

ELSIPOGTOG FIRST NATION

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

ELSIPOGTOG FIRST NATION

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

MARCH 31, 2018

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.

Lenahan 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

Aug 20/18
Date



Band manager

Aug 17/18
Date

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, 2018, 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, 2018, 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 15, 2018

ELSIPOGTOG FIRST NATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MARCH 31, 2018

	2018 Actual	2017 Actual
Financial Assets		
Trust funds held by federal government (Note 2)	\$ 397,720	\$ 399,825
Accounts receivable (Note 3)	3,189,349	2,136,122
Due (to) from band owned enterprises (Note 4)	2,972,632	974,961
Investment - GIC	250,000	250,000
Contributions receivable (Note 5)	4,271,341	1,279,429
Investment in River of Fire Market	(614,302)	(101,565)
Investment in Pharmasave	344,588	32,071
Investment in MicMac Industries of Big Cove Inc. (Note 14)	132,044	421,093
Investment in McGraw Seafood (2008) Inc. (Note 14)	1,794,506	855,026
CMHC reserve funds (Note 6)	930,544	180,119
	<u>13,668,422</u>	<u>6,427,081</u>
Liabilities		
Bank indebtedness (Note 7)	1,698,302	840,448
Loan payable	254,670	-
Accounts payable and accrued liabilities (Note 8)	3,462,226	3,784,444
Deferred revenue (Note 9)	3,951,815	2,081,607
Funding repayable to INAC (Note 10)	471,614	283,525
Long-term debt (Note 11)	18,365,324	19,193,159
	<u>28,203,951</u>	<u>26,183,183</u>
Net debt	<u>(14,535,529)</u>	<u>(19,756,102)</u>
Non-financial Assets		
Tangible capital assets (Note 12)	30,152,247	29,778,490
Prepaid expenses (Note 13)	391,651	401,951
	<u>30,543,898</u>	<u>30,180,441</u>
Accumulated Surplus	\$ 16,008,369	\$ 10,424,339

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 OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2018

	<u>2018 Budget</u>	<u>2018 Actual</u>	<u>2017 Actual</u>
Revenues			
Indigenous and Northern Affairs Canada	\$ 23,224,487	\$ 33,022,600	\$ 30,210,789
Health Canada	3,651,475	4,362,720	3,943,363
Department of Fisheries and Oceans	490,000	921,124	1,314,170
Canada Mortgage and Housing Corporation	373,525	283,213	314,507
Province of New Brunswick	1,980,882	1,762,477	1,837,939
Commercial fisheries	4,211,380	13,701,518	7,095,337
Other	9,728,092	9,196,789	9,478,168
Total	43,659,841	63,250,441	54,194,273
Expenditures			
Wages and benefits	13,893,619	15,576,731	14,654,592
Interest and bank charges	407,000	1,125,157	2,258,706
Tuition provincial schools	-	2,511,106	2,646,689
Post secondary	500,125	530,265	714,341
Professional services	1,555,201	889,651	1,830,597
Commercial fisheries	2,447,074	9,226,927	5,279,396
Forestry	596,000	1,471,868	1,415,296
Social	9,815,000	9,639,262	9,916,575
Other	12,029,388	14,619,444	13,620,337
Total	41,243,407	55,590,411	52,336,529
Surplus before other items	2,416,434	7,660,030	1,857,744
Other items			
Equity (loss) in MicMac Industries of Big Cove Inc.	-	(289,049)	744,221
Equity (loss) in McGraw Seafood (2008) Inc.	-	939,480	163,637
Equity (loss) in River of Fire Market Inc.	-	(512,737)	(101,565)
Equity (loss) in Maologetinetj Dev. Corp. Inc.	-	312,517	32,071
Amortization	(2,500,000)	(2,526,211)	(2,666,607)
	(2,500,000)	(2,076,000)	(1,828,243)
Surplus (deficit) for the year	(83,566)	5,584,030	29,501
Accumulated surplus, beginning of year	10,424,339	10,424,339	10,394,838
Accumulated surplus, end of year	\$ 10,340,773	\$ 16,008,369	\$ 10,424,339

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, 2018

	2018 Budget	2018 Actual	2017 Actual
Surplus (deficit)	\$ (83,566)	\$ 5,584,030	\$ 29,501
Acquisition of tangible capital assets	-	(2,899,966)	(10,271,479)
Amortization of tangible capital assets	2,500,000	2,526,211	2,666,607
	2,500,000	(373,755)	(7,604,872)
(Increase) decrease in prepaid assets	-	10,298	(179,564)
Increase (decrease) in net financial assets	2,416,434	5,220,573	(7,754,935)
Net debt at beginning of year	(19,756,102)	(19,756,102)	(12,001,167)
Net debt at end of year	\$ (17,339,668)	\$ (14,535,529)	\$ (19,756,102)

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, 2018

	2018 Actual	2017 Actual
Cash flows from		
Operating activities		
Surplus	\$ 5,584,030	\$ 29,501
Items not affecting cash		
Amortization expense	2,526,211	2,666,607
	8,110,241	2,696,108
Change in non-cash operating working capital		
Other receivables	(1,053,227)	(195,695)
Prepaid expenses	10,300	(179,564)
Investment - GIC	-	(250,000)
Contributions receivable	(2,991,912)	(72,797)
Accounts payable and accrued liabilities	(322,223)	(243,213)
Deferred revenue	1,870,208	311,705
Funding repayable to INAC	188,089	(214,073)
	5,811,476	1,852,471
Capital activities		
Acquisition of tangible capital assets	(2,899,966)	(10,271,479)
Financing activities		
Due (to) from band owned enterprises	(1,997,671)	(712,680)
Repayment of long-term debt	(12,227,832)	(705,413)
Proceeds of long-term debt	11,400,000	11,195,104
	(2,825,503)	9,777,011
Investing activities		
Decrease / (Increase) in Investment in Mic Mac Industries	289,049	(744,221)
Decrease / (Increase) in Investment in McGraw Seafood (2008) Inc.	(939,480)	(163,637)
Decrease / (Increase) in Investment in River of Fire Market	512,737	101,565
Decrease / (Increase) in Investment in Pharmasave	(312,517)	(32,071)
Transfer to CMHC reserve funds	(750,485)	(60,000)
Withdrawal from CMHC reserve funds	60	40
	(1,200,636)	(898,324)
Increase (decrease) in cash and cash equivalents	(1,114,629)	459,679
Cash and cash equivalents, beginning of year	(440,623)	(900,302)
Cash and cash equivalents, end of year	\$ (1,555,252)	\$ (440,623)
Represented by		
Cash	\$ (1,698,302)	\$ (840,448)
Trust funds held by federal government	397,720	399,825
Short-term financing	(254,670)	-
	\$ (1,555,252)	\$ (440,623)

The accompanying notes are an integral part of the financial statements

ELSIPOGTOG FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

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. Maologetinetj 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.

ELSIPOGTOG FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

I. 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 Maologetinetj 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 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.

ELSIPOGTOG FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2018

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 1993 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, 2018

I. 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 public sector accounting standards 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.

ELSIPOGTOG FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

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

	March 31, 2017	Additions (interest)	Withdrawals	March 31, 2018
Revenue	\$ 13,323	\$ 12,895	\$ (15,000)	\$ 11,218
Capital	386,502	-	-	386,502
	<u>\$ 399,825</u>	<u>\$ 12,895</u>	<u>\$ (15,000)</u>	<u>\$ 397,720</u>

ELSIPOGTOG FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

3. Accounts receivable

	2018	2017
Tobacco loans	\$ 1,128,546	\$ 696,779
Education program	382,081	157,318
HST	36,650	53,993
Loans to individuals	251,375	258,925
Mawiw Council	385,839	461,440
Other	746,304	326,521
Province of New Brunswick	605,173	218,635
Snow crab fishery	315,745	289,245
Social program loans	149,403	153,300
Travel advances	101,972	104,917
Wellness programs	193,901	462,176
Wood harvest loans	124,602	124,602
	4,421,591	3,307,851
Allowance for doubtful accounts	(1,232,242)	(1,171,729)
	\$ 3,189,349	\$ 2,136,122

4. Due (to) from band owned enterprises

	2018	2017
Due (to) from McGraw Seafood (2008) Inc.	\$ 2,575,965	\$ 942,734
Due (to) from MicMac Industries of Big Cove Inc.	(339,608)	(185,633)
Due (to) from River of Fire Market	736,275	217,860
	\$ 2,972,632	\$ 974,961

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, 2018

5. Contributions receivable

	2018	2017
Indigenous and Northern Affairs Canada	\$ 3,381,501	\$ 584,426
Health Canada	137,319	-
Department of Fisheries and Oceans	752,521	695,003
	<u>\$ 4,271,341</u>	<u>\$ 1,279,429</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.

	2018	2017
Balance, beginning of year	\$ 180,119	\$ 120,160
Contributions made during the year	125,000	60,000
CMHC contribution	625,485	-
Withdrawals (bank charges)	(60)	(41)
Balance, end of year	<u>\$ 930,544</u>	<u>\$ 180,119</u>

7. Bank indebtedness

	2018	2017
Cheques issued in excess of funds on deposit	\$ 1,698,302	\$ 840,448

ELSIPOGTOG FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2018

8. Accounts payable and accrued liabilities

Remittances for band employee benefits and the pension plan were not current as of March 31, 2018. The accounts payable balance includes:

	2018	2017
Trade accounts payable	\$ 802,095	\$ 1,010,913
Capital program trade payables	746,792	435,547
Province of NB tuition	1,717,819	1,981,819
Receiver General payroll deductions	(100,633)	159,060
Pension plan contributions	153,586	70,171
Royalties due to minor members	61,170	47,005
Youth centre	16,693	15,228
Land claims	64,702	64,702
	\$ 3,462,224	\$ 3,784,445

ELSIPOGTOG FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

9. Deferred revenue

	2018	2017
Eagle Board Trust proceeds	\$ 100,000	\$ 100,000
Basic needs	733,327	-
School construction	547,131	-
Special education	137,411	-
Wellness	3,251	12,647
Health center extension	311,709	243,979
Prevention	127,816	78,685
Health services	436,971	163,175
Gopit lodge	19,054	19,054
Healthy medication project	38,243	39,412
Aboriginal diabetes initiative	117,064	90,487
Tobacco strategy	57,417	61,430
CPAC cancer care	75,438	75,438
Healthy child development	121,655	118,605
Special education	-	201,885
Healing network	323,068	323,738
Justice development	45,685	48,667
Violence prevention	50,038	51,372
Mental health development	75,069	137,195
Community sea cadets	9,639	9,939
Youth fundraising	179,132	169,833
Outreach program	-	1,148
Alcohol and drug treatment	70,300	-
Access NB	20,254	-
Day care center	10,726	-
Home and community care	108,786	-
N.A.Y.S.P. program	4,026	-
Aboriginal health transition fund	14,873	-
Mental health	213,732	134,918
	\$ 3,951,815	\$ 2,081,607

ELSIPOGTOG FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2018

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.

	2018	2017
Tuition	\$ 19,950	\$ 258,774
Special needs	15	21,397
In home care	-	3,354
Carry-forward from 2016-17	19,028	-
Basic needs	312,116	-
Child maintenance	113,743	-
Capacity development	780	-
Family wellness	5,982	-
	\$ 471,614	\$ 283,525

ELSIPOGTOG FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2018

11. Long-term debt

	2018	2017
Royal Bank of Canada Various mortgages at interest rates from 2.26% to 3.06%, \$16,594 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	\$ 514,834	\$ 657,965
Canada Mortgage and Housing Corporation Various mortgages at interest rates from 1.11% to 2.40%, \$33,989 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	4,855,132	5,171,537
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 January 2027	147,788	161,015
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	695,592	772,494
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 November 2030	676,468	711,083
Bank of Montreal 3.58% term loan, payable \$5,355 monthly including interest for new community hall, due June 2026	432,716	469,394
Bank of Montreal Prime plus 3% demand loan, payable \$3,649 monthly including interest for the RCMP building, due December 2020	16,562	54,567
Bank of Montreal Prime plus 1.5% loan, payable \$85,472 monthly including interest for the grocery store and pharmacy building, due June 2032	11,026,232	-

ELSIPOGTOG FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2018

11. Long-term debt, continued

	2018	2017
Sprott Bridging Income Fund LP		
BMO prime plus 5.3% loan, due April, 2017	-	11,195,104
	<u>\$ 18,365,324</u>	<u>\$ 19,193,159</u>

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

2019	\$ 619,011
2020	604,837
2021	574,620
2022	581,395
2023 and thereafter	15,985,461
	<u>\$ 18,365,324</u>

ELSIPOGTOG FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

12. Tangible Capital Assets

	Balance, beginning of year	Additions	Cost Balance, end of year	Balance, beginning of year	Amortization of year	Balance, end of year	2018 net book value
Land	\$ 1,322,926	\$ -	\$ 1,322,926	\$ -	\$ -	\$ -	\$ 1,322,926
Buildings	22,215,908	371,828	22,587,736	14,895,199	1,272,610	16,167,809	6,419,927
Automotive equipment	570,155	-	570,155	554,155	16,000	570,155	-
Computer equipment	61,449	-	61,449	61,450	-	61,450	(1)
Furniture and equipment	1,513,088	210,143	1,723,231	1,180,706	61,291	1,241,997	481,234
Fishing licence	400,000	-	400,000	-	-	-	400,000
CMHC housing	14,845,566	-	14,845,566	9,380,347	459,536	9,839,883	5,005,683
Fisheries vessels and equipment	10,054,771	129,900	10,184,671	7,810,490	498,736	8,309,226	1,875,445
School buses	1,078,466	-	1,078,466	876,990	53,759	930,749	147,717
Subdivision development	2,110,780	188,689	2,299,469	655,330	91,979	747,309	1,552,160
Roads and infrastructure	3,802,176	1,999,406	5,801,582	269,048	69,981	339,029	5,462,553
Land development	57,950	-	57,950	11,590	2,318	13,908	44,042
Grocery store/pharmacy bldg	7,374,858	-	7,374,858	-	-	-	7,374,858
Grocery store/pharmacy signage	65,702	-	65,702	-	-	-	65,702
	65,473,795	2,899,966	68,373,761	\$35,695,305	\$ 2,526,210	\$38,221,515	\$30,152,246

ELSIPOGTOG FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

	Balance, beginning of year	Additions	Balance, end of year	Cost	Balance, beginning of year	Amortization	Balance, end of year	2017 Net book value
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	
Equipment	-	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	\$0,271,480	\$65,473,795	\$33,028,697	\$ 2,666,608	\$ 35,695,305	\$29,778,490	

ELSIPOGTOG FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

13. Prepaid expenses

	2018	2017
April post secondary living allowances	\$ 32,201	\$ 38,580
Payroll	-	102,957
Social program basic entitlements	188,990	182,414
Chief and council honoraria	80,600	78,000
Insurance	89,860	-
	<u>\$ 391,651</u>	<u>\$ 401,951</u>

ELSIPOGTOG FIRST NATION**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****MARCH 31, 2018****14. Investment in Government Business Enterprises**

	MicMac Industries of Big Cove Inc.	McGraw Scafood (2008) Inc.	2018 Total	2017 Total
Cash	\$ 224,561	\$ 625,720	\$ 850,281	\$ 40,852
Accounts receivable	101,944	113,981	215,925	407,553
Inventory	142,606	593,042	735,648	382,305
Tangible capital assets	111,032	4,492,620	4,603,652	4,511,107
Due from related party	234,922	1,366,513	1,601,435	(375,744)
Other assets	105,691	312,502	418,193	108,320
Total assets	\$ 920,756	\$ 7,504,378	\$ 8,425,134	\$ 5,074,393
Accounts payable	\$ 788,676	\$ 810,052	\$ 1,598,728	\$ 1,479,567
Long-term debt	-	1,458,437	1,458,437	2,207,702
Other liabilities	-	3,441,382	3,441,382	110,968
Total liabilities	788,676	5,709,871	6,498,547	3,798,237
Equity	132,080	1,794,507	1,926,587	1,276,156
Total liabilities and equity	\$ 920,756	\$ 7,504,378	\$ 8,425,134	\$ 5,074,393
Revenue	\$ 393,018	\$ 45,562,133	\$ 45,955,151	\$ 23,785,815
Other expenses	504,882	40,711,937	41,216,819	19,843,261
Wages and benefits	177,185	3,335,089	3,512,274	2,586,873
Debt servicing	-	117,505	117,505	152,243
Amortization	-	458,122	458,122	409,839
Total expenses	682,067	44,622,653	45,304,720	22,992,216
Net income	\$ (289,049)	\$ 939,480	\$ 650,431	\$ 793,599

ELSIPOGTOG FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

15. Expenses by object

	2018	2017
Wages and benefits	\$ 15,576,731	\$ 14,654,592
Travel	350,846	436,172
Interest and bank charges	1,125,157	2,258,706
Materials and supplies	1,182,588	1,094,100
Insurance	624,590	783,848
Social program non-administration expense	9,639,262	9,916,575
Provincial and post secondary tuition	3,041,371	3,361,030
Repairs and maintenance	1,501,911	1,705,237
Amortization	2,526,211	2,666,607
Other expenses	12,431,377	11,016,276
Commercial fisheries	9,226,927	5,279,396
Professional services	889,651	1,830,597
	<hr/>	<hr/>
	\$ 58,116,622	\$ 55,003,136

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.

ELSIPOGTOG FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2018

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 \$7,460,690 (2017 - \$3,415,551). Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The First Nation reduces its exposure to credit risk by performing valuations on a regular basis and creating an allowance for bad debts when applicable. The First Nation derives substantially all of its revenues and therefore, accounts receivable, from government sources. In the opinion of management, the credit risk exposure to the First Nation is low and is not material.

Liquidity risk

The First Nation does have a liquidity risk in the accounts payable and accrued liabilities of \$3,933,838 (2017 - \$4,067,968). 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.

ELSIPOGTOG FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

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, 2018, 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.

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, 2018

21. Annual surplus net of capital related revenues and amortization

	2018	2017
Annual surplus (deficit) per page 3	\$ 5,584,030	\$ 29,501
Deduct: Federal government transfers for capital	(2,329,900)	(1,641,000)
Add: Amortization expense included in annual surplus	2,526,211	2,666,607
Annual surplus net of capital related revenues and amortization	\$ 5,780,341	\$ 1,055,108
