QALIPU FIRST NATION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

MARCH 31, 2016

BONNELL COLE JANES
Chartered Professional Accountants

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Chartered Professional Accountants
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INDEPENDENT AUDITORS' REPORT

To the Members of Council:
Qalipu First Nation

We have audited the accompanying consolidated financial statements of Qalipu First Nation, which comprise the consolidated statement of financial position as at March 31, 2016 and the consolidated statements of operations and accumulated surplus, revenue, expenditures, changes in net assets (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 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the 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 consolidated financial position of the Qalipu First Nation as at March 31, 2016, and the results of its consolidated operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Corner Brook,
Newfoundland and Labrador
June 2, 2016

Bonnell Cole Janes
CHARTERED PROFESSIONAL ACCOUNTANTS

QALIPU FIRST NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2016

	2016	2015
Financial assets		
Cash and cash equivalents(Note: 2)	$ 1,060,134	$ 537,380
Short-term investments		200,400
Accounts receivable (Note: 3)	1,464,093	1,122,071
Income tax receivable	90	
Inventories for resale (Note. 4)	5,506	7,774
Total financial assets	2,529,823	1,867,625
Liabilities		
Accounts payable and accrued liabilities (Note 5)	$ 1,421,131	$ 1,006,766
Income taxes payable		211
Deferred revenue (Note: 6)	417,457	308,812
Long term debt (Note: 7)	880,115	915,366
Deferred government assistance (Note: 9)	1,688,088	1,820,860
Future income taxes payable	6,894	8,004
Reserves (Note: 13)	55,175	90,000
Total liabilities	4,468,860	4,150,019
Net assets (net debt)	(1,939,037)	(2,282,394)
Non-financial assets		
Tangible capital assets (Note: 22)	2,965,634	2,715,881
Fishing Licences (Note: 14)	2,489,012	2,489,012
Prepaid expenses (Note: 8)	93,693	89,835
Total non-financial assets	5,548,339	5,294,728
Accumulated surplus	$ 3,609,302	$ 3,012,334

Contingencies (Note: 10)

Contractual Obligations (Note: 12)

Approved on Behalf of Chief & Council:

____
Signature

June 10, 2016
Date

The accompanying notes and supplementary schedules are an integral part of these financial statements

BONNELL COLE JANES Chartered Professional Accountants

QALIPU FIRST NATION
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2016

	Budget	2016	2015
Revenue	$ 8,664,200	$ 9,610,207	$ 9,121,565
Expenditures	8,410,751	9,013,239	8,394,275
Annual surplus	$ 253,449	596,968	727,290
Accumulated surplus at beginning of year		3,012,334	2,285,044
Accumulated surplus at end of year		$ 3,609,302	$ 3,012,334

The accompanying notes and supplementary schedules are an integral part of these financial statements

BONNELL COLE JANES
Chartered Professional Accountants

QALIPU FIRST NATION
CONSOLIDATED STATEMENT OF REVENUE
FOR THE YEAR ENDED MARCH 31, 2016

	Budget	2016	2015
REVENUE			
Federal Government			
Aboriginal Affairs and Northern Development Canada (Note: 17)	$ 6,070,697	$ 6,072,172	$ 6,081,951
Employment and Social Development Canada	1,286,141	1,251,263	1,242,330
Health Canada	279,832	272,782	121,889
Fisheries and Oceans Canada	200,000	200,000	515,000
Department of Canadian Heritage	46,608	46,608	
Atlantic Canada Opportunities Agency	21,439	21,438	
CBDC Long Range	5,000	5,000	
Provincial Government			
Department of Advanced Education & Skills		36,274	
Department of Business, Tourism, Culture and Rural Development	33,545	33,545	
Department of Health and Community Services	26,487	26,487	
Women's Policy Office	7,186	7,186	9,814
Commercial Fishery		485,133	432,796
Other Commercial Enterprises		417,074	90,107
Emera	255,917	152,908	232,824
Rent	146,027	146,027	110,623
Government assistance		132,772	150,184
Management and administration fees	107,130	121,555	35,437
Transfer from Election Reserve	112,550	90,000	
Congress of Aboriginal Peoples	65,641	65,641	3,323
Miscellaneous		15,302	60,288
Client Recovery Revenue		11,040	34,999
	$ 8,664,200	$ 9,610,207	$ 9,121,565

The accompanying notes and supplementary schedules are an integral part of these financial statements

BONNELL COLE JANES Chartered Professional Accountants

QALIPU FIRST NATION
CONSOLIDATED STATEMENT OF EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2016

	Budget	2016	2015
EXPENDITURES			
Skills development - University	$ 3,616,101	$ 3,690,270	$ 3,688,598
Wages and benefits	2,000,891	2,009,644	1,646,944
Skills development - Community College	1,018,392	934,075	801,458
Consulting and research fees	233,783	228,102	358,146
Amortization of tangible capital assets	99,285	202,676	211,189
Travel and meetings	194,742	201,873	264,897
Maintenance and supplies	3,330	181,363	168,816
Health Benefits payments	135,999	153,429	
Office and postage	142,190	151,270	125,311
Contracted services		126,799	
Professional fees	149,883	125,710	215,225
Election expenses	112,550	108,720	
Summer program	78,875	78,875	77,838
Honorariums and per diems	74,200	77,607	71,327
Wage subsidy	67,949	76,114	76,242
Rent	68,123	73,560	68,248
Telephone	59,210	63,982	48,631
Boat fuel and bait		62,260	96,324
RCMP youth program	58,510	56,513	58,086
Reserve for election (Note: 13)		55,175	30,000
Targeted training program	47,257	49,428	9,522
Insurance	34,864	47,975	48,897
Self employment assistance	51,000	43,735	72,077
Interest on long term debt		40,325	41,865
Licences and fees	11,000	27,733	11,199
Utilities		22,180	20,225
Graduate incentive	42,914	21,042	28,637
Advertising and promotion	38,998	17,448	16,324
Municipal tax		16,729	16,827
Staff skills development	19,250	15,830	32,194
Interest and bank charges	6,000	10,217	9,497
Cultural activities	10,000	10,000	13,738
Outdoor Education Program	20,769	9,204	
Promotional items		6,693	1,978
Career Threads Program	5,633	5,152	3,063
Proposal development	5,000	5,000	
Miscellaneous	1,100	4,637	1,092
Communications	2,953	2,953	
Loss on disposal of tangible capital assets			50,107
Aboriginal health program			10,000
Capacity building			892
Income taxes		(1,059)	(1,139)
	$ 8,410,751	$ 9,013,239	$ 8,394,275

The accompanying notes and supplementary schedules are an integral part of these financial statements

BONNELL COLE JANES
Chartered Professional Accountants

QALIPU FIRST NATION
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS (NET DEBT)
FOR THE YEAR ENDED MARCH 31, 2016

	Budget	2016	2015
Annual surplus	$ 253,449	$ 596,968	$ 727,290
Tangible capital assets:			
Acquisition of tangible capital assets		(452,428)	(140,635)
Proceeds on disposal of tangible capital assets			11,500
Loss on disposal of tangible capital assets			50,107
Amortization of tangible capital assets	99,285	202,675	211,189
Total Tangible Capital Assets:	99,285	(249,753)	132,161
Acquisition of prepaid expenses		(3,858)	(15,931)
Acquisition of fishing licences			(315,000)
		(253,611)	(198,770)
Increase in net assets (net debt)	$ 352,734	343,357	528,520
Net assets (net debt) at beginning of year		(2,282,394)	(2,810,914)
Net assets (net debt) at end of year		$(1,939,037)	$(2,282,394)

The accompanying notes and supplementary schedules are an integral part of these financial statements

BONNELL COLE JANES
Chartered Professional Accountants

QALIPU FIRST NATION
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2016

	2016	2015
Operating Transactions		
Annual surplus / (deficit)	$ 596,968	$ 727,290
Items not affecting cash:		
Amortization of government assistance	(132,772)	(150,184)
Amortization of tangible capital assets	202,675	211,189
Loss on disposal of tangible capital assets		50,107
Future income taxes	(1,110)	(1,350)
	665,761	837,052
Changes in non-cash items on Statement of Financial Position		
(Increase) decrease in accounts receivable	(342,022)	(245,029)
(Decrease) increase in reserve for future election	(34,825)	30,000
(Increase) decrease in income taxes receivable	(90)	5,520
Increase in prepaid expenses	(3,858)	(15,932)
Increase (decrease) in income taxes payable	(211)	211
(Decrease) increase in accounts payable	414,365	(384,935)
Decrease (increase) in inventory	2,288	(7,774)
Increase (decrease) in deferred revenue	108,645	146,026
Cash provided by (applied to) operating transactions	810,033	365,139
Capital Transactions		
Proceeds from disposal of tangible capital assets		11,500
Purchase of intangible assets		(315,000)
Purchase of tangible capital assets	(452,428)	(140,635)
Cash provided by (applied to) capital transactions	(452,428)	(444,135)
Investing activities		
Proceeds from redemption of short-term investments	200,400	
Purchase of short-term investments		(150,400)
Cash provided by (used for) investing activities	200,400	(150,400)
Financing Transactions		
Payment of debt	(35,251)	(33,712)
Cash provided by (applied to) financing transactions	(35,251)	(33,712)
Increase (decrease) in cash and cash equivalents	522,754	(263,108)
Cash and cash equivalents, beginning of the year	537,380	800,488
Cash and cash equivalents, end of the year	$ 1,060,134	$ 537,380

The accompanying notes and supplementary schedules are an integral part of these financial statements

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1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

These financial statements have been prepared in accordance with generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. In addition, Qalipu First Nation includes certain financial information that is not required by the Canadian public sector accounting standards This information is presented in order to satisfy Aboriginal Affairs and Northern Development Canada and is presented on pages 50 to 51.

(b) Reporting Entity

The Qalipu First Nation reporting entity includes the Qalipu First Nation government and all related entities that are controlled by the First Nation.

(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, which are included in the Consolidated Financial Statements on a modified equity basis. Inter-organizational balances and transactions are eliminated upon consolidation.

Organizations consolidated in Qalipu First Nation's financial statements include:
- Qalipu Development Corporation
- Mi'kmaq Commercial Fisheries Inc.
- Qalipu Management Services Inc
- Qalipu Marine Holdings Ltd.
- Qalipu Project Support Services Ltd.

(d) 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.

(e) Cash

Cash includes cash on hand and balances with banks net of bank overdraft.

(Cont'd)

1. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(f) Tangible Capital Assets

Tangible capital assets include acquired, built, developed and improved tangible capital assets, whose useful life extends beyond one year and which are intended to be used on an ongoing basis for producing goods or delivering services.

Tangible capital assets are reported at net book value Contributions received to assist in the acquisition of tangible capital assets are reported as deferred revenue and amortized to income at the same rate as the related asset.

Certain assets which have historical or cultural value, including works of art, historical documents and historical and cultural artifacts, are not recognized as tangible capital assets. Assets under construction are not amortized until the asset is available to be put into service.

Amortization is provided on a straight-line basis, over the expected useful life of the assets in the table that follows, except for buildings and leasehold improvements which are recorded on the declining balance basis. Amortization rates are as follows:

Fishing vessel	10 years
Machinery, equipment and furniture	5 years
Motor vehicle	5 years
Buildings and leasehold improvements	4%

(g) Net Assets

The First Nation's financial statements are presented so as to highlight net assets as the measurement of financial position. The net assets of the First Nation is determined by its financial assets less its liabilities.

(h) 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 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.

(Cont'd)

1. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(i) Measurement Uncertainty

In preparing the consolidated financial statements for Qalipu First Nation, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the consolidated financial statements and reported amounts of revenue and expenses during the period. The main estimates used in preparing these financial statements include the amortization of the capital assets. Actual results could differ from these estimates.

2. CASH AND CASH EQUIVALENTS

Cash is comprised of the following

	2016	2015
Unrestricted		
Operating	$ 535,550	$ 537,380
Investment Savings	524,284	
Petty Cash	300	
Total cash	$ 1,060,134	$ 537,380

3. ACCOUNTS RECEIVABLE

	2016	2015
Department of Fisheries and Oceans	$	$ 51,000
Health Canada	114,714	
Federation of Newfoundland Indians	44,176	431,995
MCI Limited Partnership	26,011	69,527
JADS Holdings Limited	808,128	161,839
Employment and Social Development Canada	124,461	
Government of Newfoundland and Labrador		3,875
NSP Martine Link Inc.		265,247
Qalipu Cultural Foundation Incorporated		3,870
Small amounts owing (Net of doubtful accounts)	285,100	101,261
Mi'kmaq Alsumk Mowimsikik Koqoey Association Inc.	12,730	
HST Refund	48,773	33,457
Total Accounts receivable	$ 1,464,093	$ 1,122,071

4. INVENTORIES FOR RESALE

	2016	2015
Promotional items inventory	$ 5,506	$ 7,774

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Chartered Professional Accountants

QALIPU FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2016	2015
Trade payables	$ 1,073,233	$ 518,591
Accrued salaries and employee benefits payable	152,301	119,776
Other accrued liabilities	115,866	344,241
Mi'kmaq Alsumk Mowimsikik Koqoey Association Inc.		24,158
Qalipu Cultural Foundation Incorporated	10,514	
Aboriginal Affairs and Northern Development Canada	69,217	
Total Accounts Payable	$ 1,421,131	$ 1,006,766

6. DEFERRED REVENUE

The First Nation has received the following advances from funding agencies. These advances are recorded as deferred revenue and will be recorded as current revenue in the year the expenses are incurred.

	2016	2015
Department of Fisheries and Oceans	$ 9,900	$
Department of Advanced Education & Skills	164,294	
Aboriginal Affairs and Northern Development Canada		73,170
Employment and Social Development Canada	56,021	56,669
Non Insured Health Benefits		31,179
Provincial Department of Education		9,500
Department of Health and Community Services	7,050	31,782
Women's Policy Office	15,179	7,186
Emera - Socio-Economic Agreement	103,009	32,423
Post Secondary Client Recovery Revenue	62,004	66,903
	$ 417,457	$ 308,812

7. LONG TERM DEBT

	2016	2015
4.46% bank loan repayable in blended monthly installments of $2,838 to 2032, secured by land and building located at 1 Church Street, with a carrying value of $794,052.	$ 398,515	$ 414,399
4.48% bank loan repayable in blended monthly installments of $3,460 to 2032, secured by land and building located at 3 Church Street, with a carrying value of $996,630.	481,600	500,967
	$ 880,115	$ 915,366

(Cont'd)

7. LONG TERM DEBT (cont'd)

Long term debt repayments required to meet retirement provisions in each of the next five years are:

2017	$ 36,831
2018	38,546
2019	40,305
2020	42,146
2021	44,070
Subsequent	678,217
	$ 880,115

	2016	2015
Interest expense for the year on long term debt	$ 40,325	$ 41,865

8. PREPAID EXPENSES

	2016	2015
Employee benefits	$ 26,728	$ 25,819
Municipal taxes	23,199	15,899
Insurance	33,440	38,005
Other prepaid expenses	10,326	10,112
Total Prepaid Expenses	$ 93,693	$ 89,835

9. DEFERRED GOVERNMENT ASSISTANCE

Aboriginal Affairs and Northern Development Canada has provided government assistance for the purchase of land and building. The government assistance is being amortized to income on the same basis as the building is being amortized.

The Department of Fisheries and Oceans has purchased commercial fishing licences which have been transferred to Mi'kmaq Commercial Fisheries Inc. The government assistance is being amortized to income on the same basis as the cumulative eligible capital deduction for the fishing licences.

The Department of Fisheries and Oceans has also provided assistance towards the acquisition of certain property, plant and equipment. The government assistance is being amortized to income on the same basis as the related property, plant and equipment are amortized

BONNELL COLE JANES
Chartered Professional Accountants

10. CONTINGENCIES

Qalipu 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.

During the year, Aboriginal Affairs and Northern Development Canada performed a compliance review of the 2014-2015 Post Secondary Student Support Program. As a result of this review, the Qalipu First Nation received an invoice for $279,684. Of this amount, $49,628 has been recorded as a liability in the financial statements for the year ended March 31, 2016. The balance of $230,056 is being contested by the First Nation, and accordingly, no liability has been recorded in the financial statements.

In addition, in the normal course of its operations, Qalipu First Nation becomes involved in legal actions. Some of these potential liabilities may become actual liabilities when one or more future events occur 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 recorded on Qalipu First Nation's financial statements.

11. ECONOMIC DEPENDENCE

The government of Qalipu First Nation receives a major portion of its revenue from Aboriginal Affairs and Northern Development Canada and Employment and Social Development Canada. The nature and extent of this revenue is of such significance that the First Nation is economically dependent on this source of revenue.

12. CONTRACTUAL OBLIGATIONS

The nature of Qalipu First Nation's activities can result in some multi-year contracts whereby it will be obligated to make future payments when the goods or services are received. At March 31, 2016 there were no significant contractual obligations that can be reasonably estimated.

13. RESERVES

Qalipu First Nation has established a reserve to fund future election expenses. Amounts added to the reserve in the fiscal year will be recorded as a current expenditure in the year of addition.

14. FISHING LICENSES

The Qalipu First Nation has ownership of ten commercial fishing licences for the use and benefit of its membership. These assets have been recorded at a cost of $1,192,600.

Mi'kmaq Commercial Fishery Inc. has ownership of three commercial fishing licences which have been recorded at a cost of $1,296,412

BONNELL COLE JANES
Chartered Professional Accountants

15. PENSION PLAN

Qalipu First Nation provides a defined contribution pension plan for eligible members of its staff Contributions made to the plan accumulate in member accounts established under the plan. The funding policy includes 9% of earnings for the Chief Executive Officer and three directors, 8% of earnings for management employees, and 7% of earnings for non-management employees, which is matched by Qalipu First Nation. The amount of retirement benefit to be received by the employees will be based on the member's share of the pension plan at the time of withdrawal.

Qalipu First Nation contributed during the year $86,694 (2015 - $41,641)

16. RELATED PARTY TRANSACTIONS

During the year, the First Nation provided services to a related party for $135,644. (2015 - $21,293)

During the year, the First nation provided services to a second party for $13,850. (2015 - $16,792)

The related parties are Organizations that are controlled by First Nations people.

These purchases are in the normal course of business and are measured at the exchange rate, which is the amount of consideration established and agreed to by the related parties.

17. ABORIGINAL AFFAIRS AND NORTHERN DEVELOPMENT CANADA FUNDING RECONCILIATION

	2016	2015
Funding per financial statements	$ 6,072,172	$ 6,081,951
Add: Current year deferred revenue		
Aboriginal Entrepreneurship Program		61,920
Community Economic Development Program		11,250
	6,072,172	6,155,121
Less: Prior year deferred revenue		
Community Economic Development Program	11,250	18,885
Aboriginal Entrepreneurship Program	61,920	
	5,999,002	6,136,236
Add: Repayment of ineligible expenditures - NP5A	59,096	
Funding per funding confirmation report	$ 6,058,098	$ 6,136,236

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