ELSIPOGTOG FIRST NATION

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016

LENEHAN
McCAIN
& Associates
CHARTERED PROFESSIONAL ACCOUNTANTS

Independent Auditor's Report

To the Chief and Council and 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, 2016, and the consolidated statements of operations and accumulated surplus, 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, 2016, 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 Professional Accountants

Woodstock, New Brunswick
July 28, 2016

ELSIPOGTOG FIRST NATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MARCH 31, 2016

	2016 Actual	2015 Actual
Financial Assets		
Trust funds held by federal government (Note 2)	$ 412,152	$ 417,770
Accounts receivable (Note 3)	1,940,427	2,033,356
Due (to) from band owned enterprises (Note 4)	262,281	343,333
Contributions receivable (Note 5)	1,206,632	1,771,969
Investment in MicMac Industries of Big Cove Inc. (Note 14)	(323,128)	(253,132)
Investment in McGraw Seafood (2008) Inc. (Note 14)	691,389	90,374
CMHC reserve funds (Note 6)	120,160	60,100
	4,309,913	4,463,770
Liabilities		
Bank indebtedness (Note 7)	1,312,454	2,870,647
Accounts payable and accrued liabilities (Note 8)	4,027,661	4,692,747
Deferred revenue (Note 9)	1,769,902	1,657,567
Funding repayable to INAC (Note 10)	497,598	782,847
Long-term debt (Note 11)	8,703,465	9,366,844
	16,311,080	19,370,652
Net debt	(12,001,167)	(14,906,882)
Non-financial Assets		
Tangible capital assets (Note 12)	22,173,618	23,396,841
Prepaid expenses (Note 13)	222,387	335,096
	22,396,005	23,731,937
Accumulated Surplus	$ 10,394,838	$ 8,825,055

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, 2016

	2016 Budget	2016 Actual	2015 Actual
Surplus (deficit)	$ (983,809)	$ 1,569,783	$ (927,622)
Acquisition of tangible capital assets	-	(1,277,369)	(751,238)
Amortization of tangible capital assets	3,291,960	2,500,592	2,521,237
	3,291,960	1,223,223	1,769,999
(Increase) decrease in prepaid assets	-	112,709	(189,738)
Increase (decrease) in net financial assets	2,308,151	2,905,715	652,639
Net debt at beginning of year	(14,906,882)	(14,906,882)	(15,559,521)
Net debt at end of year	$ (12,598,731)	$ (12,001,167)	$ (14,906,882)

The accompanying notes are an integral part of the financial statements

ELSIPOGTOG FIRST NATION

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2016

	2016 Budget	2016 Actual	2015 Actual
Revenues			
Indigenous and Northern Affairs Canada	$ 24,743,307	$ 25,767,784	$ 26,445,896
Health Canada	3,498,324	3,788,850	3,644,593
Department of Fisheries and Oceans	765,000	986,915	716,859
Canada Mortgage and Housing Corporation	373,525	368,786	446,787
Province of New Brunswick	1,027,335	1,032,987	2,437,668
Commercial fisheries	2,407,082	5,876,020	3,937,255
Other	8,120,115	10,750,802	10,978,544
Total	40,934,688	48,572,144	48,607,602
Expenditures			
Wages and benefits	12,411,069	13,134,742	14,725,325
Interest and bank charges	592,796	427,258	439,411
Tuition provincial schools	2,567,940	2,448,412	2,563,220
Post secondary	841,225	1,024,460	761,699
Professional services	751,609	993,976	825,650
Commercial fisheries	1,225,608	3,718,928	3,259,664
Forestry	162,286	1,385,019	1,464,021
Social	10,998,884	10,232,642	11,109,651
Other	9,075,120	11,667,351	11,606,826
Total	38,626,537	45,032,788	46,755,467
Surplus before other items	2,308,151	3,539,356	1,852,135
Other items			
Equity (loss) in MicMac Industries of Big Cove Inc.	-	(69,996)	(97,099)
Equity (loss) in McGraw Seafood (2008) Inc.	-	601,015	(161,421)
Amortization	(3,291,960)	(2,500,592)	(2,521,237)
	(3,291,960)	(1,969,573)	(2,779,757)
Surplus (deficit) for the year	(983,809)	1,569,783	(927,622)
Accumulated surplus, beginning of year	8,825,055	8,825,055	9,752,677
Accumulated surplus, end of year	$ 7,841,246	$ 10,394,838	$ 8,825,055

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, 2016

	2016 Actual	2015 Actual
Cash flows from		
Operating activities		
Surplus (deficit)	$ 1,569,783	$ (927,622)
Items not affecting cash		
Amortization expense	2,500,592	2,521,237
	4,070,375	1,593,615
Change in non-cash operating working capital		
Other receivables	92,929	(742,782)
Prepaid expenses	112,709	(189,738)
Contributions receivable	565,337	(591,476)
Accounts payable and accrued liabilities	(665,085)	2,342,070
Deferred revenue	112,335	104,688
Funding repayable to INAC	(285,249)	(192,399)
	4,003,351	2,323,978
Capital activities		
Acquisition of tangible capital assets	(1,277,369)	(751,238)
Financing activities		
Due (to) from band owned enterprises	81,052	19,406
Repayment of long-term debt	(731,725)	(842,076)
Proceeds of long-term debt	68,345	163,469
	(582,328)	(659,201)
Investing activities		
Decrease / (Increase) in Investment in Mic Mac Industries	69,996	97,099
Decrease / (Increase) in Investment in McGraw Seafood (2008) Inc.	(601,015)	161,421
Transfer to CMHC reserve funds	(60,100)	(60,100)
Withdrawal from CMHC reserve funds	40	-
	(591,079)	198,420
Increase in cash and cash equivalents	1,552,575	1,111,959
Cash and cash equivalents, beginning of year	(2,452,877)	(3,564,836)
Cash and cash equivalents, end of year	$ (900,302)	$ (2,452,877)
Represented by		
Cash	$ (1,312,454)	$ (2,870,647)
Trust funds held by federal government	412,152	417,770
	$ (900,302)	$ (2,452,877)

The accompanying notes are an integral part of the financial statements

ELSIPOGTOG FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016

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 Chartered Professional Accountants of Canada.

(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.

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 Chartered Professional Accountants of Canada. 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.

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

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. Specifically, estimates are required related to the provision for doubtful accounts and the useful lives of tangible capital assets. 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.

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

Financial instruments are financial assets or liabilities of the organization where the organization has the right to receive cash or another financial asset from another party or has the obligation to pay cash or other financial assets to another party or equity instruments of another party.

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, 2015	Additions (interest)	Withdrawals	March 31, 2016
Revenue	$ 31,268	$ 4,382	$ (10,000)	$ 25,650
Capital	386,502	-	-	386,502
	$ 417,770	$ 4,382	$ (10,000)	$ 412,152

3. Accounts receivable

	2016	2015
Tobacco loans	$ 720,219	$ 837,732
Education program	70,126	77,115
HST	13,345	(27,395)
Loans to individuals	252,431	247,260
Mawiw Council	250,839	127,774
Other	431,419	332,682
Province of New Brunswick	335,878	367,282
Snow crab fishery	289,245	289,245
Social program loans	153,220	152,600
Travel advances	68,941	63,040
Wellness programs	363,822	555,412
Wood harvest loans	124,602	124,602
	3,074,087	3,147,349
Allowance for doubtful accounts	(1,133,660)	(1,113,993)
	$ 1,940,427	$ 2,033,356

4. Due (to) from band owned enterprises

	2016	2015
Due (to) from McGraw Seafood (2008) Inc.	$ 647,596	$ 647,497
Due (to) from MicMac Industries of Big Cove Inc.	(385,315)	(304,164)
	$ 262,281	$ 343,333

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, 2016

5. Contributions receivable

	2016	2015
Indigenous and Northern Affairs Canada	$ 193,840	$ 1,253,104
Indigenous and Northern Affairs Canada - Social recovery	413,014	-
Health Canada	35,000	-
Department of Fisheries and Oceans	564,778	518,865
	$ 1,206,632	$ 1,771,969

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.

	2016	2015
Balance, beginning of year	$ 60,100	$ -
Contributions made during the year	60,100	60,100
Withdrawals (bank charges)	(40)	-
Balance, end of year	$ 120,160	$ 60,100

7. Bank indebtedness

	2016	2015
Cheques in excess of funds on deposit	$ 1,312,454	$ 2,870,647

ELSIPOGTOG FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016

8. Accounts payable and accrued liabilities

Remittances for band employee benefits and the pension plan were not current as of March 31, 2016. The accounts payable balance includes:

	2016	2015
Trade accounts payable	$ 3,257,686	$ 3,697,484
Receiver General payroll deductions	426,145	662,127
Pension plan contributions	193,060	169,762
Royalties due to minor members	64,947	81,365
Youth centre	21,120	17,303
Land claims	64,702	64,702
	$ 4,027,660	$ 4,692,743

9. Deferred revenue

	2016	2015
Eagle Board Trust proceeds	$ 100,000	$ 100,000
McGraw Seafood snowcrab advance	-	127,500
Healthy medication project	53,568	50,848
Mental health	80,561	78,606
Wellness	19,507	20,602
Health center extension	179,769	110,391
Prevention	3,621	10,199
Health services	107,624	-
Maternal child health	81,263	-
Aboriginal diabetes initiative	70,929	-
Clinical health	1,946	-
Housing circle	-	36,493
Water and wastewater	210,000	-
Water system upgrade	-	116,685
Tobacco strategy	17,158	-
Healing network	339,188	189,347
Respect Ed	-	384,070
Justice development	48,485	77,024
FN development	-	64,812
Leadership and skill development	-	21,027
Violence prevention	43,237	46,739
Mental health development	201,659	214,009
Community sea cadets	9,494	9,215
Youth fundraising	186,075	-
Outreach program	15,818	-
	$ 1,769,902	$ 1,657,567

10. Funding repayable to INAC

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

	2016	2015
Tuition	$ 497,598	$ 736,422
2012/13 water systems upgrade	-	46,425
	$ 497,598	$ 782,847

11. Long-term debt

	2016	2015
Royal Bank of Canada Various mortgages at interest rates from 2.44% to 5.69%, $23,934 monthly including interest, guaranteed by the Minister of Indigenous and Northern Affairs Canada. These loans are related to CMHC housing projects and have varying repayment terms and maturity dates	$ 907,441	$ 1,192,332
Canada Mortgage and Housing Corporation Various mortgages at interest rates from 1.11% to 2.40%, $32,300 monthly including interest, guaranteed by the Minister of Indigenous and Northern Affairs Canada. These loans are related to CMHC housing projects and have varying repayment terms and maturity dates	5,423,292	5,615,859
Royal Bank of Canada 7.24% loan, payable $1,181 monthly including interest for fisheries vehicle, due July 2015	-	4,657
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 Indigenous and Northern Affairs Canada, due February 2017	172,043	183,447
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 Indigenous and Northern Affairs Canada	846,421	907,628

11. Long-term debt, continued

	2016	2015
Bank of Montreal 3.95% term loan, payable $6,194 monthly including interest for band owned housing, secured by the Minister of Indigenous and Northern Affairs Canada, due January 2021	749,834	784,398
Bank of Montreal 5.15% term loan, payable $5,355 monthly including interest for new community hall, due February 2017	510,410	547,296
Bank of Montreal Prime plus 3% demand loan, payable $3,649 monthly including interest for the RCMP building, due December 2020	94,024	131,227
	$ 8,703,465	$ 9,366,844

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

2017	$ 682,137
2018	650,336
2019	610,136
2020	600,362
2021 and thereafter	6,160,494
	$ 8,703,465

12. Tangible Capital Assets

	Cost			Accumulated amortization			
	Balance, beginning of year	Additions	Balance, end of year	Balance, beginning of year	Amortization	Balance, end of year	2016 net book value
Land	$ 1,322,926	$ -	$ 1,322,926	$ -	$ -	$ -	$ 1,322,926
Buildings	21,343,695	-	21,343,695	12,517,313	1,015,909	13,533,222	7,810,473
Automotive equipment	570,155	-	570,155	471,887	38,479	510,366	59,789
Computer equipment	61,449	-	61,449	36,870	12,290	49,160	12,289
Furniture and equipment	1,402,745	-	1,402,745	1,082,362	44,223	1,126,585	276,160
CMHC housing	14,721,171	124,395	14,845,566	8,147,391	731,725	8,879,116	5,966,450
Fisheries vessels and equipment	10,054,771	-	10,054,771	6,756,026	562,222	7,318,248	2,736,523
School buses	832,271	-	832,271	857,631	(34,400)	823,231	9,040
Subdivision development	1,900,780	-	1,900,780	494,868	76,031	570,899	1,329,881
Roads and infrastructure	1,657,032	1,152,975	2,810,007	156,804	51,794	208,598	2,601,409
Land development	57,950	-	57,950	6,954	2,318	9,272	48,678
	$53,924,945	$ 1,277,370	$55,202,315	$30,528,106	$ 2,500,591	$33,028,697	$22,173,618

ELSIPOGTOG FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016

	Cost			Accumulated amortization			
	Balance, beginning of year	Additions	Balance, end of year	Balance, beginning of year	Amortization	Balance, end of year	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

13. Prepaid expenses

	2016	2015
April post secondary living allowances	$ 31,378	$ 24,485
Payroll	-	204,584
Computer access center	539	-
Social program basic entitlements	190,470	106,027
	$ 222,387	$ 335,096

14. Investment in Government Business Enterprises

	MicMac Industries of Big Cove Inc.	McGraw Seafood (2008) Inc.	2016 Total	2015 Total
Cash	$ 5,079	$ 393,798	$ 398,877	$ 165,912
Accounts receivable	147,941	458,627	606,568	843,204
Inventory	141,600	200,300	341,900	143,210
Tangible capital assets	128,114	3,117,906	3,246,020	1,949,994
Due from related party	352,874	(647,596)	(294,722)	2,961
Other assets	159,408	77,663	237,071	380,123
Total assets	$ 935,016	$ 3,600,698	$ 4,535,714	$ 3,485,404
Accounts payable	$ 1,258,144	$ 368,783	$ 1,626,927	$ 2,037,471
Long-term debt	-	2,456,364	2,456,364	1,528,792
Other liabilities	-	84,162	84,162	81,899
Total liabilities	1,258,144	2,909,309	4,167,453	3,648,162
Equity	(323,128)	691,389	368,261	(162,758)
Total liabilities and equity	$ 935,016	$ 3,600,698	$ 4,535,714	$ 3,485,404

	MicMac Industries of Big Cove Inc.	McGraw Seafood (2008) Inc.	2016 Total	2015 Total
Revenue	$ 2,726,853	$ 16,344,426	$ 19,071,279	$ 13,839,987
Other expenses	2,258,176	13,358,680	15,616,856	11,693,568
Wages and benefits	503,495	2,028,495	2,531,990	2,089,272
Debt servicing	17,896	104,316	122,212	165,637
Amortization	17,282	251,920	269,202	150,030
Total expenses	2,796,849	15,743,411	18,540,260	14,098,507
Net income	$ (69,996)	$ 601,015	$ 531,019	$ (258,520)

15. Expenses by object

	2016	2015
Wages and benefits	$ 13,134,742	$ 14,725,325
Travel	299,728	323,604
Interest and bank charges	427,258	439,411
Materials and supplies	711,500	542,834
Insurance	512,713	664,479
Social program non-administration expense	10,235,758	10,947,902
Provincial and post secondary tuition	3,045,274	3,004,115
Repairs and maintenance	1,764,972	2,039,473
Amortization	2,500,592	2,521,237
Other expenses	10,188,554	9,983,010
Commercial fisheries	3,718,928	3,259,664
Professional services	993,976	825,650
	$ 47,533,995	$ 49,276,704

16. Economic Dependence

Elsipogtog First Nation receives a major portion of its revenue pursuant to a funding arrangement with Indigenous and Northern Affairs Canada (INAC).

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

In August 2000, INAC 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 INAC and Elsipogtog First Nation.

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 $3,147,059 (2015 - $3,805,325). 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 $4,525,259 (2015 - $5,475,594). 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 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 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.

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, 2016, 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 eight 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, 2016, the balance of the eight individual loan guarantees totaled $793,670.

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.

21. Annual surplus net of capital related revenues and amortization

	2016	2015
Annual surplus (deficit) per page 3	$ 1,569,783	$ (927,622)
Deduct: Federal government transfers for capital	(1,000,000)	(183,315)
Deduct: Provincial government transfers for capital	-	(40,000)
Add: Amortization expense included in annual surplus	2,500,592	2,521,237
Annual surplus net of capital related revenues and amortization	$ 3,070,375	$ 1,370,300