northern Affairs Canada	\$ 4,693,766	\$ 4,753,795	\$ 5,977,171
Health Canada	1,163,165	1,164,897	1,075,112
Other	496,955	1,112,729	841,468
Economic Development	487,315	537,468	469,723
Department of Fisheries and Oceans	345,000	355,034	300,834
Canada Mortgage and Housing Corporation	83,520	71,489	87,608
Commercial fisheries	2,000,000	1,927,720	2,532,827
	<u>9,269,721</u>	<u>9,923,132</u>	<u>11,284,743</u>
<b>Expenditures</b>			
Social development	1,114,043	1,231,115	1,172,284
Education	1,442,217	1,514,765	1,549,886
Economic development	690,828	925,511	717,208
Band management	636,005	687,660	759,665
Capital	533,048	169,389	106,162
Capital facilities operating and maintenance	731,125	729,251	2,314,486
Membership	16,224	16,902	18,024
Health	1,303,170	1,374,983	1,347,184
Fisheries	2,245,000	1,662,255	2,786,267
Cultural program	18,380	86,389	33,517
Rental program	109,500	114,225	146,621
	<u>8,839,540</u>	<u>8,512,445</u>	<u>10,951,304</u>
<b>Surplus before other income</b>	<b>430,181</b>	<b>1,410,687</b>	<b>333,439</b>
<b>Other income</b>			
Equity (loss) of Minigoo Fisheries Inc.	-	(320,071)	(427,498)
Amortization	(915,000)	(963,227)	(912,286)
	<u>(915,000)</u>	<u>(1,283,298)</u>	<u>(1,339,784)</u>
<b>Surplus (deficit)</b>	<b>(484,819)</b>	<b>127,389</b>	<b>(1,006,345)</b>
<b>Accumulated surplus at beginning of year</b>	<b>17,612,201</b>	<b>17,612,201</b>	<b>18,618,546</b>
<b>Accumulated surplus at end of year</b>	<b>\$ 17,127,382</b>	<b>\$ 17,739,590</b>	<b>\$ 17,612,201</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, 2016

	2016	2015
<b>Cash flows from</b>		
<b>Operating activities</b>		
Surplus (deficit)	\$ 127,389	\$ (1,006,345)
Items not affecting cash		
Amortization	963,227	912,286
	<b>1,090,616</b>	<b>(94,059)</b>
<b>Change in non-cash operating working capital</b>		
Accounts receivable	239,657	(161,640)
Prepaid expenses	(2,786)	—6,464
Trust funds held by federal government	(15,822)	(1,859)
Investment in Minigoo Fisheries Inc.	320,071	427,498
Accounts payable	(629,100)	656,110
Deferred revenue	(16,445)	141,445
	<b>986,191</b>	<b>973,959</b>
<b>Capital activities</b>		
Acquisition of tangible capital assets	(965,182)	(144,265)
Adjustment to tangible capital asset	1,528	-
	<b>(963,654)</b>	<b>(144,265)</b>
<b>Financing activities</b>		
Advances to Minigoo Fisheries Inc.	(384,909)	(113,424)
Repayment of long-term debt	(511,810)	(284,790)
Proceeds of long-term debt	600,000	158,464
	<b>(296,719)</b>	<b>(239,750)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(274,182)</b>	<b>589,944</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>598,287</b>	<b>8,343</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 324,105</b>	<b>\$ 598,287</b>

The accompanying notes are an integral part of the financial statements

LENNOX ISLAND FIRST NATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2016

**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, 2016

**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, 2016

**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, 2016

**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, 2016

**3. Investment in Government Business Enterprises**

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

Minigoo Fisheries Inc.

	2016 Total
Cash	\$ (400,796)
Accounts receivable	52,505
Inventory	107,234
Tangible capital assets	369,370
Prepaid expenses	3,691
Due from/(to) Fisherman's Pride	81
<b>Total assets</b>	<b>\$ 132,085</b>
Accounts payable	\$ 7,441
Long-term debt	147,138
Due to Lennox Island First Nation	787,389
<b>Total liabilities</b>	<b>941,968</b>
Equity	(809,883)
<b>Total liabilities and equity</b>	<b>\$ 132,085</b>
	2016 Total
Revenue	\$ 6,767,807
Cost of goods sold	5,901,211
Expenses	255,246
Debt servicing	61,940
Amortization	81,564
Wages and benefits	787,917
<b>Total expenses</b>	<b>7,087,878</b>
Net income	\$ (320,071)

**LENNOX ISLAND FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2016**

**4. Accounts receivable**

	2016	2015
Indigenous and Northern Affairs Canada	\$ 52,886	\$ 73,077
Other	30,032	88,352
Province of Prince Edward Island	23,784	30,071
Department of Fisheries & Oceans	133,855	290,834
Fisherman's Pride receivables	33,607	21,485
Band members rental program	274,621	262,859
Dept. of Canadian Heritage	-	7,375
CMHC	-	14,389
	<b>\$ 548,785</b>	<b>\$ 788,442</b>

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

	March 31, 2015	Additions (interest and rent)	Withdrawals	March 31, 2016
Revenue	\$ 46,708	\$ 15,822	\$ -	\$ 62,530
Capital	2,544	-	-	2,544
	<b>\$ 49,252</b>	<b>\$ 15,822</b>	<b>\$ -</b>	<b>\$ 65,074</b>

**6. Long-term investments**

	2016	2015
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, 2016

**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.

	2016	2015
CMHC replacement reserve (restricted)	\$ 197,523	\$ 197,523
Term deposits	500,000	500,000
Net bank balance	(148,418)	220,764
Operating lines of credit	(225,000)	(320,000)
	<u>\$ 324,105</u>	<u>\$ 598,287</u>

**8. Accounts Payable**

	2016	2015
Trade	\$ 179,916	\$ 885,659
English Language School Board	54,521	53,355
Pension plan remittance	39,954	19,443
Fisheries programs	118,632	53,615
Health programs	18,257	28,305
	<u>\$ 411,280</u>	<u>\$ 1,040,377</u>

Remittances for band employee benefits are current as of March 31, 2016.

**9. Deferred revenue**

	2016	2015
Province of PEI - Ec.dev.funding	\$ 100,000	\$ 100,000
Garden project	-	41,445
Heritage Canada grant	25,000	-
	<u>\$ 125,000</u>	<u>\$ 141,445</u>

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, 2016**

**10. Funding repayable to INAC**

	2016	2015
12/13 tuition contribution funding	\$ 44,781	\$ 44,781
	<u>\$ 44,781</u>	<u>\$ 44,781</u>

**11. Long-term debt**

	2016	2015
Canada Mortgage and Housing Corporation 1.05% loan, payable \$497 monthly including interest, due April 1, 2020, one house	\$ 102,704	\$ 107,634
Canada Mortgage and Housing Corporation 1.12% loan, payable \$896 monthly including interest, due February 1, 2020, two houses	183,385	192,039
Canada Mortgage and Housing Corporation 2.04% loan, payable \$1,022 monthly including interest, due March 1, 2019, two houses	185,062	193,485
Canada Mortgage and Housing Corporation 2.04% loan, payable \$511 monthly including interest, due March 1, 2019, one house	92,517	96,727
Canada Mortgage and Housing Corporation 1.62% loan, payable \$975 monthly including interest, due March 1, 2018, two houses	174,073	182,894
Canada Mortgage and Housing Corporation 1.53% loan, payable \$1,235 monthly including interest, due December 1, 2017, four houses	219,147	230,538
Canada Mortgage and Housing Corporation 1.65% loan, payable \$965 monthly including interest, due June 1, 2017, three houses	163,786	172,605
Canada Mortgage and Housing Corporation 1.8% loan, payable \$630 monthly including interest, due October 1, 2016, two houses	102,827	108,492
Canada Mortgage and Housing Corporation 1.01% loan, payable \$284 monthly including interest, due February 1, 2021, one house	47,039	49,675

LENNOX ISLAND FIRST NATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2016

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

	2016	2015
Canada Mortgage and Housing Corporation 1.12% loan, payable \$280 monthly including interest, due February 1, 2020, one house	43,350	46,212
Canada Mortgage and Housing Corporation 2.11% loan, payable \$301 monthly including interest, due on January 1, 2019, one house	40,485	43,224
Canada Mortgage and Housing Corporation 1.67% loan, payable \$287 monthly including interest, due on June 1, 2018, one house	38,222	41,010
Canada Mortgage and Housing Corporation 1.67% loan, payable \$272 monthly including interest, due on April 1, 2017, one house	32,653	35,358
Ulnuoweg Development Group Inc. 8% loan, payable \$9,080 per month (May, June, August, September, October only) including interest, due December 2019	187,845	217,648
Royal Bank 6.79% demand loan, payable \$378 monthly including interest, due December 2016, secured by a building	1,882	6,137
Royal Bank 9.38% demand loan, payable \$3,822 monthly including interest, due February 2016, secured by a building		43,249
Bank of Montreal 5.39% demand loan, payable \$12,151 monthly including interest, due March 2016, amortized until April 2036	1,786,650	1,830,771
Bank of Montreal Prime plus 2% loan, due on demand, payable \$5,349 monthly including interest	743,091	771,226
Canada Mortgage and Housing Corporation 1.11% loan, payable \$496 monthly including interest, due April 1, 2021, one house	107,282	111,280
Canada Mortgage and Housing Corporation 1.11% loan, payable \$990 monthly including interest, due April 1, 2021, two houses	214,146	222,125



LENNOX ISLAND FIRST NATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016

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

	2016	2015
Evangeline Credit Union		
Prime plus 3% demand loan, payable \$20,990 annually plus interest, due November 2016, secured by vessels	84,004	104,994
Royal Bank		
Prime plus 6.9% loan, due on demand, payable \$10,000 annually plus interest, amortized until June 2014	-	10,000
Royal Bank		
4.1% loan, \$1,126 monthly plus interest, due February 2018, secured by school bus	24,862	37,081
Ulnooweg		
8% loan, \$5,037 monthly incl. interest, advanced to Minigoo Fisheries Inc.		113,424
Ulnooweg		
8% loan, \$3,157 monthly incl. interest, advanced to minigoo Fisheries Inc.	481,005	
	<u>\$ 5,056,017</u>	<u>\$ 4,967,828</u>

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

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

2017	\$ 715,358
2018	239,461
2019	235,180
2020	243,328
2021 and thereafter	3,622,690
	<u>\$ 5,056,017</u>

LENNOX ISLAND FIRST NATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2016

**12. Tangible Capital Assets**

	Cost	Additions	Accumulated amortization	2016 Net book value
Housing and buildings	\$ 14,298,876	\$ 91,845	\$ 5,064,174	\$ 9,326,547
Vehicles	119,368	108,525	139,842	88,051
Computer equipment	77,350	(1,526)	77,350	(1,526)
Furniture and fixtures	127,865	-	127,865	-
Equipment	1,386,422	276,584	883,465	779,541
Water and sewer	7,085,425	-	2,016,035	5,069,389
Roads and paving	8,577,247	488,228	2,716,149	6,349,326
Fishing boats	1,620,085	-	1,220,640	399,445
Motor equipment	580,053	-	328,508	251,545
School bus	46,455	-	4,646	41,810
	<u>\$ 33,919,146</u>	<u>\$ 963,656</u>	<u>\$ 12,578,674</u>	<u>\$ 22,304,128</u>

	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
Other capital assets #5	-	46,455	2,323	44,132
	<u>\$ 33,774,882</u>	<u>\$ 144,264</u>	<u>\$ 11,615,447</u>	<u>\$ 22,303,699</u>

**LENNOX ISLAND FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2016**

**13. Prepaid expenses**

	2016	2015
Post secondary living allowances	\$ -	\$ 12,540
Fisheries program	13,290	-
Honoraria	-	2,500
Worker's compensation	4,536	-
	<u>\$ 17,826</u>	<u>\$ 15,040</u>

**14. Expenses by object**

	2016	2015
Wages and benefits	\$ 3,645,421	\$ 3,743,568
Women's shelter operating costs	138,086	174,543
Social program payments	484,556	433,959
Programs and activities	690,914	614,271
Transfers to other programs	71,573	71,304
Tuition and post secondary costs	537,632	584,657
Supplies and services	167,406	221,249
Interest and bank charges	266,739	222,801
Professional services	143,378	57,299
Contractor services	247,083	1,779,242
Other	1,092,900	940,675
Amortization	963,227	912,286
Commercial fisheries	1,026,757	2,107,736
	<u>\$ 9,475,672</u>	<u>\$ 11,863,590</u>

**15. Economic Dependence**

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

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LENNOX ISLAND FIRST NATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2016

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

Additionally, LIFN has provided guarantees on behalf of Minigoo Fisheries Inc. One guarantee is in the amount of \$500,000 to Evangeline Credit Union for an operating line of credit issued to Minigoo. 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 other guarantee is 45% of two outstanding loans that Minigoo has with Business Development Bank of Canada (BDC). The combined balance of the two loans at March 31, 2016 was \$147,138, therefore the guarantee was for \$66,212 at that date.

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 \$831,385 (2015 - \$1,190,922). 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 \$411,278 (2015 - \$1,040,376). 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.

**20. Annual surplus net of capital related revenues and amortization**

	2016	2015
Annual surplus (deficit)	\$ 127,389	\$ (1,006,345)
Deduct: Federal government transfers for capital	(400,000)	-
Deduct: Provincial government transfers for capital	(100,000)	(92,034)
Add: Amortization expense included in annual surplus	963,227	912,286
Annual surplus net of capital related revenues and amortization	\$ 590,616	\$ (186,093)