

**ELSIPOGTOG FIRST NATION**

**CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2014**

**ELSIPOGTOG FIRST NATION**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2014**

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# LENEHAN MCCAIN & ASSOCIATES CHARTERED ACCOUNTANTS

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

Telephone (506) 325-2101  
Fax (506) 325-9675

## Independent Auditor's Report

To the Members of  
Elsipogtog First Nation

We have audited the accompanying consolidated financial statements of Elsipogtog 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 financial position of Elsipogtog First Nation as at March 31, 2014, and the 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.

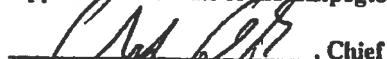
*Lenehan McCain & Associates*  
Lenehan McCain & Associates  
Chartered Accountants

Woodstock, New Brunswick  
August 13, 2014

ELSIPOGTOG FIRST NATION  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
MARCH 31, 2014

	2014 Actual	2013 Actual
<b>Financial Assets</b>		
Trust funds held by federal government (Note 2)	\$ 401,783	\$ 434,862
Other receivables (Note 3)	1,290,574	2,066,411
Due (to) from band owned enterprises (Note 4)	362,739	527,258
Contributions receivable (Note 5)	1,180,493	1,413,723
Investment in MicMac Industries of Big Cove Inc. (Note 14)	(156,033)	(79,076)
Investment in McGraw Seafood (2008) Inc. (Note 14)	251,795	326,465
	<b>3,331,351</b>	<b>4,689,643</b>
<b>Liabilities</b>		
Bank indebtedness (Note 7)	3,966,619	4,484,285
Accounts payable and accrued liabilities (Note 8)	2,350,681	2,643,375
Deferred revenue (Note 9)	1,552,879	1,689,002
Funding repayable to AANDC (Note 10)	975,246	1,219,065
Long-term debt (Note 11)	<u>10,045,447</u>	<u>10,517,657</u>
	<b>18,890,872</b>	<b>20,553,384</b>
<b>Net debt</b>	<b>(15,559,521)</b>	<b>(15,863,741)</b>
<b>Non-financial Assets</b>		
Tangible capital assets (Note 12)	25,166,840	26,829,283
Prepaid expenses (Note 14)	<u>145,358</u>	<u>243,058</u>
	<b>25,312,198</b>	<b>27,072,341</b>
<b>Accumulated Surplus</b>	<b>\$ 9,752,677</b>	<b>\$ 11,208,600</b>

Approved on behalf of the Elsipogtog First Nation

 , Chief

 , Councillor

The accompanying notes are an integral part of the financial statements

ELSIPOGTOG 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>	\$ 800,837	\$ (1,455,923)	\$ (265,989)
Acquisition of tangible capital assets	-	(859,560)	(2,109,490)
Amortization of tangible capital assets	2,992,084	2,522,002	2,448,364
	<b>2,992,084</b>	<b>1,662,442</b>	<b>338,874</b>
Acquisition of prepaid asset	-	97,701	(5,072)
Increase (decrease) in net financial assets	3,792,921	304,220	67,813
<b>Net debt at beginning of year</b>	<b>(15,863,741)</b>	<b>(15,863,741)</b>	<b>(15,931,554)</b>
<b>Net debt at end of year</b>	<b>\$ (12,070,820)</b>	<b>\$ (15,559,521)</b>	<b>\$ (15,863,741)</b>

The accompanying notes are an integral part of the financial statements

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

	<b>2014 Budget</b>	<b>2014 Actual</b>	<b>2013 Actual</b>
<b>Revenues</b>			
Aboriginal Affairs and Northern Development Canada	\$ 23,455,700	\$ 24,166,722	\$ 25,371,007
Health Canada	3,543,448	3,994,585	3,749,251
Department of Fisheries and Oceans	765,000	915,980	1,068,668
Canada Mortgage and Housing Corporation	448,525	495,530	635,970
Province of New Brunswick	1,588,400	1,871,310	1,826,976
Commercial fisheries	4,147,020	3,822,693	4,259,599
Other	<u>6,748,169</u>	<u>10,610,223</u>	<u>11,119,866</u>
<b>Total</b>	<b>40,696,262</b>	<b>45,877,043</b>	<b>48,031,337</b>
<b>Expenditures</b>			
Wages and benefits	11,643,079	14,484,344	13,729,720
Interest and bank charges	522,000	427,457	460,093
Tuition provincial schools	2,972,431	2,519,690	2,553,184
Post secondary	619,712	756,150	859,322
Professional services	1,104,303	737,022	907,943
Commercial fisheries	1,459,761	3,302,162	3,297,945
Forestry	594,996	1,395,721	1,925,396
Social	<u>11,251,670</u>	<u>10,875,088</u>	<u>11,236,062</u>
Other	<u>7,435,389</u>	<u>10,161,703</u>	<u>10,962,789</u>
<b>Total</b>	<b>37,603,341</b>	<b>44,659,337</b>	<b>45,932,454</b>
<b>Surplus before other items</b>	<b>3,092,921</b>	<b>1,217,706</b>	<b>2,098,883</b>
<b>Other items</b>			
Equity (loss) in MicMac Industries of Big Cove Inc.	-	(76,957)	(80,710)
Equity (loss) in McGraw Seafood (2008) Inc.	700,000	(74,670)	164,202
Amortization	<u>(2,992,084)</u>	<u>(2,522,002)</u>	<u>(2,448,364)</u>
	<u>(2,292,084)</u>	<u>(2,673,629)</u>	<u>(2,364,872)</u>
<b>Surplus (deficit) for the year</b>	<b>800,837</b>	<b>(1,455,923)</b>	<b>(265,989)</b>
<b>Accumulated surplus, beginning of year</b>	<b>11,208,600</b>	<b>11,208,600</b>	<b>11,474,589</b>
<b>Accumulated surplus, end of year</b>	<b>\$ 12,009,437</b>	<b>\$ 9,752,677</b>	<b>\$ 11,208,600</b>

The accompanying notes are an integral part of the financial statements

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

	2014 Actual	2013 Actual
<b>Cash flows from Operating activities</b>		
Deficit	\$ (1,455,923)	\$ (265,990)
Items not affecting cash		
Amortization expense	2,522,002	2,448,364
	1,066,079	2,182,374
Change in non-cash operating working capital		
Other receivables	775,837	(20,424)
Prepaid expenses	97,700	(5,071)
Contributions receivable	233,230	(470,313)
Accounts payable and accrued liabilities	(292,695)	(737,564)
Deferred revenue	(136,123)	72,076
Funding repayable to AANDC	(243,819)	(31,609)
Restricted reserve funds	-	101,483
	1,500,209	1,090,952
<b>Capital activities</b>		
Acquisition of tangible capital assets	(859,559)	(2,109,490)
<b>Financing activities</b>		
Due (to) from band owned enterprises	164,519	(571,498)
Repayment of long-term debt	(946,342)	(930,924)
Proceeds of long-term debt	474,133	58,464
	(307,690)	(1,443,958)
<b>Investing activities</b>		
Decrease / (Increase) in Investment in Mic Mac Industries	76,957	80,710
Decrease / (Increase) in Investment in McGraw Seafood (2008) Inc.	74,670	(164,202)
	151,627	(83,492)
<b>Increase (decrease) in cash and cash equivalents</b>	484,587	(2,545,988)
<b>Cash and cash equivalents, beginning of year</b>	(4,049,423)	(1,503,435)
<b>Cash and cash equivalents, end of year</b>	\$ (3,564,836)	\$ (4,049,423)
<b>Represented by</b>		
Cash	\$ (3,966,619)	\$ (4,484,285)
Trust funds held by federal government	401,783	434,862
	\$ (3,564,836)	\$ (4,049,423)

The accompanying notes are an integral part of the financial statements

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

**1. 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) Reporting Entity Principles of Financial Reporting**

The consolidated financial statements of Elsipogtog 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 First Nation. Inter-fund and inter-corporate balances and transactions have been eliminated. The government business enterprises included in the consolidated financial statements are as follows:

1. MicMac Industries of Big Cove Inc.
2. McGraw Seafood (2008) Inc.
3. Big Cove Wellness Committee Inc.

**(b) 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.

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

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

**(c) Principles of consolidation**

All controlled entities are fully consolidated on a line-by-line basis except for the commercial enterprises which meet the definition of government business enterprise. These enterprises, MicMac Industries of Big Cove Inc. and McGraw Seafood (2008) Inc., are included in the consolidated financial statements on a modified equity basis.

**Consolidation Method**

This method combines the accounts of distinct programs or departments. It requires uniform accounting policies for all departments. 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 (loss) of the commercial enterprises is reported as earnings (loss) on the Consolidated Summary 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. The accounting policies of commercial organizations are not adjusted to conform to those of the First Nation.

Commercial enterprises are those organizations that meet the definition of government business enterprises as described by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Government business enterprises have the power to contract in their own name, have the financial and operating authority to carry on a business, sell goods and services to customers outside the First Nation as their principle activity, and that can, in the normal course of operations, maintain operations and meet liabilities from revenues received from outside the First Nation government. The commercial enterprises that are included in the First Nation reporting entity, as described in Note 1 A) to these financial statements include MicMac Industries of Big Cove Inc. and McGraw Seafood (2008) Inc.

**(d) 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 and accumulated surplus.

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**ELSIPOGTOG FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2014**

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

**(e) Tangible Capital Assets**

Tangible capital assets (TCAs) are items that can be physically touched, are used to provide First Nation services, are used for First Nation administration purposes or are used for the construction and/or maintenance of other TCAs owned by the First Nation, will be useful for a period greater than one year and will be used by the First Nation on a regular basis.

Tangible capital assets in excess of \$5,000 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. Amortization begins in the year acquired. Cost of homes financed by long-term debt borrowings are amortized in the accounts based on the annual reduction in the principal on long term borrowings.

Certain tangible capital assets, including but not limited to roads and infrastructure, have been recorded at a nominal amount of \$1 as specific historical data was not available. Whereas all such assets are amortized over a period not longer than twenty five years, it is management's opinion that all assets acquired prior to 1987 would now be fully amortized.

Amortization is provided on the straight-line basis over the estimated useful life of the asset as follows:

Buildings	25 years
Vehicles	5 years
Computer equipment	5 years
Furniture, fixtures and equipment	20 years
CMHC housing	Principal reduction
Lobster/crab boats	20 years
School buses	5 years
Subdivision development, roads and infrastructure	25 years
Property development	25 years

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

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

**(f) 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.

**(g) Expense recognition**

Expenses are recorded on the accrual basis as they are incurred and measurable based on receipt of goods or services and obligation to pay.

**(h) 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.

**(i) 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.

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

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

**(j) Segment disclosure**

The financial statements of Elsipogtog 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.

**(k) Financial Instruments**

The First Nation's financial instruments consist of cash, advances receivable, accounts receivable, due from related parties, bank indebtedness, accounts payable and accrued liabilities and long-term debt. Unless otherwise noted it is management's opinion that the First Nation is not exposed to significant interest, currency or credit risks.

**(l) Deferred revenue**

The amounts included in Note 9 represent funding received, but not yet expended, for a specific program or purpose. It is expected that these funds will be used for their intended purpose in the next fiscal period. However, if this does not occur, the funds may become repayable to the funding agency.

**(m) Intangible assets**

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

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

	March 31, 2013	Additions (interest)		March 31, 2014
			Withdrawals	
Revenue	\$ 48,360	\$ 10,797	\$ (43,876)	\$ 15,281
Capital	<u>386,502</u>	-	-	<u>386,502</u>
	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 434,862	\$ 10,797	\$ (43,876)	\$ 401,783

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

**3. Accounts Receivable**

	<b>2014</b>	<b>2013</b>
Tobacco loans	\$ 660,640	\$ 669,814
Province of New Brunswick	254,019	908,300
Wellness programs	161,312	155,764
Education program	71,990	301,953
Canada Mortgage and Housing	-	101,438
Mawiw Council	51,540	57,500
Snow crab fishery	262,318	255,432
Wood harvest loans	124,602	124,602
Travel advances	61,271	73,388
Loans to individuals	221,907	231,932
Other	259,922	163,413
Social program loans	152,892	152,585
Ulneoweg Development	130,729	-
HST	(27,252)	(63,379)
 Allowance for doubtful accounts	 2,385,890	 3,132,742
	 (1,095,316)	 (1,066,331)
 <hr/>	 \$ 1,290,574	 \$ 2,066,411

**4. Due (to) from hand owned enterprises**

	<b>2014</b>	<b>2013</b>
Due (to) from McGraw Seafood (2008) Inc.	\$ 647,497	\$ 722,497
Due (to) from MicMac Industries of Big Cove Inc.	(284,758)	(195,239)
 <hr/>	 \$ 362,739	 \$ 527,258

During the year, Elsipogtog First Nation entered into transactions with MicMac Industries of Big Cove Inc. These transactions were for building supplies and fuel and were made at normal fair market value amounts for such products.

Amounts due from McGraw Seafood (2008) Inc. arose from a loan to the company and proceeds due from the sale of snow crab and payment of professional fees on McGraw Seafood (2008) Inc.'s behalf.

**ELSIPOGTOG FIRST NATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2014**

**5. Contributions receivable**

	<b>2014</b>	<b>2013</b>
Aboriginal Affairs and Northern Development Canada	\$ 460,000	\$ 110,000
Health Canada	85,000	70,570
Department of Fisheries and Oceans	635,493	1,233,153
	<b>\$ 1,180,493</b>	<b>\$ 1,413,723</b>

**6. CMHC reserve funds**

The operating agreements with Canada Mortgage and Housing Corporation require the First Nation to accumulate reserve funds. These funds are restricted, and may only be used for purposes approved by Canada Mortgage and Housing Corporation. During the year, the First Nation did not fund the reserve.

	<b>2014</b>	<b>2013</b>
Balance, beginning of year	\$ -	\$ (101,483)
Withdrawals	-	101,483
Balance, end of year	\$ -	\$ -

**7. Bank indebtedness**

	<b>2014</b>	<b>2013</b>
Cheques in excess of funds on deposit	\$ 3,966,619	\$ 4,484,285

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

**8. Accounts payable and accrued liabilities**

Remittances for band employee benefits and the pension plan were not current as of March 31, 2014. The accounts payable balance includes:

	<b>2014</b>	<b>2013</b>
Trade accounts payable	\$ 647,443	\$ 759,757
Capital program trade payables	275,649	485,784
Province of NB tuition	-	112,100
Receiver General payroll deductions	957,331	999,520
Pension plan contributions	303,844	163,666
Royalties due to minor members	88,035	48,439
Youth centre	13,675	9,405
Land claims	64,702	64,702
	<hr/> <b>\$ 2,350,679</b>	<hr/> <b>\$ 2,643,373</b>

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

**9. Deferred revenue**

	<b>2014</b>	<b>2013</b>
<b>General Fund:</b>		
Eagle Board Trust proceeds	\$ 100,000	\$ 100,000
Snow crab	-	123,000
Healthy medication project	55,135	80,204
Mental health	123,649	66,677
Wellness	28,520	101,801
Health center extension	41,845	150,433
Prevention	3,245	7,292
Aboriginal health transition fund	-	19,109
Child and family	37,743	-
<b>Wellness Committee Fund:</b>		
Youth development/Pride & heritage	-	9,802
Youth fundraising	-	153,469
Healing network	183,277	247,002
Respect Ed	386,850	15,529
Communications project	-	46,214
Research and evaluation initiative	-	27,308
Justice development	74,991	83,175
FN development	147,318	66,239
Suicide prevention	-	79,501
FASD mentor project	-	49,689
Leadership & skill development	52,823	44,395
Violence prevention	50,676	38,051
Mental health development	266,807	141,998
School and community garden project	-	1,644
IRSS	-	34,133
Community Sea cadets	-	2,337
	<hr/> <b>\$ 1,552,879</b>	<hr/> <b>\$ 1,689,002</b>

ELSIPOGTOG FIRST NATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2014

**10. Funding repayable to AANDC**

The following amounts represent contribution funding received from Aboriginal Affairs and Northern Development Canada (AANDC) which was not spent on its intended purpose during the fiscal year in which the funding was received, and therefore, is repayable to AANDC.

	2014	2013
Tuition	\$ 975,246	\$ 1,194,169
P & ID project	-	24,896
	<hr/> <b>\$ 975,246</b>	<hr/> <b>\$ 1,219,065</b>

**11. Long-term debt**

	2014	2013
Royal Bank of Canada		
Various mortgages at interest rates from 2.44% to 6.30%, \$41,303 monthly including interest, guaranteed by the Minister of Aboriginal Affairs and Northern Development Canada. These loans are related to CMHC housing projects and have varying repayment terms and maturity dates	\$ 1,572,479	\$ 1,991,099
Canada Mortgage and Housing Corporation		
Various mortgages at interest rates from 1.64% to 3.13%, \$32,584 monthly including interest, guaranteed by the Minister of Aboriginal Affairs and Northern Development Canada. These loans are related to CMHC housing projects and have varying repayment terms and maturity dates	5,721,961	5,567,184
Royal Bank of Canada		
7.24% loan, payable \$1,181 monthly including interest for fisheries vehicle, due July 2015	17,955	30,331
Bank of Montreal		
5.15% term loan, payable \$1,717 monthly including interest for band owned housing, amortized over twenty five years guaranteed by the Minister of Aboriginal Affairs and Northern Development Canada, due February 2017	194,296	206,319
Bank of Montreal		
Prime plus 3% demand loan, payable \$7,368 monthly including interest for Health Centre construction, secured by a collateral mortgage on a fishing vessel and assignment of fire insurance, due May 2013	-	14,063

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

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

	2014 \$	2013 \$
Royal Bank of Canada 5.44% loan, payable \$9,102 monthly including interest for band owned housing, amortized over twenty five years, due April 2016, secured by a guarantee of the Minister of Aboriginal Affairs and Northern Development Canada	965,869	1,021,053
Bank of Montreal 5.5% term loan, payable \$6,194 monthly including interest for band owned housing, secured by the Minister of Aboriginal Affairs and Northern Development Canada, due January 2016	814,667	849,515
Bank of Montreal 5.15% term loan, payable \$5,355 monthly including interest for new community hall, due February 2017	582,388	615,721
Bank of Montreal Prime plus 3% demand loan, payable \$3,649 monthly including interest for the RCMP building, due December 2020	166,032	202,432
Royal Bank of Canada 5.64% loan, payable \$917 monthly including interest for half ton fisheries vehicle, due February 2015	9,800	19,940
	<hr/> <b>\$ 10,045,447</b>	<hr/> <b>\$ 10,517,657</b>

Principal portion of long-term debt due within the next five years assuming similar renewal terms:

2015	\$ 840,130
2016	743,736
2017	670,169
2018	641,402
2019 and thereafter	<hr/> 7,150,010
	<hr/> <b>\$ 10,045,447</b>

MARCH 31, 2014

## 12. Tangible Capital Assets

	Cost	Balance, beginning of year	Additions	Balance, end of year	Cost	Balance, beginning of year	Additions	Balance, end of year	Cost	Balance, beginning of year	Additions	Balance, end of year	Cost	Balance, beginning of year	Additions	Balance, end of year	Cost	Balance, beginning of year	Additions	Balance, end of year	Cost	Balance, beginning of year	Additions	Balance, end of year	Cost	Balance, beginning of year	Additions	Balance, end of year						
Land																																		
Buildings	\$ 1,322,926	\$ 20,857,485	-	\$ 1,322,926	\$ 1,322,926	\$ 20,857,485	80,000	\$ 570,155	285,425	\$ 10,605,768	944,382	\$ 11,550,150	944,382	\$ 11,550,150	9,307,335	9,307,335	\$ 1,322,926																	
Automotive equipment	490,155	-	61,449	551,594	61,449	-	61,449	1,402,745	993,916	12,290	44,223	1,038,139	378,656	93,231	24,580	36,869	191,499	191,499																
Computer equipment	1,402,745	-	14,173,159	15,579,894	14,173,159	366,299	14,539,458	6,824,399	5,631,582	562,222	733,151	62,240	673,269	562,222	6,193,804	7,497,668	7,497,668	7,041,790	7,041,790															
Furniture and equipment	9,628,729	-	809,671	10,438,398	9,628,729	426,042	10,054,771	5,631,582	5,631,582	562,222	733,151	62,240	733,151	62,240	795,391	6,193,804	6,193,804	3,860,967	3,860,967															
CMHC housing	809,671	-	1,900,780	2,700,459	809,671	22,600	832,271	342,806	342,806	76,031	51,796	418,837	76,031	76,031	1,481,943	1,481,943	1,481,943	1,468,709	1,468,709															
Fisheries vessels and equipment	1,900,780	-	1,609,098	3,509,878	1,900,780	1,900,780	1,573,717	53,212	53,212	51,796	2,318	2,318	2,318	4,636	4,636	53,314	53,314	53,314	53,314	53,314														
School buses	57,950	-	52,314,147	859,560	57,950	\$ 53,173,707	\$ 25,484,867	\$ 25,484,867	\$ 25,484,867	\$ 25,222,002	\$ 28,006,869	\$ 28,006,869	\$ 25,222,002	\$ 25,222,002	\$ 25,166,838	\$ 25,166,838	\$ 25,166,838																	
Subdivision development																																		
Roads and infrastructure																																		
Land development																																		
Land	\$ 1,322,926	\$ 20,799,746	-	\$ 1,322,926	\$ 1,322,926	\$ 20,857,485	138,944	\$ 490,155	187,394	\$ 9,661,386	98,031	\$ 944,382	98,031	\$ 944,382	10,605,768	10,605,768	\$ 1,322,926	10,251,717	10,251,717															
Buildings	Buildings	Buildings	-	Buildings	Buildings	Buildings	61,449	61,449	-	61,449	1,402,745	949,693	44,223	44,223	993,916	12,290	12,290	12,290	285,425	285,425	204,730	204,730												
Automotive equipment	Automotive equipment	Automotive equipment	-	Automotive equipment	Automotive equipment	Automotive equipment	14,173,159	-	14,173,159	14,173,159	6,147,492	676,907	6,147,492	676,907	6,824,399	993,916	993,916	993,916	49,159	49,159	408,829	408,829												
Computer equipment	Computer equipment	Computer equipment	-	Computer equipment	Computer equipment	Computer equipment	9,628,729	-	9,628,729	5,150,145	673,616	59,535	481,437	481,437	5,631,582	733,151	733,151	733,151	3,997,147	3,997,147														
Furniture and equipment	Furniture and equipment	Furniture and equipment	-	Furniture and equipment	Furniture and equipment	Furniture and equipment	809,671	-	809,671	2,318	2,318	1	53,211	53,211	342,806	76,032	76,032	76,032	1,557,974	1,557,974	76,520	76,520												
CMHC housing	CMHC housing	CMHC housing	-	CMHC housing	CMHC housing	CMHC housing	1,716,472	184,308	1,900,780	266,774	1	53,211	53,211	53,211	342,806	342,806	342,806	342,806	342,806	342,806	1,555,886	1,555,886	1,555,886	1,555,886										
Fisheries vessels and equipment	Fisheries vessels and equipment	Fisheries vessels and equipment	-	Fisheries vessels and equipment	Fisheries vessels and equipment	Fisheries vessels and equipment	1	1,609,097	1,609,098	1	53,211	53,211	53,211	53,211	2,318	2,318	2,318	2,318	2,318	2,318	55,632	55,632	55,632	55,632										
School buses	School buses	School buses	-	School buses	School buses	School buses	1	57,950	57,950	-	57,950	-	-	-	2,318	2,318	2,318	2,318	2,318	2,318														
Subdivision development	Subdivision development	Subdivision development	-	Subdivision development	Subdivision development	Subdivision development	1	2,318	2,318	-	2,318	-	-	-	2,318	2,318	2,318	2,318	2,318	2,318														
Roads and infrastructure	Roads and infrastructure	Roads and infrastructure	-	Roads and infrastructure	Roads and infrastructure	Roads and infrastructure	1	55,632	55,632	-	55,632	-	-	-	55,632	55,632	55,632	55,632	55,632	55,632														
Land development	Land development	Land development	-	Land development	Land development	Land development																												

**ELSIPOTOG FIRST NATION**  
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**13. Prepaid expenses**

	<b>2014</b>	<b>2013</b>
April post secondary living allowances	\$ 28,174	\$ 29,490
Insurance	-	41,891
Other	7,748	3,000
Social program basic entitlements	109,436	103,970
CMHC mortgage	-	64,707
	<hr/> <b>\$ 145,358</b>	<hr/> <b>\$ 243,058</b>

**ELSIPOGTOG FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**14. Investment in Government Business Enterprises**

- MicMac Industries of Big Cove Inc.
- McGraw Seafood (2008) Inc.

	MicMac Industries of Seafood (2008)	McGraw Big Cove Inc. Inc.	2014 Total
Cash	\$ 55,654	\$ (31,098)	\$ 24,556
Accounts receivable	72,867	243,831	316,698
Inventory	75,503	35,000	110,503
Tangible capital assets	89,616	1,358,428	1,448,044
Due from related party	306,490	(647,496)	(341,006)
Other assets	213,556	251,730	465,286
<b>Total assets</b>	<b>\$ 813,686</b>	<b>\$ 1,210,395</b>	<b>\$ 2,024,081</b>
Accounts payable	\$ 961,586	\$ 152,100	\$ 1,113,686
Long-term debt	8,133	624,251	632,384
Other liabilities	-	182,248	182,248
<b>Total liabilities</b>	<b>969,719</b>	<b>958,599</b>	<b>1,928,318</b>
<b>Equity</b>	<b>(156,033)</b>	<b>251,796</b>	<b>95,763</b>
<b>Total liabilities and equity</b>	<b>\$ 813,686</b>	<b>\$ 1,210,395</b>	<b>\$ 2,024,081</b>
	MicMac Industries of Seafood (2008)	McGrw Big Cove Inc. Inc.	2014 Total
<b>Revenue</b>	<b>\$ 3,526,009</b>	<b>\$ 8,826,013</b>	<b>\$ 12,352,022</b>
Other expenses	3,270,776	7,138,330	10,409,106
Wages and benefits	276,474	1,552,524	1,828,998
Debt servicing	51,735	54,983	106,718
Amortization	3,981	154,846	158,827
<b>Total expenses</b>	<b>3,602,966</b>	<b>8,900,683</b>	<b>12,503,649</b>
<b>Net income</b>	<b>\$ (76,957)</b>	<b>\$ (74,670)</b>	<b>\$ (151,627)</b>

**ELSIPOGTOG FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**15. Expenses by object**

	<b>2014</b>	<b>2013</b>
Wages and benefits	\$ 14,484,344	\$ 13,729,720
Travel	471,678	738,742
Interest and bank charges	427,457	460,093
Materials and supplies	468,242	422,723
Insurance	620,990	634,223
Social program non-administration expense	10,749,346	11,084,713
Provincial and post secondary tuition	2,951,101	3,061,957
Repairs and maintenance	1,080,470	1,099,762
Amortization	2,522,002	2,448,364
Other expenses	9,366,525	10,494,633
Commercial fisheries	3,302,162	3,297,945
Professional services	737,022	907,943
	<hr/>	<hr/>
	\$ 47,181,339	\$ 48,380,818

**16. Economic Dependence**

Elsipogtog First Nation receives a major portion of its revenue pursuant to a funding arrangement with Aboriginal Affairs and Northern Development Canada.

Due to certain deficiencies in its financial position, the First Nation is also party to a Remedial Management Plan agreement (RMP) with Aboriginal Affairs and Northern Development Canada. Under the terms of the RMP, funding from Aboriginal Affairs and Northern Development Canada can be suspended if terms of the RMP are not complied with.

In August 2000, Aboriginal Affairs and Northern Development Canada determined that the First Nation was not meeting terms of the RMP on its own and exercised its right to appoint a co-manager to assist in implementing and monitoring the RMP. In addition to monitoring the RMP, the co-manager's responsibilities include having joint authority with the First Nation for authorizing and approving expenditures and payments for programs. The requirement for the co-management arrangement is still in place as of the date of these financial statements. Removal of the co-manager requires the approval of Aboriginal Affairs and Northern Development Canada and Elsipogtog First Nation.

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**ELSIPOGTOG FIRST NATION**  
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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 \$2,471,067 (2013 - \$3,480,134). 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 \$3,325,927 (2013 - \$3,862,440). 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 and certain term loans, which are variable based on the bank's prime rates. This exposure may have an effect on its interest expenses in future periods. The First Nation reduces its exposure to interest rate risk by regularly monitoring published bank prime interest rates which have been 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.

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**ELSIPOGTOG FIRST NATION**  
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**18. Contingent Liabilities**

Elsipogtog 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.

As of the audit report date, there were two claims involving former employees pending against the First Nation. It is the opinion of management and legal counsel that these claims, if successful, could create a liability of up to \$170,000. Furthermore, final determination of these claims is not determinable.

The First Nation has been sued by band loggers for unpaid stumpage fees in the amount of \$167,000. A determination of the outcome of this claim is not yet available.

A claim in the amount of approximately \$2,900,000 has been commenced against the First Nation by an individual involved in a boating accident. The applicable insurance policy limit is \$2,000,000 with a \$1,000 deductible, therefore, the First Nation is potentially liable for any damages awarded in excess of the limit. A determination of the outcome of this claim is not yet available.

The First Nation is indebted to the Province of New Brunswick (Department of Education) in the amount of \$413,704 related to interest for tuition as at March 31, 2014. However, the interest amount has not been included in the accounts payable as the Province has confirmed that the interest will be forgiven once the principal amount has been paid.

The First Nation has provided guarantees to band members related to nine Section 10 housing loans. Should the individual default on their personal housing loan, the guarantee requires the First Nation to make the payment. As at March 31, 2014, the balance of the nine individual loan guarantees totaled \$888,520. As a result of default status on one of the loans, the First Nation is paying approximately \$911 per month.

**19. Budgeted figures**

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

**20. 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.