

LENNOX ISLAND FIRST NATION

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

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CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2018

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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, 2018, 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, 2018, 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 Professional Accountants

Woodstock, New Brunswick
July 30, 2018

LENNOX ISLAND FIRST NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2018

	2018	2017
Financial Assets		
Cash (Note 7)	\$ 203,721	\$ 1,468,291
Accounts receivable (Note 4)	1,311,865	1,000,072
Due from Minigoo Fisheries	1,686,439	1,036,139
Trust funds held by federal government (Note 5)	84,058	73,911
Long-term investments (Note 6)	139,343	139,343
	<hr/> 3,425,426	<hr/> 3,717,756
Liabilities		
Accounts payable (Note 8)	437,401	982,848
Deferred revenue (Note 9)	1,366,034	1,160,883
Investment in Minigoo Fisheries Inc. (Note 3)	2,481,817	1,214,329
Funding repayable to INAC (Note 10)	44,781	44,781
Long-term debt (Note 11)	4,836,213	4,996,448
	<hr/> 9,166,246	<hr/> 8,399,289
Net debt	(5,740,820)	(4,681,533)
Non-financial Assets		
Tangible capital assets (Note 12)	21,372,300	21,945,209
Prepaid expenses (Note 13)	146,656	77,985
	<hr/> 21,518,956	<hr/> 22,023,194
Accumulated Surplus	\$ 15,778,136	\$ 17,341,661

Approved on behalf of the Lennox Island First Nation

Mark Attey, Chief
Richard Dunn, Councillor
Mark Attey, Councillor
Jon P. Dunn, 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, 2018

	2018 Budget	2018 Actual	2017 Actual
Surplus/(Deficit)	\$ (580,746)	\$ (1,563,525)	\$ (397,929)
Acquisition of tangible capital assets	-	(451,531)	(625,733)
Amortization of tangible capital assets	985,000	1,024,439	984,653
	985,000	572,908	358,920
(Increase) decrease in prepaid expenses	-	(68,670)	(60,160)
Increase/(decrease) in net financial assets	404,254	(1,059,287)	(99,169)
Net debt at beginning of year	(4,681,533)	(4,681,533)	(4,582,364)
Net debt at end of year	\$ (4,277,279)	\$ (5,740,820)	\$ (4,681,533)

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, 2018

	2018 Budget	2018 Actual	2017 Actual
Revenue			
Indigenous and Northern Affairs Canada	\$ 4,546,064	\$ 4,975,806	\$ 6,353,220
Health Canada	1,961,445	1,961,445	1,320,774
Other	658,598	1,238,272	985,797
Economic Development	877,708	993,827	945,518
Department of Fisheries and Oceans	450,000	454,970	419,600
Canada Mortgage and Housing Corporation	168,620	235,701	244,877
Commercial fisheries	1,350,000	2,741,304	1,313,400
Deferred revenue - opening	1,057,563	1,057,563	-
Deferred revenue - closing	-	(512,079)	(1,057,563)
	11,069,998	13,146,809	10,525,623
Expenditures			
Social development	1,205,474	1,406,424	1,324,451
Education	1,685,970	1,684,754	1,592,058
Economic development	1,003,114	1,096,507	1,098,084
Band management	728,029	684,904	789,137
Capital	445,307	601,998	712,314
Capital facilities operating and maintenance	1,592,782	1,797,809	1,199,686
Membership	7,420	3,519	16,476
Health	2,145,613	1,923,619	1,425,418
Fisheries	1,300,000	2,882,305	1,265,272
Cultural program	100,000	224,504	52,631
Rental program	61,640	112,064	59,026
	10,275,349	12,418,407	9,534,553
Surplus before other income	794,649	728,402	991,070
Other income			
Equity (loss) of Minigoo Fisheries Inc.	(390,395)	(1,267,488)	(404,346)
Amortization	(985,000)	(1,024,439)	(984,653)
	(1,375,395)	(2,291,927)	(1,388,999)
Deficit	(580,746)	(1,563,525)	(397,929)
Accumulated surplus at beginning of year	17,341,661	17,341,661	17,739,590
Accumulated surplus at end of year	\$ 16,760,915	\$ 15,778,136	\$ 17,341,661

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, 2018

	2018	2017
Cash flows from Operating activities		
Deficit	\$ (1,563,525)	\$ (397,929)
Items not affecting cash		
Amortization	1,024,439	984,653
	(539,086)	586,724
Change in non-cash operating working capital		
Accounts receivable	(311,793)	(451,287)
Prepaid expenses	(68,671)	(60,159)
Trust funds held by federal government	(10,147)	(8,837)
Accounts payable	(545,439)	571,567
Deferred revenue	205,151	1,035,883
Investment in Minigoo Fisheries Inc.	1,267,488	404,346
	(2,497)	2,078,237
Capital activities		
Acquisition of tangible capital assets	(451,536)	(625,733)
Financing activities		
Advances to Minigoo Fisheries Inc.	(650,300)	(248,750)
Repayment of long-term debt	(279,796)	(405,774)
Proceeds of long-term debt	119,559	346,206
	(810,537)	(308,318)
Increase (decrease) in cash and cash equivalents	(1,264,570)	1,144,186
Cash and cash equivalents, beginning of year	1,468,291	324,105
Cash and cash equivalents, end of year	\$ 203,721	\$ 1,468,291

The accompanying notes are an integral part of the financial statements

LENNOX ISLAND FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2018

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
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 Chartered Professional Accountants of Canada.

(a) Cash and cash equivalents

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

(b) 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, 2018

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, 2018

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, 2018

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, 2018

3. Investment in Government Business Enterprises

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

w Minigoo Fisheries Inc.

	2018 Total
Cash	\$ (113,373)
Accounts receivable	98,504
Inventory	19,418
Tangible capital assets	241,665
 Total assets	 \$ 246,214
 Accounts payable	 \$ 10,979
Long-term debt	16,002
Due to Fisherman's Pride	1,015,839
Due to Lennox Island First Nation	1,686,439
 Total liabilities	 2,729,259
 Equity	 (2,483,045)
 Total liabilities and equity	 \$ 246,214
 Revenue	 \$ 2,743,083
Cost of goods sold	2,848,111
Expenses	298,352
Debt servicing	19,621
Amortization	60,281
Wages and benefits	784,206
 Total expenses	 4,010,571
 Net income	 \$ (1,267,488)

LENNOX ISLAND FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

4. Accounts receivable

	2018	2017
Indigenous and Northern Affairs Canada	\$ 197,846	\$ 19,085
Other	87,272	99,987
Province of Prince Edward Island	17,207	133,373
Department of Fisheries & Oceans	352,608	367,908
Fisherman's Pride receivables	10,002	22,325
Band members rental program	315,355	293,572
Dept. of Canadian Heritage		7,375
Lennox Island Development receivables	78,400	42,058
Mi'kmaq Confederacy of PEI	107,240	-
Health program	123,917	-
Health Canada	16,393	-
CMHC	5,625	14,389
	\$ 1,311,865	\$ 1,000,072

5. Trust funds held by Federal Government

	Additions		
	March 31, 2017	(interest and permit fees)	March 31, 2018
Revenue	\$ 71,367	\$ 10,147	\$ 81,514
Capital	2,544	-	2,544
	<hr/>	<hr/>	<hr/>
	\$ 73,911	\$ 10,147	\$ 84,058

6. Long-term investments

LENNOX ISLAND FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2018

7. Cash

	2018	2017
CMHC replacement reserve (restricted)	\$ 202,028	\$ 197,523
Term deposit	-	500,000
Net bank balance	1,693	1,030,768
Operating lines of credit	-	(260,000)
	<hr/> \$ 203,721	<hr/> \$ 1,468,291

8. Accounts Payable

	2018	2017
Funding repayable to Health Canada	\$ -	\$ 6,795
Trade	174,140	556,645
English Language School Board	25,179	29,716
Pension plan remittance	22,580	20,841
Fisheries programs	126,799	246,868
Health programs	38,130	49,266
Lennox Island Dev Corp payables	25,417	46,831
Payroll remittance	-	5,616
Employee savings	25,158	20,270
	<hr/> \$ 437,403	<hr/> \$ 982,848

Remittances for band employee benefits are current as of March 31, 2018.

LENNOX ISLAND FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2018

9. Deferred revenue

	2018	2017
Bridge repairs	\$ -	\$ 1,026,333
Province of PEI - Ec.dev.funding	100,000	100,000
Health Canada Jordan's Principle	14,468	-
Health Canada NNADAP	4,533	-
Health Canada electronic medical/health records	10,000	-
Health Canada Capital investments	483,077	31,230
Fisherman's Pride	642,976	3,320
<u>INAC - School upgrades/expansion</u>	<u>110,980</u>	<u>-</u>
	<hr/> \$ 1,366,034	<hr/> \$ 1,160,883

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.

10. Funding repayable to INAC

	2018	2017
<u>12/13 tuition contribution funding</u>	<u>\$ 44,781</u>	<u>\$ 44,781</u>
	<hr/> \$ 44,781	<hr/> \$ 44,781

11. Long-term debt

	2018	2017
Canada Mortgage and Housing Corporation 1.05% loan, payable \$497 monthly including interest, due April 1, 2020, one house	\$ 92,828	\$ 97,791
Canada Mortgage and Housing Corporation 1.12% loan, payable \$896 monthly including interest, due February 1, 2020, two houses	165,772	174,625
Canada Mortgage and Housing Corporation 2.04% loan, payable \$1,022 monthly including interest, due March 1, 2019, two houses	167,672	176,452
Canada Mortgage and Housing Corporation 2.04% loan, payable \$511 monthly including interest, due March 1, 2019, one house	83,823	88,212

LENNOX ISLAND FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2018

11. Long-term debt, continued

	2018	2017
Canada Mortgage and Housing Corporation 2.39% loan, payable \$1,030 monthly including interest, due March 1, 2023, two houses	156,081	165,096
Canada Mortgage and Housing Corporation 1.97% loan, payable \$1,274 monthly including interest, due December 1, 2022, four houses	195,986	207,568
Canada Mortgage and Housing Corporation 1.3% loan, payable \$941 monthly including interest, due June 1, 2022, three houses	145,473	154,810
Canada Mortgage and Housing Corporation 1.03% loan, payable \$596 monthly including interest, due October 1, 2021, two houses	90,660	96,848
Canada Mortgage and Housing Corporation 1.01% loan, payable \$284 monthly including interest, due February 1, 2021, one house	41,098	44,083
Canada Mortgage and Housing Corporation 1.12% loan, payable \$280 monthly including interest, due February 1, 2020, one house	37,525	40,453
Canada Mortgage and Housing Corporation 2.11% loan, payable \$301 monthly including interest, due on January 1, 2019, one house	34,827	37,685
Canada Mortgage and Housing Corporation 1.67% loan, payable \$287 monthly including interest, due on June 1, 2018, one house	32,500	35,384
Canada Mortgage and Housing Corporation 1.43% loan, payable \$269 monthly including interest, due on April 1, 2022, one house	27,072	29,902
Canada Mortgage and Housing Corporation Advances on duplex loan, balance of loan proceeds and repayments to begin during 2018-19 year	156,015	36,456
Ulnooweg Development Group Inc. 8% loan, payable \$9,080 per month (May, June, August, September, October only) including interest, due October 2020	120,597	155,555

LENNOX ISLAND FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2018

11. Long-term debt, continued

	2018	2017
Ulnooweg Development Group Inc. 8.25% loan, payable interest only annually, due August 2021	316,841	332,047
Bank of Montreal 3.51% demand loan, payable \$12,151 monthly including interest, due March 2021, amortized until March 2032	1,610,434	1,698,026
Bank of Montreal Prime plus 2% loan, due on demand, payable \$5,349 monthly including interest	689,719	713,113
Canada Mortgage and Housing Corporation 1.11% loan, payable \$496 monthly including interest, due April 1, 2021, one house	97,563	102,410
Canada Mortgage and Housing Corporation 1.11% loan, payable \$990 monthly including interest, due April 1, 2021, two houses	194,746	204,420
Evangeline Credit Union Prime plus 3% demand loan, payable \$20,990 annually plus interest, due November 2019, secured by vessels	42,054	63,029
Royal Bank 4.1% loan, \$1,126 monthly plus interest, due February 2018, secured by school bus	-	12,134
Ulnooweg 8% loan, \$2,168 monthly interest only, advanced to Minigoo Fisheries Inc., amortized until October 2029	336,927	330,349
	<hr/> \$ 4,836,213	<hr/> \$ 4,996,448

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.

LENNOX ISLAND FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2018

11. Long-term debt, continued

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

2019	\$ 273,600
2020	282,800
2021	271,200
2022	241,300
<u>2023 and thereafter</u>	<u>3,767,313</u>
	<hr/>
	\$ 4,836,213
	<hr/>

LENNOX ISLAND FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2018

12. Tangible Capital Assets

	Cost	Additions	Accumulated amortization	2018 Net book value
Housing and buildings	\$ 14,800,682	\$ 122,559	\$ 5,801,331	\$ 9,121,909
Vehicles	227,893	25,000	189,482	63,411
Computer equipment	75,824	90	75,914	-
Furniture and fixtures	128,552	-	128,140	412
Equipment	1,803,091	303,882	1,268,341	838,632
Water and sewer	7,085,425	-	2,370,307	4,715,118
Roads and paving	9,065,476	-	2,957,895	6,107,580
Fishing boats	1,695,085	-	1,410,150	284,934
Motor equipment	580,053	-	376,914	203,140
School bus	46,455	-	9,291	37,164
	<u>\$ 35,508,536</u>	<u>\$ 451,531</u>	<u>\$ 14,587,765</u>	<u>\$ 21,372,300</u>

					2017
	Cost	Additions		Accumulated amortization	Net book value
Housing and buildings	\$ 14,390,721	\$ 409,961	\$ 5,428,986	\$ 9,371,696	
Vehicles	227,893	-	162,777		65,116
Computer equipment	75,824	-	77,350		(1,526)
Furniture and fixtures	127,865	687	128,003		550
Equipment	1,663,006	140,085	1,060,944		742,147
Water and sewer	7,085,425	-	2,193,171		4,892,254
Roads and paving	9,065,476	-	2,837,022		6,228,453
Fishing boats	1,620,085	75,000	1,315,395		379,690
Motor equipment	580,053	-	352,711		227,342
<u>School bus</u>	<u>46,455</u>	<u>-</u>	<u>6,968</u>		<u>39,487</u>
	<u>\$ 34,882,803</u>	<u>\$ 625,733</u>	<u>\$ 13,563,327</u>		<u>\$ 21,945,209</u>

13. Prepaid expenses

	2018	2017
Post secondary living allowances	\$ 15,970	\$ 14,390
<u>Fisheries program</u>	<u>130,686</u>	<u>63,595</u>
	\$ 146,656	\$ 77,985

LENNOX ISLAND FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2018

14. Expenses by object

	2018	2017
Wages and benefits	\$ 4,252,504	\$ 3,808,048
Women's shelter operating costs	150,333	148,523
Social program payments	447,302	469,560
Programs and activities	1,271,527	770,729
Transfers to other programs	72,938	72,263
Tuition and post secondary costs	547,894	526,502
Supplies and services	191,018	140,488
Interest and bank charges	184,816	165,698
Professional services	42,036	214,360
Contractor services	1,914,963	952,500
Other	1,355,400	1,599,718
Amortization	1,024,439	984,653
Provision for bad debts	1,015,840	
Commercial fisheries	971,836	666,164
	<hr/> \$ 13,442,846	<hr/> \$ 10,519,206

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.

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 guarantees on behalf of Minigoo Fisheries Inc. including a guarantee of 45% of an outstanding loan the company has with Business Development Bank of Canada (BDC). The balance of the loan at March 31, 2018 was \$16,002. The loan was fully paid by June, 2018.

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 \$2,998,304 (2017 - \$2,036,211). 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 \$437,403 (2017 - \$982,848). 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

	2018	2017
Annual surplus (deficit)	\$ (1,563,525)	\$ (397,929)
Deduct: Federal government transfers for capital	(237,695)	(177,460)
Add: Amortization expense included in annual surplus	1,024,439	984,653
Annual surplus net of capital related revenues and amortization	\$ (776,781)	\$ 409,264