

ELSIPOGTOG FIRST NATION

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2015

**LENEHAN MCCAIN & ASSOCIATES
CHARTERED PROFESSIONAL ACCOUNTANTS**

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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, 2015, 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, 2015, 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

Lenahan McCain & Associates

**Lenahan McCain & Associates
Chartered Professional Accountants**

Woodstock, New Brunswick
August 21, 2015

ELSIPOGTOG FIRST NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2015

	2015 Actual	2014 Actual
Financial Assets		
Trust funds held by federal government (Note 2)	\$ 417,770	\$ 401,783
Other receivables (Note 3)	2,033,356	1,290,574
Due (to) from band owned enterprises (Note 4)	343,333	362,739
Contributions receivable (Note 5)	1,771,969	1,180,493
Investment in MicMac Industries of Big Cove Inc. (Note 14)	(253,132)	(156,033)
Investment in McGraw Seafood (2008) Inc. (Note 14)	90,374	251,795
CMHC reserve funds (Note 6)	60,100	-
	<u>4,463,770</u>	<u>3,331,351</u>
Liabilities		
Bank indebtedness (Note 7)	2,870,647	3,966,619
Accounts payable and accrued liabilities (Note 8)	4,692,747	2,350,681
Deferred revenue (Note 9)	1,657,567	1,552,879
Funding repayable to AANDC (Note 10)	782,847	975,246
Long-term debt (Note 11)	9,366,844	10,045,447
	<u>19,370,652</u>	<u>18,890,872</u>
Net debt	<u>(14,906,882)</u>	<u>(15,559,521)</u>
Non-financial Assets		
Tangible capital assets (Note 12)	23,396,841	25,166,840
Prepaid expenses (Note 13)	335,096	145,358
	<u>23,731,937</u>	<u>25,312,198</u>
Accumulated Surplus	<u>\$ 8,825,055</u>	<u>\$ 9,752,677</u>

Approved on behalf of the Elsipogtog First Nation

 , Chief

 , Band manager

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, 2015

	2015 Budget	2015 Actual	2014 Actual
Surplus (deficit)	\$ 800,000	\$ (927,622)	\$ (1,455,923)
Acquisition of tangible capital assets	-	(751,238)	(859,560)
Amortization of tangible capital assets	2,937,300	2,521,237	2,522,002
	2,937,300	1,769,999	1,662,442
(Increase) decrease in prepaid assets	-	(189,738)	97,701
Increase (decrease) in net financial assets	3,737,300	652,639	304,220
Net debt at beginning of year	(15,559,521)	(15,559,521)	(15,863,741)
Net debt at end of year	\$ (11,822,221)	\$ (14,906,882)	\$ (15,559,521)

The accompanying notes are an integral part of the financial statements

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

	<u>2015 Budget</u>	<u>2015 Actual</u>	<u>2014 Actual</u>
Revenues			
Aboriginal Affairs and Northern Development Canada	\$ 22,441,541	\$ 26,445,896	\$ 24,166,722
Health Canada	3,587,278	3,644,593	3,994,585
Department of Fisheries and Oceans	765,000	716,859	915,980
Canada Mortgage and Housing Corporation	448,525	446,787	495,530
Province of New Brunswick	1,815,412	2,437,668	1,871,310
Commercial fisheries	2,407,082	3,937,255	3,822,693
Other	8,171,573	10,978,544	10,610,223
Total	39,636,411	48,607,602	45,877,043
Expenditures			
Wages and benefits	12,305,111	14,725,325	14,484,344
Interest and bank charges	565,788	439,411	427,457
Tuition provincial schools	2,600,000	2,563,220	2,519,690
Post secondary	845,008	761,699	756,150
Professional services	820,372	825,650	737,022
Commercial fisheries	1,459,761	3,259,664	3,302,162
Forestry	594,996	1,464,021	1,395,721
Social	9,806,936	11,109,651	10,875,088
Other	7,201,139	11,606,826	10,161,703
Total	36,199,111	46,755,467	44,659,337
Surplus before other items	3,437,300	1,852,135	1,217,706
Other items			
Equity (loss) in MicMac Industries of Big Cove Inc	-	(97,099)	(76,957)
Equity (loss) in McGraw Seafood (2008) Inc.	300,000	(161,421)	(74,670)
Amortization	(2,937,300)	(2,521,237)	(2,522,002)
	(2,637,300)	(2,779,757)	(2,673,629)
Surplus (deficit) for the year	800,000	(927,622)	(1,455,923)
Accumulated surplus, beginning of year	9,752,677	9,752,677	11,208,600
Accumulated surplus, end of year	\$ 10,552,677	\$ 8,825,055	\$ 9,752,677

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, 2015

	2015 Actual	2014 Actual
Cash flows from		
Operating activities		
Deficit	\$ (927,622)	\$ (1,455,923)
Items not affecting cash		
Amortization expense	2,521,237	2,522,002
	1,593,615	1,066,079
Change in non-cash operating working capital		
Other receivables	(742,782)	760,397
Prepaid expenses	(189,738)	97,700
Contributions receivable (Note 5)	(591,476)	248,670
Accounts payable and accrued liabilities	2,342,070	(292,695)
Deferred revenue	104,688	(136,123)
Funding repayable to AANDC	(192,399)	(243,819)
	2,323,978	1,500,209
Capital activities		
Acquisition of tangible capital assets	(751,238)	(859,559)
Financing activities		
Due (to) from band owned enterprises	19,406	164,519
Repayment of long-term debt	(842,076)	(946,342)
Proceeds of long-term debt	163,469	474,133
	(659,201)	(307,690)
Investing activities		
Decrease / (Increase) in Investment in Mic Mac Industries	97,099	76,957
Decrease / (Increase) in Investment in McGraw Seafood (2008) Inc.	161,421	74,670
Transfer to CMHC reserve funds	(60,100)	-
	198,420	151,627
Increase in cash and cash equivalents	1,111,959	484,587
Cash and cash equivalents, beginning of year	(3,564,836)	(4,049,423)
Cash and cash equivalents, end of year	\$ (2,452,877)	\$ (3,564,836)
Represented by		
Cash	\$ (2,870,647)	\$ (3,966,619)
Trust funds held by federal government	417,770	401,783
	\$ (2,452,877)	\$ (3,564,836)

The accompanying notes are an integral part of the financial statements

ELSIPOGTOG FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2015

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

ELSIPOGTOG FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2015

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 b) 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.

ELSIPOGTOG FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2015

1. 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

ELSIPOGTOG FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2015

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, 2015

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, 2014	Additions (interest)	Withdrawals	March 31, 2015
Revenue	\$ 15,281	\$ 15,987	\$ -	\$ 31,268
Capital	386,502	-	-	386,502
	\$ 401,783	\$ 15,987	\$ -	\$ 417,770

ELSIPOGTOG FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2015

3. Accounts receivable

	2015	2014
Tobacco loans	\$ 837,732	\$ 660,640
Education program	77,115	71,990
HST	(27,395)	(27,252)
Loans to individuals	247,260	221,907
Mawiw Council	127,774	51,540
Other	332,682	259,922
Province of New Brunswick	367,282	254,019
Snow crab fishery	289,245	262,318
Social program loans	152,600	152,892
Travel advances	63,040	61,271
Ulnooweg Development	-	130,729
Wellness programs	555,412	161,312
Wood harvest loans	124,602	124,602
	3,147,349	2,385,890
Allowance for doubtful accounts	(1,113,993)	(1,095,316)
	\$ 2,033,356	\$ 1,290,574

4. Due (to) from band owned enterprises

	2015	2014
Due (to) from McGraw Seafood (2008) Inc.	\$ 647,497	\$ 647,497
Due (to) from MicMac Industries of Big Cove Inc.	(304,164)	(284,758)
	\$ 343,333	\$ 362,739

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, 2015

5. Contributions receivable

	2015	2014
Aboriginal Affairs and Northern Development Canada	\$ 1,253,104	\$ 460,000
Health Canada	-	85,000
Department of Fisheries and Oceans	518,865	635,493
	<u>\$ 1,771,969</u>	<u>\$ 1,180,493</u>

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.

	2015	2014
Balance, beginning of year	\$ -	\$ (101,483)
Contributions made during the year	60,100	-
Withdrawals	-	101,483
Balance, end of year	<u>\$ 60,100</u>	<u>\$ -</u>

7. Bank indebtedness

	2015	2014
Cheques in excess of funds on deposit	<u>\$ 2,870,647</u>	<u>\$ 3,966,619</u>

ELSIPOGTOG FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2015

8. Accounts payable and accrued liabilities

Remittances for band employee benefits and the pension plan were not current as of March 31, 2015. The accounts payable balance includes:

	2015	2014
Trade accounts payable	\$ 3,697,484	\$ 923,092
Receiver General payroll deductions	662,127	957,331
Pension plan contributions	169,762	303,844
Royalties due to minor members	81,365	88,035
Youth centre	17,303	13,675
Land claims	64,702	64,702
	\$ 4,692,743	\$ 2,350,679

9. Deferred revenue

	2015	2014
General Fund:		
Eagle Board Trust proceeds	\$ 100,000	\$ 100,000
McGraw Seafood snowcrab advance	127,500	-
Healthy medication project	50,848	55,135
Mental health	78,606	123,649
Wellness	20,602	28,520
Health center extension	110,391	41,845
Prevention	10,199	3,245
Child and family	-	37,743
Housing circle	36,493	-
Water system upgrade	116,685	-
Healing network	189,347	183,277
Respect Ed	384,070	386,850
Justice development	77,024	74,991
FN development	64,812	147,318
Leadership and skill development	21,027	52,823
Violence prevention	46,739	50,676
Mental health development	214,009	266,807
Community sea cadets	9,215	-
	\$ 1,657,567	\$ 1,552,879

ELSIPOGTOG FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2015

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

	2015	2014
Tuition	\$ 736,422	\$ 975,246
2012/13 water systems upgrade	46,425	-
	\$ 782,847	\$ 975,246

11. Long-term debt

	2015	2014
Royal Bank of Canada		
Various mortgages at interest rates from 2.44% to 5.69%, \$32,367 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	\$ 1,192,332	\$ 1,572,479
Canada Mortgage and Housing Corporation		
Various mortgages at interest rates from 1.39% to 3.13%, \$33,495 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	5,615,859	5,721,961
Royal Bank of Canada		
7.24% loan, payable \$1,181 monthly including interest for fisheries vehicle, due July 2015	4,657	17,955
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	183,447	194,296
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	907,628	965,869

ELSIPOGTOG FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2015

11. Long-term debt, continued

	2015	2014
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	784,398	814,667
Bank of Montreal 5 15% term loan, payable \$5,355 monthly including interest for new community hall, due February 2017	547,296	582,388
Bank of Montreal Prime plus 3% demand loan, payable \$3,649 monthly including interest for the RCMP building, due December 2020	131,227	166,032
Royal Bank of Canada 5.64% loan, payable \$917 monthly including interest for half ton fisheries vehicle, due February 2015	-	9,800
	\$ 9,366,844	\$ 10,045,447

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

2016	\$ 752,000
2017	677,000
2018	646,000
2019	607,000
2020 and thereafter	6,684,844
	\$ 9,366,844

ELSIPOGTOG FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2015

12. Tangible Capital Assets

	Balance, beginning of year	Additions	Balance, end of year	Cost	Balance, beginning of year	Amortization	Balance, end of year	Accumulated amortization	2015 net book value
Land	\$ 1,322,926	\$ -	\$ 1,322,926	\$ -	\$ -	\$ -	\$ -	\$ 1,322,926	
Buildings	20,857,485	486,210	21,343,695	11,550,150	967,163	12,517,313	8,826,382		
Automotive equipment	570,155	-	570,155	378,656	93,231	471,887	98,268		
Computer equipment	61,449	-	61,449	24,580	12,290	36,870	24,579		
Furniture and equipment	1,402,745	-	1,402,745	1,038,139	44,223	1,082,362	320,383		
CMHC housing	14,539,458	181,713	14,721,171	7,497,668	649,723	8,147,391	6,573,780		
Fisheries vessels and equipment	10,054,771	-	10,054,771	6,193,804	562,222	6,756,026	3,298,745		
School buses	832,271	-	832,271	795,391	62,240	857,631	(25,360)		
Subdivision development	1,900,780	-	1,900,780	418,837	76,031	494,868	1,405,912		
Roads and infrastructure	1,573,717	83,315	1,657,032	105,008	51,796	156,804	1,500,228		
Land development	57,950	-	57,950	4,636	2,318	6,954	50,996		
	\$53,173,707	\$ 751,238	\$53,924,945	\$28,006,869	\$ 2,521,237	\$30,528,106	\$23,396,839		

ELSIPOGTOG FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2015

	Balance, beginning of year	Additions	Balance, end of year	Cost	Balance, beginning of year	Amortization	Balance, end of year	2014 Net book value
Land	\$ 1,322,926	\$ -	\$ 1,322,926	\$ -	\$ -	\$ -	\$ 1,322,926	
Buildings	20,857,485	-	20,857,485	10,605,768	944,382	11,550,150	9,307,335	
Automotive equipment	490,155	80,000	570,155	285,425	93,231	378,656	191,499	
Computer equipment	61,449	-	61,449	12,290	12,290	24,580	36,869	
Furniture and equipment	1,402,745	-	1,402,745	993,916	44,223	1,038,139	364,606	
CMHC housing	14,173,159	366,299	14,539,458	6,824,399	673,269	7,497,668	7,041,790	
Fisheries vessels and equipment	9,628,729	426,042	10,054,771	5,631,582	562,222	6,193,804	3,860,967	
School buses	809,671	22,600	832,271	733,151	62,240	795,391	36,880	
Subdivision development	1,900,780	-	1,900,780	342,806	76,031	418,837	1,481,943	
Roads and infrastructure	1,609,098	(35,381)	1,573,717	53,212	51,796	105,008	1,468,709	
Land development	57,950	-	57,950	2,318	2,318	4,636	53,314	
	\$52,314,147	\$ 859,560	\$53,173,707	\$25,484,867	\$ 2,522,002	\$ 28,006,869	\$ 25,166,838	

ELSIPOGTOG FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2015

13. Prepaid expenses

	2015	2014
April post secondary living allowances	\$ 24,485	\$ 28,174
Payroll	204,584	-
Other	-	7,748
Social program basic entitlements	106,027	109,436
	<u>\$ 335,096</u>	<u>\$ 145,358</u>

ELSIPOGTOG FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2015

14. Investment in Government Business Enterprises

	MicMac Industries of Seafood (2008) Big Cove Inc.	McGraw Inc.	2015 Total	2014 Total
Cash	\$ 23,488	\$ 142,424	\$ 165,912	\$ 24,556
Accounts receivable	168,743	674,461	843,204	316,698
Inventory	108,210	35,000	143,210	110,503
Tangible capital assets	141,604	1,808,390	1,949,994	1,448,044
Due from related party	650,557	(647,596)	2,961	(341,006)
Other assets	132,598	247,525	380,123	465,286
Total assets	\$ 1,225,200	\$ 2,260,204	\$ 3,485,404	\$ 2,024,081
Accounts payable	\$ 1,476,647	\$ 560,824	\$ 2,037,471	\$ 1,113,686
Long-term debt	1,685	1,527,107	1,528,792	632,384
Other liabilities	-	81,899	81,899	182,248
Total liabilities	1,478,332	2,169,830	3,648,162	1,928,318
Equity	(253,132)	90,374	(162,758)	95,763
Total liabilities and equity	\$ 1,225,200	\$ 2,260,204	\$ 3,485,404	\$ 2,024,081
Revenue	\$ 3,902,134	\$ 9,937,853	\$ 13,839,987	\$ 12,352,022
Other expenses	3,425,665	8,267,903	11,693,568	10,409,106
Wages and benefits	448,278	1,640,994	2,089,272	1,828,998
Debt servicing	113,486	52,151	165,637	106,718
Amortization	11,804	138,226	150,030	158,827
Total expenses	3,999,233	10,099,274	14,098,507	12,503,649
Net income	\$ (97,099)	\$ (161,421)	\$ (258,520)	\$ (151,627)

ELSIPOGTOG FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2015

15. Expenses by object

	2015	2014
Wages and benefits	\$ 14,725,325	\$ 14,484,344
Travel	323,604	471,678
Interest and bank charges	439,411	427,457
Materials and supplies	542,834	468,242
Insurance	664,479	620,990
Social program non-administration expense	10,947,902	10,749,346
Provincial and post secondary tuition	3,004,115	2,951,101
Repairs and maintenance	2,039,473	1,080,470
Amortization	2,521,237	2,522,002
Other expenses	9,983,010	9,366,525
Commercial fisheries	3,259,664	3,302,162
Professional services	825,650	737,022
	\$ 49,276,704	\$ 47,181,339

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.

ELSIPOGTOG FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2015

17. Financial Instruments Risks and Uncertainties

The First Nation is exposed to the following risks in respect of certain of the financial instruments held:

Credit risk

The financial instruments that potentially subject the First Nation to a significant concentration of credit risk consist primarily of cash and accounts receivable.

The First Nation maintains cash balances with Canadian chartered banks which is insured by the Canada Deposit Insurance Corporation up to CDN \$100,000. From time to time, these balances exceed the federally insured limits and expose the First Nation to credit risk from concentration of cash. The First Nation limits this risk by transacting with reputable financial institutions.

The First Nation does have credit risk in accounts receivable \$3,805,325 (2014 - \$2,471,067) 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 \$5,475,594 (2014 - \$3,325,927) 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.

ELSIPOGTOG FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2015

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.

In the normal course of operations, the First Nation becomes involved in legal actions. Some of these potential liabilities may become actual liabilities when one or more future events occurs or fail to occur. To the extent that the future event is likely to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense is recorded on the First Nation's financial statements. When the future event and/or ability to estimate involves more uncertainty, the action or claim is considered a contingent liability.

The First Nation has claims outstanding related to the disbursement of tobacco tax funds as well as payment of stumpage fees. In each case, a determination of the outcome of the claim is not yet available.

Subsidy assistance payments received from Canada Mortgage and Housing Corporation are subject to repayment if the First Nation fails to comply with the terms and conditions of the agreement. As at March 31, 2015, the First Nation has not fully complied with all the terms and conditions including its failure to maintain the required reserve balances. To the best of management's knowledge, the First Nation will not have to repay any of the subsidy assistance received to date, therefore, no amount has been recorded to reflect this potential liability.

The First Nation has provided guarantees to band members related to six 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, 2015, the balance of the six individual loan guarantees totaled \$634,413.

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.

ELSIPOGTOG FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2015

21. Annual surplus net of capital related revenues and amortization

	2015	2014
Annual surplus (deficit) per page 3	\$ (927,622)	\$ (1,455,923)
Deduct: Federal government transfers for capital	(183,315)	(443,928)
Deduct: Provincial government transfers for capital	(40,000)	-
Add: Amortization expense included in annual surplus	2,521,237	2,522,002
Annual surplus net of capital related revenues and amortization	\$ 1,370,300	\$ 622,151

ELSIPOCTOG FIRST NATION
SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS
SEGMENT DISCLOSURE
YEAR ENDED MARCH 31, 2015

	General fund		Capital fund		Social fund		CNHC Housing fund		Wellness fund		Consolidated totals	
	2015	Budget 2015	2015	Budget 2015	2015	Budget 2015	2015	Budget 2015	2015	Budget 2015	2015	Budget 2015
Revenues												
Federal Government	16,540,031	14,404,216	2,356,487	1,059,233	11,945,542	11,405,370	414,916	373,525	453,025	258,303	31,710,001	27,500,647
Provincial Government	2,437,668	1,815,412	-	-	-	-	-	-	-	174,152	2,437,668	1,989,564
Economic Activities	7,129,318	3,834,182	164,250	144,000	-	-	-	-	-	-	7,293,568	3,978,182
Other revenue	5,015,322	4,845,581	784,367	-	175,595	152,596	989,127	786,750	205,267	983,091	7,169,678	6,768,018
Total revenue	31,122,339	24,899,391	3,305,104	1,203,233	12,121,137	11,557,966	1,404,043	1,160,275	658,292	1,415,546	48,610,915	40,236,411
Expenses												
Salaries and benefits	13,067,235	11,274,729	842,378	87,655	405,414	399,624	-	-	410,298	543,103	14,725,325	12,305,111
Amortization	2,521,237	2,400,000	-	-	-	-	-	537,300	-	-	2,521,237	2,937,300
Debt servicing	267,805	265,788	-	-	-	-	171,606	300,000	-	-	439,411	565,788
Other expenses	15,847,398	11,166,330	2,054,320	308,482	13,119,564	11,257,982	323,512	322,975	249,250	872,443	31,594,044	23,928,212
Total expenses	31,703,675	25,106,847	2,896,698	396,137	13,524,978	11,657,606	495,118	1,160,275	659,548	1,415,546	49,280,017	39,736,411
Annual surplus (deficit)	\$ (581,336)	\$ (207,456)	\$ 408,406	\$ 807,096	\$ (1,403,841)	\$ (99,640)	\$ 908,925	\$ -	\$ (1,256)	\$ -	\$ (669,102)	\$ 500,000
before gov't business enterprises												

The accompanying notes are an integral part of the financial statements

ELSIPOGTOG FIRST NATION
SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS
SEGMENT DISCLOSURE
YEAR ENDED MARCH 31, 2014

	General fund	Capital fund	Social fund	CMHC Housing fund	Wellness fund	Consolidated totals
	2014	2014	2014	2014	2014	2014
Revenues						
Federal Government	16,565,978	1,009,234	11,612,076	435,529	522,012	30,144,829
Provincial Government	1,877,887	-	-	-	-	1,877,887
Economic Activities	6,799,083	123,220	-	-	-	6,922,303
Other revenue	5,094,268	46,347	337,659	999,831	453,919	6,932,024
Total revenue	30,337,216	1,178,801	11,949,735	1,435,360	975,931	45,877,043
Expenses						
Salaries and benefits	13,516,660	101,133	400,034	-	466,517	14,484,344
Amortization	2,522,002	-	-	-	-	2,522,002
Debt servicing	225,462	-	-	201,995	-	427,457
Other expenses	15,632,753	580,751	12,658,081	366,887	509,064	29,747,536
Total expenses	31,896,877	681,884	13,058,115	568,882	975,581	47,181,339
Annual surplus (deficit) before gov't business enterprises	\$ (1,559,661)	\$ 496,917	\$ (1,108,380)	\$ 866,478	\$ 350	\$ (1,304,296)

The accompanying notes are an integral part of the financial statements