

ELSIPOGTOG FIRST NATION

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

MARCH 31, 2017

The accompanying consolidated financial statements are the responsibility of management. The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards and necessarily include estimates which are based on management's best judgments.

Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.

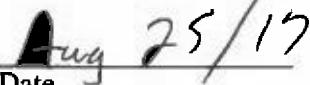
Management is also responsible for implementing and maintaining a system of internal controls designed to give reasonable assurance that transactions are appropriately authorized, assets are safeguarded from loss and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

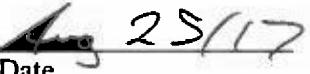
Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The consolidated financial statements have been reviewed and approved by Chief and Council.

Lenehan McCain & Associates, an independent firm of accountants, has been engaged to examine the consolidated financial statements in accordance with Canadian generally accepted auditing standards. Their report stating the scope of their examination and opinion on the consolidated financial statements, follows.

  
\_\_\_\_\_  
Chief

  
\_\_\_\_\_  
Band manager

  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Date

**ELSIPOGTOG FIRST NATION**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**MARCH 31, 2017**

	2017 Actual	2016 Actual
<b>Financial Assets</b>		
Trust funds held by federal government (Note 2)	\$ 399,825	\$ 412,152
Accounts receivable (Note 3)	2,136,122	1,940,427
Due (to) from band owned enterprises (Note 4)	974,961	262,281
Investment - GIC	250,000	-
Contributions receivable (Note 5)	1,279,429	1,206,632
Investment in River of Fire Market	(101,565)	-
Investment in Pharmasave	32,071	-
Investment in MicMac Industries of Big Cove Inc. (Note 14)	421,093	(323,128)
Investment in McGraw Seafood (2008) Inc. (Note 14)	855,026	691,389
CMHC reserve funds (Note 6)	180,119	120,160
	<b>6,427,081</b>	<b>4,309,913</b>
<b>Liabilities</b>		
Bank indebtedness (Note 7)	840,448	1,312,454
Accounts payable and accrued liabilities (Note 8)	3,784,443	4,027,661
Deferred revenue (Note 9)	2,081,607	1,769,902
Funding repayable to INAC (Note 10)	283,525	497,598
Long-term debt (Note 11)	19,193,160	8,703,465
	<b>26,183,183</b>	<b>16,311,080</b>
<b>Net debt</b>	<b>(19,756,102)</b>	<b>(12,001,167)</b>
<b>Non-financial Assets</b>		
Tangible capital assets (Note 12)	29,778,490	22,173,618
Prepaid expenses (Note 13)	401,951	222,387
	<b>30,180,441</b>	<b>22,396,005</b>
<b>Accumulated Surplus</b>	<b>\$ 10,424,339</b>	<b>\$ 10,394,838</b>

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, 2017**

	<b>2017 Budget</b>	<b>2017 Actual</b>	<b>2016 Actual</b>
<b>Surplus (deficit)</b>	<b>\$ (1,878,072)</b>	<b>\$ 29,501</b>	<b>\$ 1,569,783</b>
Acquisition of tangible capital assets	-	(10,271,479)	(1,277,369)
Amortization of tangible capital assets	2,500,592	2,666,607	2,500,592
	<b>2,500,592</b>	<b>(7,604,872)</b>	<b>1,223,223</b>
(Increase) decrease in prepaid assets	-	(179,564)	112,709
Increase (decrease) in net financial assets	622,520	(7,754,935)	2,905,715
Net debt at beginning of year	(12,001,167)	(12,001,167)	(14,906,882)
<b>Net debt at end of year</b>	<b>\$ (11,378,647)</b>	<b>\$ (19,756,102)</b>	<b>\$ (12,001,167)</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, 2017

	<b>2017 Budget</b>	<b>2017 Actual</b>	<b>2016 Actual</b>
<b>Revenues</b>			
Indigenous and Northern Affairs Canada	\$24,631,674	\$ 30,210,789	\$ 25,767,784
Health Canada	3,683,772	3,943,363	3,788,850
Department of Fisheries and Oceans	490,000	1,314,170	986,915
Canada Mortgage and Housing Corporation	373,525	314,507	368,786
Province of New Brunswick	1,497,552	1,837,939	1,783,802
Commercial fisheries	2,221,320	7,095,337	5,876,020
Other	7,354,169	9,478,168	9,999,987
 Total	 40,252,012	 54,194,273	 48,572,144
<b>Expenditures</b>			
Wages and benefits	12,376,879	14,654,592	13,134,742
Interest and bank charges	527,000	2,258,706	427,258
Tuition provincial schools	2,500,000	2,646,689	2,448,412
Post secondary	856,335	714,341	1,024,460
Professional services	884,371	1,830,597	993,976
Commercial fisheries	1,047,287	5,279,396	3,718,928
Forestry	294,996	1,415,296	1,385,019
Social	10,315,696	9,916,575	10,232,642
Other	10,826,928	13,620,337	11,667,351
 Total	 39,629,492	 52,336,529	 45,032,788
<b>Surplus before other items</b>	<b>622,520</b>	<b>1,857,744</b>	<b>3,539,356</b>
<b>Other items</b>			
Equity (loss) in MicMac Industries of Big Cove Inc.	-	744,221	(69,996)
Equity (loss) in McGraw Seafood (2008) Inc.	-	163,637	601,015
Equity (loss) in River of Fire Market Inc.	-	(101,565)	-
Equity (loss) in Maologetinetj Dev. Corp. Inc.	-	32,071	-
Amortization	(2,500,592)	(2,666,607)	(2,500,592)
	(2,500,592)	(1,828,243)	(1,969,573)
<b>Surplus (deficit) for the year</b>	<b>(1,878,072)</b>	<b>29,501</b>	<b>1,569,783</b>
<b>Accumulated surplus, beginning of year</b>	<b>10,394,838</b>	<b>10,394,838</b>	<b>8,825,055</b>
<b>Accumulated surplus, end of year</b>	<b>\$ 8,516,766</b>	<b>\$ 10,424,339</b>	<b>\$ 10,394,838</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, 2017**

	<b>2017</b> <b>Actual</b>	<b>2016</b> <b>Actual</b>
<b>Cash flows from</b>		
<b>Operating activities</b>		
Surplus	\$ 29,501	\$ 1,569,783
Items not affecting cash		
Amortization expense	2,666,607	2,500,592
	2,696,108	4,070,375
Change in non-cash operating working capital		
Other receivables	(195,695)	92,929
Prepaid expenses	(179,564)	112,709
Investment - GIC	(250,000)	-
Contributions receivable	(72,797)	565,337
Accounts payable and accrued liabilities	(243,213)	(665,085)
Deferred revenue	311,705	112,335
Funding repayable to INAC	(214,073)	(285,249)
	1,852,471	4,003,351
<b>Capital activities</b>		
Acquisition of tangible capital assets	(10,271,479)	(1,277,369)
<b>Financing activities</b>		
Due (to) from band owned enterprises	(712,680)	81,052
Repayment of long-term debt	(705,413)	(731,725)
Proceeds of long-term debt	11,195,104	68,345
	9,777,011	(582,328)
<b>Investing activities</b>		
Decrease / (Increase) in Investment in Mic Mac Industries	(744,221)	69,996
Decrease / (Increase) in Investment in McGraw Seafood (2008) Inc.	(163,637)	(601,015)
Decrease / (Increase) in Investment in River of Fire Market	101,565	-
Decrease / (Increase) in Investment in Pharmasave	(32,071)	-
Transfer to CMHC reserve funds	(60,000)	(60,100)
Withdrawal from CMHC reserve funds	40	40
	(898,324)	(591,079)
<b>Increase in cash and cash equivalents</b>	<b>459,679</b>	<b>1,552,575</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>(900,302)</b>	<b>(2,452,877)</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ (440,623)</b>	<b>\$ (900,302)</b>
<b>Represented by</b>		
Cash	\$ (840,448)	\$ (1,312,454)
Trust funds held by federal government	399,825	412,152
	\$ (440,623)	\$ (900,302)

The accompanying notes are an integral part of the financial statements

## ELSIPOGTOG FIRST NATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2017

#### **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.
4. 690761 NB Inc. (River of Fire Market)
5. Maalogetinetj Dev. Corp. Inc. (Elsipogtog Pharmacy)

##### **(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 ninety days 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, 2017**

**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., McGraw Seafood (2008) Inc., 690761 NB Inc. (River of Fire Market) and Maalogetinetj Dev. Corp. Inc. (Elsipogtog Pharmacy) 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.

**(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, 2017

#### **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

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**ELSIPOGTOG FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2017**

**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.

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## ELSIPOGTOG FIRST NATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2017

#### **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, some of which have been acquired without financial consideration. Licences acquired without financial consideration have not been recorded as assets in these financial statements. Licenses acquired with financial consideration are considered intangible assets and have been recorded at acquisition cost in these financial statements.

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

	<b>March 31, 2016</b>	<b>Additions (interest)</b>	<b>Withdrawals</b>	<b>March 31, 2017</b>
Revenue	\$ 25,650	\$ 7,673	\$ (20,000)	\$ 13,323
Capital	\$ 386,502	-	-	\$ 386,502
	<b>\$ 412,152</b>	<b>\$ 7,673</b>	<b>\$ (20,000)</b>	<b>\$ 399,825</b>

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**ELSIPOGTOG FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2017**

**3. Accounts receivable**

	<b>2017</b>	<b>2016</b>
Tobacco loans	\$ 696,779	\$ 720,219
Education program	157,318	70,126
HST	53,993	13,345
Loans to individuals	258,925	252,431
Mawiw Council	461,440	250,839
Other	326,521	431,419
Province of New Brunswick	218,635	335,878
Snow crab fishery	289,245	289,245
Social program loans	153,300	153,220
Travel advances	104,917	68,941
Wellness programs	462,176	363,822
Wood harvest loans	124,602	124,602
	<b>3,307,851</b>	3,074,087
Allowance for doubtful accounts	(1,171,729)	(1,133,660)
	<b>\$ 2,136,122</b>	<b>\$ 1,940,427</b>

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

	<b>2017</b>	<b>2016</b>
Due (to) from McGraw Seafood (2008) Inc.	\$ 942,734	\$ 647,596
Due (to) from MicMac Industries of Big Cove Inc.	(185,633)	(385,315)
Due (to) from River of Fire Market	217,860	-
	<b>\$ 974,961</b>	<b>\$ 262,281</b>

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.

Amounts due from River of Fire Market relate to advances from Elsipogtog.

The outstanding amounts are non-interest bearing, unsecured, with no set terms of repayment.

**ELSIPOGTOG FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2017**

**5. Contributions receivable**

	<b>2017</b>	2016
Indigenous and Northern Affairs Canada	\$ 584,426	\$ 193,840
Indigenous and Northern Affairs Canada - Social recovery	-	413,014
Health Canada	-	35,000
Department of Fisheries and Oceans	<u>695,003</u>	<u>564,778</u>
	<hr/> <hr/> <b>\$ 1,279,429</b>	<hr/> <hr/> <b>\$ 1,206,632</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.

	<b>2017</b>	2016
Balance, beginning of year	\$ 120,160	\$ 60,100
Contributions made during the year	<b>60,000</b>	60,100
Withdrawals (bank charges)	<b>(41)</b>	<b>(40)</b>
Balance, end of year	<hr/> <b>\$ 180,119</b>	<hr/> <b>\$ 120,160</b>

**7. Bank indebtedness**

	<b>2017</b>	2016
Cheques issued in excess of funds on deposit	<hr/> <b>\$ 840,448</b>	<hr/> <b>\$ 1,312,454</b>

**ELSIPOGTOG FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2017**

**8. Accounts payable and accrued liabilities**

Remittances for band employee benefits and the pension plan were not current as of March 31, 2017. The accounts payable balance includes:

	2017	2016
Trade accounts payable	\$ 1,010,913	\$ 778,179
Capital program trade payables	435,547	233,688
Province of NB tuition	1,981,819	2,245,819
Receiver General payroll deductions	159,060	426,145
Pension plan contributions	70,171	193,060
Royalties due to minor members	47,005	64,947
Youth centre	15,228	21,120
Land claims	64,702	64,702
	<b>\$ 3,784,445</b>	<b>\$ 4,027,660</b>

**9. Deferred revenue**

	2017	2016
Eagle Board Trust proceeds	\$ 100,000	\$ 100,000
Healthy medication project	39,412	53,568
Mental health	134,918	80,561
Wellness	12,647	19,507
Health center extension	243,979	179,769
Prevention	78,685	3,621
Health services	163,175	107,624
Gopit lodge	19,054	-
Aboriginal diabetes initiative	90,487	70,929
Tobacco strategy	61,430	17,158
CPAC cancer care	75,438	-
Healthy child development	118,605	-
Maternal child health	-	81,263
Special education	201,885	-
Clinical health	-	1,946
Healing network	323,738	339,188
Water and wastewater	-	210,000
Justice development	48,667	48,485
Violence prevention	51,372	43,237
Mental health development	137,195	201,659
Community sea cadets	9,939	9,494
Youth fundraising	169,833	186,075
Outreach program	1,148	15,818
	<b>\$ 2,081,607</b>	<b>\$ 1,769,902</b>

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**ELSIPOGTOG FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2017**

**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.

	<b>2017</b>	<b>2016</b>
Tuition	\$ 258,774	\$ 497,598
Special needs	21,397	-
In home care	3,354	-
	<b>\$ 283,525</b>	<b>\$ 497,598</b>

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**ELSIPOGTOG FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2017**

**11. Long-term debt**

	<b>2017</b>	<b>2016</b>
Royal Bank of Canada		
Various mortgages at interest rates from 2.26% to 3.06%, \$16,591 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	\$ 707,443	\$ 907,441
Canada Mortgage and Housing Corporation		
Various mortgages at interest rates from 1.11% to 2.40%, \$33,042 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	5,122,060	5,423,292
Bank of Montreal		
3.58% 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 2022	161,015	172,043
Royal Bank of Canada		
2.48% loan, payable \$7,933 monthly including interest for band owned housing, amortized over twenty five years, due April 2021, secured by a guarantee of the Minister of Indigenous and Northern Affairs Canada	772,494	846,421
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	711,083	749,834
Bank of Montreal		
3.58% term loan, payable \$5,355 monthly including interest for new community hall, due February 2022	469,394	510,410
Bank of Montreal		
Prime plus 3% demand loan, payable \$3,649 monthly including interest for the RCMP building, due December 2020	54,567	94,024
Sprott Bridging Income Fund LP		
BMO prime plus 5.3% loan, due April, 2017	<u>11,195,104</u>	-
	<u><b>\$ 19,193,160</b></u>	<u><b>\$ 8,703,465</b></u>

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**ELSIPOGTOG FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2017**

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

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

2018	\$ 651,068
2019	610,248
2020	599,166
2021	568,472
2022 and thereafter	<u>16,764,206</u>
	<u><u>\$ 19,193,160</u></u>

ELSIPOGTOG FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2017

**12. Tangible Capital Assets**

	Balance, beginning of year	Cost		Accumulated amortization			2017 net book value
		Additions	Balance, end of year	Balance, beginning of year	Amortization	Balance, end of year	
Land	\$ 1,322,926	\$ -	\$ 1,322,926	\$ -	\$ -	\$ -	\$ 1,322,926
Buildings	21,343,695	872,213	22,215,908	13,533,222	1,361,977	14,895,199	7,320,709
Automotive equipment	570,155	-	570,155	510,366	43,789	554,155	16,000
Computer equipment	61,449	-	61,449	49,160	12,290	61,450	(1)
Furniture and equipment	1,402,745	110,343	1,513,088	1,126,585	54,121	1,180,706	332,382
Fishing licence	-	400,000	400,000	-	-	-	400,000
CMHC housing	14,845,566	-	14,845,566	8,879,116	501,231	9,380,347	5,465,219
Fisheries vessels and equipment	10,054,771	-	10,054,771	7,318,248	492,242	7,810,490	2,244,281
School buses	832,271	246,195	1,078,466	823,231	53,759	876,990	201,476
Subdivision development	1,900,780	210,000	2,110,780	570,899	84,431	655,330	1,455,450
Roads and infrastructure	2,810,007	992,169	3,802,176	208,598	60,450	269,048	3,533,128
Land development	57,950	-	57,950	9,272	2,318	11,590	46,360
Grocery store/pharmacy bldg	-	7,374,858	7,374,858	-	-	-	7,374,858
Grocery store/pharmacy signage	-	65,702	65,702	-	-	-	65,702
	55,202,315	\$ 10,271,480	\$ 65,473,795	\$33,028,697	\$ 2,666,608	\$35,695,305	\$29,778,490

ELSIPOGTOG FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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		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**  
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**13. Prepaid expenses**

	<b>2017</b>	2016
April post secondary living allowances	\$ 38,580	\$ 31,378
Payroll	<b>102,957</b>	-
Computer access center	-	539
Social program basic entitlements	<b>182,414</b>	190,470
Chief and council honoraria	<b>78,000</b>	-
	<b>\$ 401,951</b>	<b>\$ 222,387</b>

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

	<b>MicMac</b>	<b>McGraw</b>		
	<b>Industries of Seafood (2008)</b>			
	<b>Big Cove Inc.</b>	<b>Inc.</b>	<b>2017 Total</b>	<b>2016 Total</b>
Cash	\$ 12,928	\$ 27,924	\$ 40,852	\$ 398,877
Accounts receivable	160,036	247,517	407,553	606,568
Inventory	219,704	162,601	382,305	341,900
Tangible capital assets	124,524	4,386,583	4,511,107	3,246,020
Due from related party	567,093	(942,837)	(375,744)	(294,722)
Other assets	6,840	101,480	108,320	237,071
<b>Total assets</b>	<b>\$ 1,091,125</b>	<b>\$ 3,983,268</b>	<b>\$ 5,074,393</b>	<b>\$ 4,535,714</b>
Accounts payable	\$ 669,996	\$ 809,571	\$ 1,479,567	\$ 1,626,927
Long-term debt	-	2,207,702	2,207,702	2,456,364
Other liabilities	-	110,968	110,968	84,162
<b>Total liabilities</b>	<b>669,996</b>	<b>3,128,241</b>	<b>3,798,237</b>	<b>4,167,453</b>
<b>Equity</b>	<b>421,129</b>	<b>855,027</b>	<b>1,276,156</b>	<b>368,261</b>
<b>Total liabilities and equity</b>	<b>\$ 1,091,125</b>	<b>\$ 3,983,268</b>	<b>\$ 5,074,393</b>	<b>\$ 4,535,714</b>
	<b>MicMac</b>	<b>McGraw</b>		
	<b>Industries of Seafood (2008)</b>			
	<b>Big Cove Inc.</b>	<b>Inc.</b>	<b>2017 Total</b>	<b>2016 Total</b>
Revenue	\$ 997,768	\$ 22,788,047	\$ 23,785,815	\$ 19,071,279
Other expenses	190,520	19,652,741	19,843,261	15,616,856
Wages and benefits	176,999	2,409,874	2,586,873	2,531,990
Debt servicing	16,245	135,998	152,243	122,212
Amortization	12,876	396,963	409,839	269,202
<b>Total expenses</b>	<b>396,640</b>	<b>22,595,576</b>	<b>22,992,216</b>	<b>18,540,260</b>
<b>Net income</b>	<b>\$ 601,128</b>	<b>\$ 192,471</b>	<b>\$ 793,599</b>	<b>\$ 531,019</b>

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

	<b>2017</b>	2016
Wages and benefits	<b>\$ 14,654,592</b>	\$ 13,134,742
Travel	436,172	299,728
Interest and bank charges	2,258,706	427,258
Materials and supplies	1,094,100	711,500
Insurance	783,848	512,713
Social program non-administration expense	9,916,575	10,235,758
Provincial and post secondary tuition	3,361,030	3,045,274
Repairs and maintenance	1,705,237	1,764,972
Amortization	2,666,607	2,500,592
Other expenses	11,016,276	10,187,939
Commercial fisheries	5,279,396	3,718,928
Professional services	1,830,597	993,976
	<b>\$ 55,003,136</b>	<b>\$ 47,533,380</b>

**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.

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**ELSIPOGTOG FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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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 \$3,415,551 (2016 - \$3,147,059). 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 \$4,067,968 (2016 - \$4,525,259). 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.

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

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, 2017, 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, 2017, the balance of the eight individual loan guarantees totaled \$753,117.

**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.

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**ELSIPOGTOG FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**21. Annual surplus net of capital related revenues and amortization**

	<b>2017</b>	2016
Annual surplus (deficit) per page 3	\$ 29,501	\$ 1,569,783
Deduct: Federal government transfers for capital	(1,641,000)	(1,000,000)
Add: Amortization expense included in annual surplus	<u>2,666,607</u>	<u>2,500,592</u>
 Annual surplus net of capital related revenues and amortization	 <u>\$ 1,055,108</u>	 <u>\$ 3,070,375</u>