ELSIPOGTOG FIRST NATION

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

LENEHAN McCAIN & Associates
CHARTERED PROFESSIONAL ACCOUNTANTS

Independent Auditor's Report

To the Chief and Council and members of
Elsipogtog First Nation

Opinion
We have audited the consolidated financial statements of Elsipogtog First Nation, which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statements of operations and accumulated surplus, change in net debt, cash flows and related schedules for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the First Nation as at March 31, 2019, and the results of its consolidated operations and its consolidated cash flows for the year then ended in accordance with PSAB.

Basis for Opinion
We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the First Nation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PSAB, 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.

In preparing the consolidated financial statements, management is responsible for assessing the First Nation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Those charged with governance are responsible for overseeing the First Nation's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the First Nation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Lenehan McCain + Associates

Lenehan McCain & Associates
Chartered Professional Accountants

Woodstock, New Brunswick
August 19, 2019

ELSIPOGTOG FIRST NATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MARCH 31, 2019

	2019 Actual	2018 Actual
Financial Assets		
Trust funds held by federal government (Note 2)	$ 406,154	$ 397,720
Accounts receivable (Note 3)	3,072,571	3,189,349
Due (to) from band owned enterprises (Note 4)	5,122,131	2,972,632
Investment - GIC	250,000	250,000
Contributions receivable (Note 5)	14,666,656	4,271,341
Investment in River of Fire Market	(981,886)	(614,302)
Investment in Pharmasave	313,174	344,588
Investment in MicMac Industries of Big Cove Inc. (Note 14)	168,103	132,044
Investment in McGraw Seafood (2008) Inc. (Note 14)	2,142,774	1,794,506
CMHC reserve funds (Note 6)	1,110,444	930,544
	26,270,121	13,668,422
Liabilities		
Bank indebtedness (Note 7)	845,405	1,698,302
Accounts payable and accrued liabilities (Note 8)	3,940,762	3,462,226
Deferred revenue (Note 9)	18,658,369	3,951,815
Funding repayable to ISC (Note 10)	489,426	471,614
Long-term debt (Note 11)	18,833,235	18,619,994
	42,767,197	28,203,951
Net debt	(16,497,076)	(14,535,529)
Non-financial Assets		
Tangible capital assets (Note 12)	31,626,535	29,752,247
Prepaid expenses (Note 13)	395,465	391,651
Fishing license	400,000	400,000
	32,422,000	30,543,898
Accumulated Surplus	$ 15,924,924	$ 16,008,369

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, 2019

	2019 Budget	2019 Actual	2018 Actual
Surplus (deficit)	$ 49,997	$ (83,445)	$ 5,584,030
Acquisition of tangible capital assets	-	(4,265,615)	(2,899,966)
Amortization of tangible capital assets	3,063,511	2,391,327	2,526,211
	3,063,511	(1,874,288)	(373,755)
(Increase) decrease in prepaid assets	-	(3,814)	10,298
Increase (decrease) in net financial assets	3,113,508	(1,961,547)	5,220,573
Net debt at beginning of year	(14,535,529)	(14,535,529)	(19,756,102)
Net debt at end of year	$ (11,422,021)	$ (16,497,076)	$ (14,535,529)

The accompanying notes are an integral part of the financial statements

ELSIPOGTOG FIRST NATION

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2019

	2019 Budget	2019 Actual	2018 Actual
Revenues			
Indigenous Services Canada	$ 25,332,388	$ 42,882,174	$ 33,022,600
Health Canada	3,485,194	8,676,715	4,362,720
Department of Fisheries and Oceans	490,000	1,062,622	921,124
Canada Mortgage and Housing Corporation	373,525	334,685	283,213
Province of New Brunswick	1,638,253	1,823,977	1,762,477
Commercial fisheries	2,759,460	11,979,850	13,701,518
Other	7,829,498	13,967,889	13,148,604
Deferred Revenue, Closing	-	(18,658,369)	(3,951,815)
Total	41,908,318	62,069,543	63,250,441
Expenditures			
Wages and benefits	14,665,934	18,375,413	15,576,731
Interest and bank charges	1,602,452	1,131,988	1,125,157
Tuition provincial schools	-	2,597,560	2,511,106
Post secondary	500,125	773,766	530,265
Professional services	979,063	2,015,872	889,651
Commercial fisheries	1,047,074	8,974,403	9,226,927
Forestry	596,000	1,603,252	1,471,868
Social	9,756,615	10,381,153	9,639,262
Other	10,647,547	13,893,583	14,619,444
Total	39,794,810	59,746,990	55,590,411
Surplus before other items	2,113,508	2,322,553	7,660,030
Other items			
Equity (loss) in MicMac Industries of Big Cove Inc.	-	36,059	(289,049)
Equity (loss) in McGraw Seafood (2008) Inc.	1,000,000	348,268	939,480
Equity (loss) in River of Fire Market Inc.	-	(367,584)	(512,737)
Equity (loss) in Maologetinetj Dev. Corp. Inc.	-	(31,414)	312,517
Amortization	(3,063,511)	(2,391,327)	(2,526,211)
	(2,063,511)	(2,405,998)	(2,076,000)
Surplus (deficit) for the year	49,997	(83,445)	5,584,030
Accumulated surplus, beginning of year	16,008,369	16,008,369	10,424,339
Accumulated surplus, end of year	$ 16,058,366	$ 15,924,924	$ 16,008,369

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, 2019

	2019 Actual	2018 Actual
Cash flows from		
Operating activities		
Surplus (deficit)	$ (83,445)	$ 5,584,030
Items not affecting cash		
Amortization expense	2,391,327	2,526,211
	2,307,882	8,110,241
Change in non-cash operating working capital		
Other receivables	116,778	(1,053,227)
Prepaid expenses	(3,814)	10,300
Contributions receivable	(10,395,315)	(2,991,912)
Accounts payable and accrued liabilities	478,538	(322,225)
Deferred revenue	14,706,554	1,870,208
Funding repayable to ISC	17,812	188,089
	7,228,435	5,811,474
Capital activities		
Acquisition of tangible capital assets	(4,265,615)	(2,899,966)
Financing activities		
Due (to) from band owned enterprises	(2,149,499)	(1,997,671)
Repayment of long-term debt	(1,271,208)	(12,227,832)
Proceeds of long-term debt	1,431,932	11,400,000
Short-term financing	52,515	254,672
	(1,936,260)	(2,570,831)
Investing activities		
Decrease / (Increase) in Investment in Mic Mac Industries	(36,059)	289,049
Decrease / (Increase) in Investment in McGraw Seafood (2008) Inc.	(348,268)	(939,480)
Decrease / (Increase) in Investment in River of Fire Market	367,584	512,737
Decrease / (Increase) in Investment in Pharmasave	31,414	(312,517)
Transfer to CMHC reserve funds	(179,900)	(750,485)
Withdrawal from CMHC reserve funds	-	60
	(165,229)	(1,200,636)
Increase (decrease) in cash and cash equivalents	861,331	(859,959)
Cash and cash equivalents, beginning of year	(1,300,582)	(440,623)
Cash and cash equivalents, end of year	$ (439,251)	$ (1,300,582)
Represented by		
Cash	$ (845,405)	$ (1,698,302)
Trust funds held by federal government	406,154	397,720
	$ (439,251)	$ (1,300,582)

The accompanying notes are an integral part of the financial statements

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.

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 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.

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

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 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.

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, 2018	Additions (interest)	Withdrawals	March 31, 2019
Revenue	$ 11,218	$ 23,434	$ (15,000)	$ 19,652
Capital	386,502	-	-	386,502
	$ 397,720	$ 23,434	$ (15,000)	$ 406,154

3. Accounts receivable

	2019	2018
Tobacco loans	$ 1,356,184	$ 1,128,546
Education program	137,714	382,081
HST	18,827	36,650
Loans to individuals	288,543	251,375
Mawiw Council	629,425	385,839
Other	580,113	746,304
Province of New Brunswick	292,468	605,173
Snow crab fishery	427,788	315,745
Social program loans	149,463	149,403
Travel advances	50,969	101,972
Wellness programs	198,400	193,901
Wood harvest loans	124,602	124,602
	4,254,496	4,421,591
Allowance for doubtful accounts	(1,181,925)	(1,232,242)
	$ 3,072,571	$ 3,189,349

4. Due (to) from band owned enterprises

	2019	2018
Due (to) from McGraw Seafood (2008) Inc.	$ 4,575,864	$ 2,575,965
Due (to) from MicMac Industries of Big Cove Inc.	(185,633)	(339,608)
Due (to) from River of Fire Market	693,900	698,275
Due (to) from Pharmasave	38,000	38,000
	$ 5,122,131	$ 2,972,632

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 and Pharmasave relate to advances from Elsipogtog.

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

5. Contributions receivable

	2019	2018
Indigenous Services Canada	$ 9,285,699	$ 3,381,501
Health Canada	4,041,359	137,319
Department of Fisheries and Oceans	1,339,598	752,521
	$ 14,666,656	$ 4,271,341

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.

	2019	2018
Balance, beginning of year	$ 930,544	$ 180,119
Contributions made during the year	180,000	125,000
CMHC contribution	-	625,485
Withdrawals (bank charges)	(100)	(60)
Balance, end of year	$ 1,110,444	$ 930,544

7. Bank indebtedness

	2019	2018
Cheques issued in excess of funds on deposit	$ 845,405	$ 1,698,302

8. Accounts payable and accrued liabilities

Remittances for band employee benefits and the pension plan were not current as of March 31, 2019. The accounts payable balance includes:

	2019	2018
Trade accounts payable	$ 1,692,328	$ 802,095
Capital program trade payables	489,077	746,792
Province of New Brunswick tuition	1,453,819	1,717,819
Receiver General payroll deductions	55,950	(100,633)
Pension plan contributions	80,768	153,586
Royalties due to minor members	83,700	61,170
Youth centre	20,420	16,693
Land claims	64,702	64,702
	$ 3,940,764	$ 3,462,224

9. Deferred revenue

	2019	2018
Eagle Board Trust proceeds	$ 100,000	$ 100,000
Basic needs	580,880	733,327
School construction	7,389,821	547,131
Special education	-	137,411
Wellness	-	3,251
Health center extension	375,805	311,709
Prevention	143,888	127,816
Health services	687,797	436,971
Gopit lodge	19,054	19,054
Healthy medication project	36,215	38,243
Aboriginal diabetes initiative	115,390	117,064
Tobacco strategy	46,637	57,417
CPAC cancer care	75,438	75,438
Cultural, leisure & community development	48,211	-
Child and family services	2,190,996	-
Healing network	322,895	323,068
Justice development	134,435	45,685
Violence prevention	50,038	50,038
Mental health development	47,218	75,069
Community sea cadets	9,239	9,639
Youth fundraising	185,342	179,132
HIV/AIDS	30,000	-
Alcohol and drug treatment	3,663,242	70,300
Access NB	13,118	20,254
Day care center	202,433	10,726
Home and community care	353,528	108,786
Healthy child development	155,978	121,655
Aboriginal health transition fund	9,723	14,873
Mental health	299,162	213,732
N.A.Y.S.P. program	-	4,026
A&C wastewater	200,000	-
Water systems	69,050	-
Construction	519,000	-
Renovation	65,573	-
Info mgmt/info tech gov't capy dev	3,070	-
Capital planning project infrastructure	243,269	-
Preparedness	45,000	-
Response	9,424	-
Response	165,132	-
Fisheries - DFO	52,368	-
	$ 18,658,369	$ 3,951,815

10. Funding repayable to ISC

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

	2019	2018
Tuition	$ -	$ 19,950
Special needs	15	15
Recovery	44,583	-
Prevention/least disruptive measures	12,207	-
Carry-forward from 2016-17	-	19,028
Basic needs	312,116	312,116
Child maintenance	113,743	113,743
Capacity development	780	780
Family wellness	5,982	5,982
	$ 489,426	$ 471,614

11. Long-term debt

	2019	2018
Royal Bank of Canada Various mortgages at interest rates from 2.26% to 3.53%, $10,725 monthly including interest, guaranteed by the Minister of Indigenous Services Canada. These loans are related to CMHC housing projects and have varying repayment terms and maturity dates	**$ 398,678**	$ 514,834
Canada Mortgage and Housing Corporation Various mortgages at interest rates from 1.11% to 2.68%, $33,092 monthly including interest, guaranteed by the Minister of Indigenous Services Canada. These loans are related to CMHC housing projects and have varying repayment terms and maturity dates	**4,534,762**	4,855,132
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 Services Canada, due January 2027	**133,475**	147,788
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 Services Canada	**616,844**	695,592
Bridging Finance Inc. (USAND bridge loan) Prime plus 15.15% loan, payable monthly including interest for the grocery store and pharmacy building	**307,185**	254,670
Bank of Montreal 3.95% term loan, payable $6,194 monthly including interest for band owned housing, secured by the Minister of Indigenous Services Canada, due November 2030	**634,600**	676,468
Bank of Montreal 3.58% term loan, payable $5,355 monthly including interest for new community hall, due June 2026	**387,378**	432,716
Royal Bank of Canada Prime plus 0.25% loan, payable $49,419 quarterly including interest for land claim, due 2023	**981,932**	-

11. Long-term debt, continued

	2019	2018
Bank of Montreal Prime plus 3.00% demand loan, payable \$3,649 monthly including interest for the RCMP building, due December 2020	-	16,562
Levi & Levi Loan, payable \$8,036 monthly for building and equipment, due June 2021	**216,956**	-
Bank of Montreal Prime plus 1.50% loan, payable \$91,517 monthly including interest for the grocery store and pharmacy building, due June 2032	**10,621,425**	11,026,232
	\$ 18,833,235	\$ 18,619,994

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

2020	**\$ 1,540,457**
2021	**1,233,594**
2022	**1,199,311**
2023	**1,198,148**
2024 and thereafter	**13,661,725**
	\$ 18,833,235

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	**2019 net book value**
Land	$ 1,322,926	$ -	$ 1,322,926	$ -	$ -	$ -	$ 1,322,926
Buildings	22,587,736	2,388,747	24,976,483	16,167,809	1,154,430	17,322,239	7,654,244
Automotive equipment	570,155	87,600	657,755	570,155	17,520	587,675	70,080
Computer equipment	61,449	-	61,449	61,450	-	61,450	(1)
Furniture and equipment	1,723,231	33,606	1,756,837	1,241,997	57,566	1,299,563	457,274
CMHC housing	14,845,566	-	14,845,566	9,839,883	436,526	10,276,409	4,569,157
Fisheries vessels and equipment	10,184,671	131,869	10,316,540	8,309,226	505,330	8,814,556	1,501,984
School buses	1,078,466	-	1,078,466	930,749	49,239	979,988	98,478
Subdivision development	2,299,469	134,870	2,434,339	747,309	97,374	844,683	1,589,656
Roads and infrastructure	5,801,582	1,488,924	7,290,506	339,029	73,341	412,370	6,878,136
Land development	57,950	-	57,950	13,908	-	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
	67,973,761	$ 4,265,616	$ 72,239,377	$38,221,515	$ 2,391,326	$40,612,841	$31,626,536

	Cost			Accumulated amortization			
	Balance, beginning of year	Additions	Balance, end of year	Balance, beginning of year	Amortization	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
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
	$65,073,795	$2,899,966	$67,973,761	$35,695,305	$ 2,526,210	$ 38,221,515	$29,752,246

13. Prepaid expenses

	2019	2018
April post-secondary living allowances	$ 39,805	$ 32,201
Child and family services	23,490	-
Power outage	78,966	-
Social program basic entitlements	94,548	188,990
Chief and council honoraria	39,600	80,600
Insurance	108,507	89,860
Economic development training	3,000	-
Admin - Malcolm Saulis	7,549	-
	$ 395,465	$ 391,651

14. Investment in Government Business Enterprises

	MicMac Industries of Big Cove Inc.	McGraw Seafood (2008) Inc.	2019 Total	2018 Total
Cash	$ 52,054	$ 2,316,434	$ 2,368,488	$ 850,281
Accounts receivable	59,196	380,515	439,711	215,925
Inventory	81,956	639,402	721,358	735,648
Tangible capital assets	144,097	4,682,963	4,827,060	4,603,652
Due from related party	442,368	728,360	1,170,728	1,601,435
Other assets	93,893	293,763	387,656	418,193
Total assets	$ 873,564	$ 9,041,437	$ 9,915,001	$ 8,425,134
Accounts payable	$ 659,528	$ 679,101	$ 1,338,629	$ 1,598,728
Long-term debt	45,897	1,340,362	1,386,259	1,458,437
Other liabilities	-	4,879,200	4,879,200	3,441,382
Total liabilities	705,425	6,898,663	7,604,088	6,498,547
Equity	168,139	2,142,774	2,310,913	1,926,587
Total liabilities and equity	$ 873,564	$ 9,041,437	$ 9,915,001	$ 8,425,134

	MicMac Industries of Big Cove Inc.	McGraw Seafood (2008) Inc.	2019 Total	2018 Total
Revenue	$ 495,828	$ 36,338,668	$ 36,834,496	$ 45,955,151
Other expenses	212,814	31,919,515	32,132,329	41,216,819
Wages and benefits	229,437	3,496,591	3,726,028	3,512,274
Debt servicing	-	87,985	87,985	117,505
Amortization	17,518	486,310	503,828	458,122
Total expenses	459,769	35,990,401	36,450,170	45,304,720
Net income	$ 36,059	$ 348,267	$ 384,326	$ 650,431

15. Expenses by object

	2019	2018
Wages and benefits	**$ 18,375,413**	$ 15,576,731
Travel	**331,118**	350,846
Interest and bank charges	**1,131,988**	1,125,157
Materials and supplies	**1,315,598**	1,182,588
Insurance	**929,471**	624,590
Social program non-administration expense	**10,381,153**	9,639,262
Provincial and post secondary tuition	**3,371,326**	3,041,371
Repairs and maintenance	**2,071,316**	1,501,911
Amortization	**2,391,327**	2,526,211
Other expenses	**10,849,332**	12,431,377
Commercial fisheries	**8,974,403**	9,226,927
Professional services	**2,015,872**	889,651
	$ 62,138,317	$ 58,116,622

16. Economic Dependence

Elsipogtog First Nation receives a major portion of its revenue pursuant to a funding arrangement with Indigenous Services Canada (ISC).

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

In August 2000, ISC 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 ISC 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 $17,739,227 (2018 - $7,460,690). 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 $4,430,190 (2018 - $3,933,838). 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, 2019, 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.

During the year, McGraw Housing received loan proceeds from the Caisse Populaire to finance the construction of the residential housing totalling $1,747,713, which was the balance owing on the loan as at March 31, 2019. McGraw Seafood and Elsipogtog First Nation have guaranteed the loan up to $2,588,000 that bears interest at 6% and which matures in August 2023.

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

		2019		2018
Annual surplus (deficit) per page 3	$	**(83,445)**	$	5,584,030
Deduct: Federal government transfers for capital		**(2,848,567)**		(2,329,900)
Add: Amortization expense included in annual surplus		**2,391,327**		2,526,211
Annual surplus net of capital related revenues and amortization	$	**(540,685)**	$	5,780,341

ELSIPOGTOG FIRST NATION
SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS
SEGMENT DISCLOSURE
YEAR ENDED MARCH 31, 2019

	General fund		Capital fund		Social fund		CMHC Housing fund		Wellness fund		Consolidated totals	
	2019	Budget 2019	2019	Budget 2019	2019	Budget 2019	2019	Budget 2019	2019	Budget 2019	2019	Budget 2019
Revenues												
Federal Government	35,019,903	15,048,613	4,227,827	924,825	13,220,164	11,918,920	256,815	373,525	213,553	-	52,938,262	28,265,883
Provincial Government	1,600,772	1,638,253	-	-	-	-	-	-	223,205	-	1,823,977	1,638,253
Economic Activities	14,211,755	6,197,698	172,310	60,000	-	-	701,456	786,750	-	-	15,085,521	7,044,448
Other revenue	(6,786,543)	4,594,510	(1,228,579)	-	152,447	1,415,224	-	-	84,457	-	(7,778,218)	5,009,734
Total revenue	44,045,887	27,479,074	3,171,558	984,825	13,372,611	13,334,144	958,271	1,160,275	521,215	-	62,069,542	41,958,318
Expenses												
Salaries and benefits	17,212,225	13,636,808	273,407	98,718	493,429	475,308	-	-	396,352	-	18,375,413	14,210,834
Amortization	2,391,327	3,063,511	-	-	-	-	-	-	-	-	2,391,327	3,063,511
Debt servicing	1,043,104	1,171,446	-	-	-	-	88,884	300,000	-	-	1,131,988	1,471,446
Other expenses	25,345,428	10,511,890	1,549,845	905,826	12,896,727	12,421,839	322,726	322,975	124,863	-	40,239,589	24,162,530
Total expenses	45,992,084	28,383,655	1,823,252	1,004,544	13,390,156	12,897,147	411,610	622,975	521,215	-	62,138,317	42,908,321
Annual surplus (deficit) before gov't business enterprises	$ (1,946,197)	$ (904,581)	$ 1,348,306	$ (19,719)	$ (17,545)	$ 436,997	$ 546,661	$ 537,300	$ -	$ -	$ (68,775)	$ (950,003)

The accompanying notes are an integral part of the financial statements

ELSIPOGTOG FIRST NATION
SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS
SEGMENT DISCLOSURE
YEAR ENDED MARCH 31, 2018

	General fund		Capital fund		Social fund		CMHC Housing fund		Wellness fund		Consolidated totals	
	2018	**Budget 2018**	**2018**	**Budget 2018**	**2018**	**Budget 2018**	**2018**	**Budget 2018**	**2018**	**Budget 2018**	**2018**	**Budget 2018**
Revenues												
Federal Government	20,875,558	14,588,411	4,136,641	780,781	12,144,889	11,883,250	908,698	373,525	213,553	113,520	38,279,339	27,739,487
Provincial Government	1,952,477	1,806,730	-	-	-	-	-	-	-	174,152	1,952,477	1,980,882
Economic Activities	18,259,775	4,211,380	-	-	-	-	-	-	-	-	18,259,775	4,211,380
Other revenue	3,174,820	6,380,244	247,061	18,000	239,972	1,415,224	731,346	786,750	365,651	1,127,874	4,758,850	9,728,092
Total revenue	44,262,630	26,986,765	4,383,702	798,781	12,384,861	13,298,474	1,640,044	1,160,275	579,204	1,415,546	63,250,441	43,659,841
Expenses												
Salaries and benefits	14,625,558	12,906,069	215,808	28,271	-	-	-	-	331,288	543,103	15,172,654	13,477,443
Amortization	2,526,211	-	-	-	-	-	-	-	-	-	2,526,211	-
Debt servicing	1,032,883	227,000	-	-	-	-	92,274	180,000	-	-	1,125,157	407,000
Other expenses	24,822,271	12,301,184	832,082	965,962	12,989,406	12,896,400	400,938	322,975	247,903	872,443	39,292,600	27,358,964
Total expenses	43,006,923	25,434,253	1,047,890	994,233	12,989,406	12,896,400	493,212	502,975	579,191	1,415,546	58,116,622	41,243,407
Annual surplus (deficit) before gov't business enterprises	$ 1,255,707	$ 1,552,512	$ 3,335,812	$ (195,452)	$ (604,545)	$ 402,074	$ 1,146,832	$ 657,300	$ 13	$ -	$ 5,133,819	$ 2,416,434

The accompanying notes are an integral part of the financial statements

ELSIPOGTOG FIRST NATION
SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS
GOVERNMENT TRANSFERS
YEAR ENDED MARCH 31, 2019

	2019			2018		
	Operating	**Capital**	**Total**	**Operating**	**Capital**	**Total**
Federal government transfers						
Indigenous Services Canada	$ 40,165,476	$ 2,716,698	$ 42,882,174	$ 30,822,600	$ 2,200,000	$ 33,022,600
Health Canada	5,176,715	3,500,000	8,676,715	4,362,720	-	4,362,720
Canada Mortgage and Housing Corporation	334,685	-	334,685	283,213	-	283,213
Fisheries and Oceans	930,753	131,869	1,062,622	791,224	129,900	921,124
Justice Canada	213,553	-	213,553	213,553	-	213,553
Total	46,821,182	6,348,567	53,169,749	36,473,310	2,329,900	38,803,210
Provincial government transfers	1,823,977	-	1,823,977	1,762,477	-	1,762,477
	$ 48,645,159	$ 6,348,567	$ 54,993,726	$ 38,235,787	$ 2,329,900	$ 40,565,687