

**ESGENOÔPETITJ FIRST NATION  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2014**

ESGENOÏPETITJ FIRST NATION  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2014

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## INDEPENDENT AUDITOR'S REPORT

To the Chief and Band Councilors of Esgehoopetij First Nation

We have audited the accompanying consolidated financial statements of Esgehoopetij First Nation, which comprise the consolidated statement of financial position as at March 31, 2014, and the consolidated statements of operations and accumulated surplus, changes in net debt and cash flows, and schedules 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 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 entity'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 entity'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 qualified audit opinion

### Basis for Qualified Opinion

The consolidated financial statements include a receivable of \$2,319,223 in dispute with the Province of New Brunswick (note 20) recorded in the 2011 fiscal year for road maintenance costs incurred from 1963 to 2008. During the course of our audit we were unable to obtain reasonable assurance regarding the validity and collectability of this receivable. Any overstatement in this receivable would result in a corresponding understatement of net debt and an overstatement of financial assets, excess of revenue over expenditures and accumulated surplus.

The consolidated financial statements include a payable of \$8 907,665 to the Province of New Brunswick (note 8) as at March 31, 2014 which has been reduced by a contingent gain of \$1,269,085 for eligible education deductions recorded in the 2012 fiscal year. The ultimate amount of the contingent gain to be realized and applicable reduction of this payable, if any, would be subject to a settlement of a negotiated Tuition Arrears Agreement between Esgenoôpetitj First Nation and the Province of New Brunswick. Since no such settlement has yet been confirmed and the recording of a contingent gain is inconsistent with Canadian public sector accounting standards, any understatement in this payable would result in a corresponding understatement of financial liabilities and net debt and an overstatement of excess of revenue over expenditures and accumulated surplus.

Esgenoôpetitj Development Corporation Ltd. derives revenue and expenses from mini-casino operations the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues and expenses was limited to the amounts recorded in the records of Esgenoôpetitj Development Corporation Ltd. Therefore, we were not able to determine whether adjustments might be necessary to revenue, expenses, excess of revenue over expenditures, cash flows from operations, net debt and accumulated surplus.

#### Qualified Opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of Esgenoôpetitj First Nation as at March 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

September 10, 2014  
Fredericton, NB



CHARTERED ACCOUNTANTS

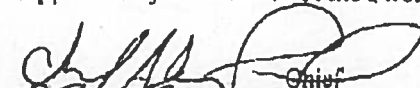
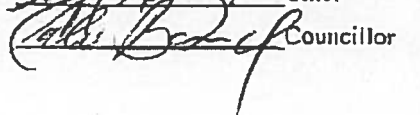
ESGENOUPETITJ FIRST NATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2014

FINANCIAL ASSETS	2014	2013
Cash	\$	\$ 887,211
Restricted cash (note 4)	145,036	182,536
Accounts receivable (note 7)	4,347,383	2,399,286
Inventory	44,736	-
Receivable from Province of New Brunswick (note 20)	2,319,223	2,319,223
Investments in government business enterprises (note 21)	<u>1,281,253</u>	<u>1,596,561</u>
	<u>8,137,631</u>	<u>7,384,817</u>
LIABILITIES		
Bank indebtedness	120	-
Due to Pêcheries Baie Chaleurs Fisheries (2012) Inc.	252,790	-
Loan payable to MAWIW (note 10)	198,030	-
Accounts payable and accrued liabilities (note 8)	11,886,758	10,194,251
Deferred revenue (note 9)	78,520	50,000
Long term debt (note 12)	<u>6,216,371</u>	<u>6,989,735</u>
	<u>18,632,589</u>	<u>17,233,986</u>
NET DEBT	<u>(10,494,958)</u>	<u>(9,849,169)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (note 11)	29,426,106	28,550,622
Prepaid expenses (note 6)	<u>255,653</u>	<u>213,664</u>
	<u>29,681,759</u>	<u>28,764,306</u>
ACCUMULATED SURPLUS	<u>\$ 19,186,801</u>	<u>\$ 18,915,137</u>

Approved by the Council of the First Nation:

  
 Chief  
  
 Councillor

# ESGENOÏPETITJ FIRST NATION

## CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

FOR THE YEAR ENDED MARCH 31, 2014

	<u>2014</u> <u>Budget</u>	<u>2014</u>	<u>2013</u>
<b>Revenue</b>			
Aboriginal Affairs and Northern Development Canada ("AANDC") (note 18)	\$ 11,224,822	\$ 12,963,495	\$ 13,816,049
Federal Government	1,052,501	1,425,346	2,214,653
Health Canada	1,531,730	1,600,939	1,590,141
Provincial Government	1,278,533	1,391,164	1,172,387
Other	<u>2,124,424</u>	<u>3,906,858</u>	<u>2,778,595</u>
	<u>17,212,010</u>	<u>21,287,802</u>	<u>21,571,825</u>
<b>Expenditures</b>			
Indian Registry Administration	13,725	14,700	13,710
Economic Development	102,006	94,216	78,588
Education	3,138,368	3,427,475	3,247,470
Social Assistance	5,066,616	5,009,419	5,311,702
Child, Family and Community Services	1,018,987	1,113,059	1,066,296
Headstart	248,186	265,815	250,881
Capital - Infrastructure assets	315,226	452,810	447,186
Capital - Education assets	189,929	717,650	746,992
Capital - Housing	1,332,927	1,063,663	1,216,854
Band Financial Management	853,275	1,013,615	968,205
Medical Services	1,380,141	1,531,968	1,480,757
Fisheries	275,247	792,458	1,096,898
Day Camp	25,000	55,979	45,985
Tiny Treasures Day Care	163,137	176,459	165,753
Healing Foundation	-	81,052	38,976
Band Constable Program	145,687	193,780	142,063
ASETS	552,497	579,341	428,971
Other Band Activities	<u>2,518,732</u>	<u>4,117,370</u>	<u>2,475,117</u>
	<u>17,339,686</u>	<u>20,700,829</u>	<u>19,222,404</u>
	(127,676)	586,973	2,349,421
<b>Other Income (Expenses)</b>			
Net loss from investment in government business enterprises	-	(315,309)	(163,439)
<b>Excess (Deficiency) Of Revenue Over Expenditures</b>	(127,676)	271,664	2,185,982
<b>Accumulated Surplus - Beginning Of Year</b>	<u>18,915,137</u>	<u>18,915,137</u>	<u>16,729,155</u>
<b>Accumulated Surplus - End Of Year</b>	<u>\$ 18,787,461</u>	<u>\$ 19,186,801</u>	<u>\$ 18,915,137</u>

ESGENOÔPETITJ FIRST NATION  
CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT  
FOR THE YEAR ENDED MARCH 31, 2014

	<u>2014</u>	<u>2013</u>
Excess Of Revenue Over Expenditures	\$ 271,664	\$ 2,185,982
Acquisition of tangible capital assets	(2,094,993)	(1,333,664)
Amortization of tangible capital assets	1,219,508	1,165,669
(Decrease) increase in prepaid expenses	<u>(41,968)</u>	<u>27,608</u>
	<u>(917,453)</u>	<u>(140,387)</u>
(Increase) Decrease In Net Debt	(645,789)	2,045,595
Net Debt - Beginning Of Year	<u>(9,849,169)</u>	<u>(11,894,764)</u>
Net Debt - End Of Year	<u>\$ (10,494,958)</u>	<u>\$ (9,849,169)</u>

**ESGENOÏPETITJ FIRST NATION**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED MARCH 31, 2014**

	<u>2014</u>	<u>2013</u>
<b>Cash Provided By (Required For):</b>		
<b>Operating Activities</b>		
Excess Of Revenue Over Expenditures	\$ 271,664	\$ 2,185,982
Items not affecting cash		
- Amortization of tangible capital assets	<u>1,219,508</u>	<u>1,165,669</u>
	1,491,172	3,351,651
Changes in non-cash operating working capital items (note 13)	<u>(313,775)</u>	<u>1,218,734</u>
	<u>1,177,397</u>	<u>4,570,385</u>
<b>Investing Activities</b>		
Acquisition of tangible capital assets	(2,094,993)	(1,333,664)
Investment in government business enterprises	<u>315,308</u>	<u>(1,596,561)</u>
	<u>(1,779,685)</u>	<u>(2,930,225)</u>
<b>Financing Activities</b>		
Advances from Pêcheries Baie Chaleurs Fisheries (2012) Inc	252,790	-
Loan payable to MAWIW	198,030	-
Proceeds on long-term debt	74,077	-
Repayment of long-term debt	<u>(847,441)</u>	<u>(790,836)</u>
	<u>(322,544)</u>	<u>(790,836)</u>
<b>Increase (Decrease) In Cash During The Year</b>	(924,832)	849,324
<b>Cash Position At Beginning Of Year</b>	<u>1,069,747</u>	<u>220,423</u>
<b>Cash Position At End Of Year</b>	<u>\$ 144,915</u>	<u>\$ 1,069,747</u>
<b>Components Of Cash:</b>		
	<u>2014</u>	<u>2013</u>
Cash (Bank indebtedness)	\$ (120)	\$ 887,211
Restricted cash	<u>145,036</u>	<u>182,536</u>
	<u>\$ 144,916</u>	<u>\$ 1,069,747</u>



**ESGENOÏPETITJ FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2014**

**1. Description of Entity**

The Esgenoôpetitj First Nation operates a First Nations Band in Burnt Church, New Brunswick for the benefit of its members

**2 Significant Accounting Policies**

**Basis of Accounting**

These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants

**Reporting Entity**

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

**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.

Under the modified equity method of accounting, only Esgenoôpetitj First Nation's investment in the government business enterprise and the enterprise's net income and other changes in equity are recorded. No adjustment is made for accounting policies of the enterprise that are different from those of Esgenoôpetitj First Nation.

Organizations consolidated in Esgenoôpetitj First Nation's financial statements include Esgenoôpetitj Development Corporation Ltd.

Organizations accounted for on a modified equity basis include Pecheries Baie Chaleurs Fisheries (2012) Inc.

**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 and prepaid expenses.

**Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, balances with banks net of bank overdrafts.

**ESGENOÏPETITJ FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2014**

**2. Significant Accounting Policies (continued)**

**Accounts Receivable**

Accounts receivable includes trade receivables, loans and advances, and federal and provincial government receivables. An allowance for bad debts has been recorded by management through an assessment of circumstances influencing the collectability of amounts, and using historical loss experience. Amounts deemed uncollectable are written off and deducted from the carrying value of the receivable. Amounts subsequently recovered from accounts previously written off are credited to the allowance account in the period of recovery.

**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 annually, at rates and methods calculated to write-off the assets over their estimated useful lives as follows:

Commercial buildings	4%	declining balance
Residential buildings	4%	declining balance
Vehicles	30%	declining balance
Computer equipment	30%	declining balance
Other equipment	20%	declining balance
Midshore vessel	8%	declining balance
Shoreline erosion	40 year	straight line

Amortization of Section 95 1 Housing is provided on buildings and equipment purchased on loans insured by CMHC at a rate equal to the annual principal reduction of the mortgage.

The Esgenoôpetitj First Nation regularly reviews its property and equipment to eliminate obsolete items.

**Inventory**

Inventories of supplies and goods available for resale are recorded at the lower of cost and net realizable value.

• ESGENOÔPETITJ FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2014

2. Significant Accounting Policies (continued)

**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 is performed.

**Measurement Uncertainty**

The preparation of consolidated financial statements in conformity 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 consolidated financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

**Net Debt**

The First Nation's consolidated 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. Net debt is comprised of two components, non-financial assets and accumulated surplus.

**Income Taxes**

The Esgenoôpetitj First Nation is an Indian Band and is not subject to income tax. Accordingly, no provision has been made for income taxes.

**ESGENOÔPETITJ FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2014**

**2 Significant Accounting Policies (continued)**

**Financial Instruments**

The Esgenoôpetitj First Nation is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the organization's risk exposure and concentration as of March 31, 2014.

**Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the company manages exposure through its normal operating and financing activities. The organization is exposed to interest rate risk primarily through its floating rate loan with Peace Hill Trust and other long-term debt.

**Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The organization is exposed to this risk mainly in respect of funds from funding partners, long term debt and accounts payable.

**3. Economic Dependence**

The Esgenoôpetitj First Nation receives a major portion of its revenue from AANDC and Health Canada. The nature and extent of this revenue is of such significance that the First Nation is economically dependent on this source of revenue.

**4 Cash**

	<u>2014</u>	<u>2013</u>
Externally restricted		
AANDC - Ottawa trust (note 5)	\$ 44,429	\$ 90,036
AANDC - New school	3,944	4,004
CMHC - Replacement reserve (note 14)	60,956	60,895
CMHC - Operating reserve (note 15)	<u>35,707</u>	<u>27,601</u>
	145,036	182,536
Unrestricted		
Operating	<u>(120)</u>	<u>887,211</u>
Total Cash	<u>\$ 144,916</u>	<u>\$ 1,069,747</u>

# ESGENOÏPETITJ FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2014

### 5 Trust Funds Held by Federal Government

Trust fund accounts arise from moneys derived from capital or revenue sources as outlined in Section 62 of the Indian Act. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act.

	Opening Balance	Additions	Withdrawals	Closing Balance	2014 Total	2013 Total
Revenue	\$ 70,297	\$ 2,280	\$ (47,887)	\$ 24,690	\$ 24,690	\$ 70,297
Capital	19,739	-	-	19,739	<u>19,739</u>	<u>19,739</u>
Fund Total					<u>\$ 44,429</u>	<u>\$ 90,036</u>

### 6. Prepaid Expenses

	2014	2013
Insurance	\$ 158,814	\$ 150,669
Other	<u>96,839</u>	<u>63,015</u>
Total Prepaid Expenses	<u>\$ 255,653</u>	<u>\$ 213,684</u>

### 7. Accounts Receivable

	2014	2013
Due from members		
Advances - Social Assistance	\$ 67,738	\$ 92,973
Advances - Employees and other	<u>256,470</u>	<u>179,168</u>
	<u>324,208</u>	<u>272,141</u>
Due from others:		
Aboriginal Affairs and Northern Development Canada	3,531,790	418,198
Health Canada	10,000	-
Fisheries and Oceans	423,888	906,260
Other	<u>734,474</u>	<u>1,074,829</u>
	<u>4,700,152</u>	<u>2,399,287</u>
Less: allowance for doubtful accounts*	<u>(676,977)</u>	<u>(272,142)</u>
Total Accounts Receivable	<u>\$ 4,347,383</u>	<u>\$ 2,399,286</u>

\* The allowance for doubtful accounts includes a provision of \$352,769 (2013 - \$nil) applicable to disputed funding owing from MAWIW.

**ESGENOÏPETITJ FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2014**

**8. Accounts Payable And Accrued Liabilities**

	<u>2014</u>	<u>2013</u>
Province of New Brunswick - Tuition	\$ 8,907,665	\$ 7,619,564
Suppliers	1,690,663	1,633,326
Payroll deductions	246,574	116,584
Other accrued liabilities	<u>1,041,856</u>	<u>824,777</u>
	<u>\$ 11,886,758</u>	<u>\$ 10,194,251</u>

The tuition payable of \$8,907,665 to the Province of New Brunswick has been reduced by \$1,269,085 for education deductions deemed to be eligible by the First Nation. The Province of New Brunswick has not formally approved this reduction and consequently, the tuition payable amount could be materially higher than recorded. Negotiations continue between Esgenoôpetitj First Nation and the Province of New Brunswick to resolve this matter. The tuition payable balance of \$8,907,665 does not include accrued interest and service charges of \$9,525,461 (2013 - \$7,856,294) for which the First Nation is contingently liable as identified in note 14.

**9. Deferred Revenue**

	<u>2014</u>	<u>2013</u>
Health Canada - Medical services	\$ 10,000	\$ -
Province of New Brunswick	15,000	-
MAWTW Council Inc	24,824	50,000
Aboriginal Healing Foundation	<u>28,696</u>	<u>-</u>
	<u>\$ 78,520</u>	<u>\$ 50,000</u>

**10. Loan Payable to MAWTW**

Loan payable is non-interest bearing and secured by future program funding by MAWTW otherwise payable to Esgenoôpetitj First Nation.

FOR THE YEAR ENDED MARCH 31, 2014

**ESGENOÔPETITJ FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2014**

**12. Long-Term Debt**

	<u>2014</u>	<u>2013</u>
Loan secured by a first mortgage on buildings, repayable by monthly installments of \$904 including principal and interest at the rate of 2.65%, renewable in February 2015	\$ 90,385	\$ 98,735
Loan secured by a first mortgage on buildings, repayable by monthly installments of \$820 including principal and interest at the rate of 2.56%, renewable in December 2015	98,722	106,473
Loan secured by a first mortgage on buildings, repayable by monthly installments of \$661 including principal and interest at the rate of 2.56%, renewable in December 2015	79,520	84,822
Loan secured by a first mortgage on buildings, repayable by monthly installments of \$2,113 including principal and interest at the rate of 1.64%, renewable in December 2016.	186,546	208,399
Loan secured by a first mortgage on buildings, repayable by monthly installments of \$993 including principal and interest at the rate of 1.64%, renewable in December 2016	135,503	145,124
Loan secured by a first mortgage on buildings, repayable by monthly installments of \$974 including principal and interest at the rate of 1.53%, renewable in July 2017	37,965	48,983
Loan secured by a first mortgage on buildings, repayable by monthly installments of \$868 including principal and interest at the rate of 1.62%, renewable in March 2018	130,378	138,611
Loan secured by a first mortgage on buildings, repayable by monthly installments of \$1,560 including principal and interest at the rate of 1.64%, renewable in December 2016	295,569	309,807
Loan secured by a first mortgage on buildings, repayable by monthly installments of \$639 including principal and interest at the rate of 1.67%, renewable in April 2017	119,248	124,884



ESGENOÏPETITJ FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2014

12. Long-Term Debt (Continued)

	<u>2014</u>	<u>2013</u>
Loan secured by a first mortgage on buildings, repayable by monthly installments of \$1,348 including principal and interest at the rate of 1 65%, renewable in June 2017	253,912	265,809
Loan secured by a first mortgage on buildings, repayable by monthly installments of \$954 including principal and interest at the rate of 1 62%, renewable in March 2018	166,454	175,137
Loan secured by a first mortgage on buildings, repayable by monthly installments of \$1,937 including principal and interest at the rate of 1 62%, renewable in March 2018	338,015	355,649
Loan secured by a first mortgage on buildings, repayable by monthly installments of \$900 including principal and interest at the rate of 2 35%, renewable in September 2018	168,323	174,718
Loan secured by a first mortgage on buildings, repayable by monthly installments of \$2,233 including principal and interest at the rate of 2 35%, renewable in September 2018	419,182	435,307
Loan secured by a first mortgage on buildings, repayable by monthly installments of \$1,625 including principal and interest at the rate of 2 04%, renewable in March 2019	318,182	330,905
Loan secured by a first mortgage on buildings, repayable by monthly installments of \$1,756 including principal and interest at the rate of 1 92%, renewable in April 2019.	351,143	365,542
Loan secured by a first mortgage on buildings, repayable by monthly installments of \$2,277 including principal and interest at the rate of 2 65%, renewable in April 2016	457,097	472,161
Loan secured by a first mortgage on buildings, repayable by monthly installments of \$1,152 including principal and interest at the rate of 2.78%, renewable in August 2015	222,616	230,176

•ESGENOÔPETITJ FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2014

12. Long-Term Debt (Continued)

	<u>2014</u>	<u>2013</u>
Loan secured by a first mortgage on buildings, repayable by monthly installments of \$1,143 including principal and interest at the rate of 2.40%, renewable in October 2018	253,293	181,012
Loan from Peace Hill Trust, repayable by monthly installments of \$41,667 including principal and interest at prime plus 2%, secured by a general security agreement with the Band	483,484	941,006
Loan from Peace Hill Trust, repayable by monthly installments of \$1,100 including principal and interest at 6.25%, secured by a Chevrolet Tahoe, due in April 2015.	13,954	25,872
Loan from Bank of Montreal, repayable in monthly installments of \$23,298 including principal and interest at 6.25% per annum, secured by a general security agreement, due April 2016	<u>1,596,880</u>	<u>1,770,603</u>
	6,216,371	6,989,735
Less current portion	<u>896,369</u>	<u>856,209</u>
	<u>\$ 5,320,002</u>	<u>\$ 6,133,526</u>

Assuming the loans are renewed on comparable terms, the principal portion of long term debt expected to become due in each of the next five years is as follows

2015	\$ 896,369
2016	417,697
2017	433,514
2018	443,681
2019	<u>458,573</u>
	<u>\$ 2,649,834</u>

13. Changes In Non-Cash Operating Working Capital

	<u>2014</u>	<u>2013</u>
Accounts receivable	\$(1,948,098)	\$ 2,072,262
Inventory	(44,736)	-
Prepaid expenses	(41,967)	27,609
Crab quota advance	-	(184,171)
Accounts payable and accrued liabilities	1,692,506	(714,054)
Deferred revenue	<u>28,520</u>	<u>17,088</u>
	<u>\$ (313,775)</u>	<u>\$ 1,218,734</u>

**ESGENOÏPETITJ FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2014**

**14. Contingencies**

**General**

Esgenoôpetitj 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.

In addition, in the normal course of its operations, Esgenoôpetitj First Nation may become involved in legal actions. Some other 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 Esgenoôpetitj First Nation's consolidated financial statements.

**Contingent Liability for Accrued Interest on Tuition Fees**

Esgenoôpetitj First Nation is contingently liable for accrued interest and service fees totalling \$9,525,461 (2013 - \$7,856,294) to the Province of New Brunswick applicable to the *Tuition Arrears Repayment Agreement*. Under the agreement and through on-going discussions with the Province, accrued interest and service fees applicable to the current (and future) liability of delinquent tuition would be waived upon full principal repayment. In the meantime, current year accrued interest and fees is tracked at \$1,669,167 (2013 - \$1,453,288) which is included in the above mentioned totals. During the year, principal repayments on delinquent tuition balances amounted to \$nil (2012 - \$972,050). It is the opinion of Chief and Council that Esgenoôpetitj First Nation will continue to repay delinquent tuition balances over time along with participating in additional settlement negotiations to ensure that the full amount of accrued interest and service fees is waived. As such, there is no liability for this item recorded in the consolidated financial statements.

**Loan Guarantee**

The Esgenoôpetitj First Nation has guaranteed a Caisse Populaire loan in the amount of \$1,000,000 for Pêcheries Baie Chaleurs (2012) Inc. The loan bears interest at 6.379% per annum, is repayable in annual blended payments of \$105,829, and matures November, 2015. Additional security for this loan includes a debenture of \$3,600,000 and a guarantee from 618090 N.B. Inc.

**15. Replacement Reserve Bank Account**

Under the terms of the agreement with Canada Mortgage and Housing Corporation, the Replacement Reserve bank account is to be credited in the amount of \$62,586 (2013 - \$62,586) annually. These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by Canada Mortgage and Housing Corporation. Withdrawals are credited to interest first and then principal.

As at March 31, 2014, the bank account is underfunded by \$352,412 (2013 - \$222,211).

**ESGENOÏPETITJ FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**16. Operating Reserve Bank Account**

Under the terms of the agreement with Canada Mortgage and Housing Corporation, excess federal assistance payments received may be retained in an operating reserve fund. The reserve is to be comprised of monies deposited in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by Canada Mortgage and Housing Corporation from time to time. The funds in this account may be used to meet future subsidy requirements of income-tested occupants over and above the maximum federal assistance.

As at March 31, 2014, the bank account is underfunded by \$258,784 (2013 - \$239,451).

**17. Related Party Transactions**

The following amounts have been paid to related parties during the year which includes Chief and Councillors, management staff, Esgenoôpetitj Development Corporation Ltd. and other companies owned by Chief or Councillors.

	<u>2014</u>	<u>2013</u>
Heating oil	\$ <u>483,952</u>	\$ <u>386,779</u>

**18. Reconciliation of Aboriginal Affairs and Northern Development Canada (AANDC) Funding**

	<u>2014</u>
AANDC funding per consolidated financial statements	\$ 12,963,495
Less AANDC recoveries	<u>(41,600)</u>
Funding per AANDC revenue confirmation	<u>\$ 12,921,895</u>

**ESGENOÔPETITJ FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**19. Expenses by Object**

The following is a summary of expense by object which includes all expenditures contained in the consolidated statement of operations and accumulated surplus (page 5)

	<u>2014</u>	<u>2013</u>
Amortization	1,219,508	1,165,669
Building repairs and renovations	592,607	633,969
Interest	270,604	285,387
Insurance	202,556	211,343
Professional and consultant fees	170,401	292,325
Repairs and maintenance	518,070	557,564
Salaries and wages	6,058,676	4,790,394
Travel	143,850	211,796
Materials and supplies	436,190	311,952
Telephone	80,483	69,407
Tuition	1,788,173	1,693,912
Utilities	108,535	124,947
Office supplies and equipment	98,846	100,255
Other	8,340,675	8,151,084
Health programs	<u>671,655</u>	<u>622,400</u>
	<u>\$ 20,700,829</u>	<u>\$19,222,404</u>

**20. Receivable from Province of New Brunswick**

The receivable from the Province of New Brunswick in the amount of \$2,319,223 is for road maintenance costs incurred from 1963 to 2008 for which the First Nation claims the Province of New Brunswick is responsible. The Province of New Brunswick has not yet formally acknowledged the validity of this receivable and consequently, the collectable amount may be materially lower than recorded.

The Esgenoôpetitj First Nation advises that they are currently negotiating this amount with the Province of New Brunswick.

# ESGENOÏPETITJ FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2014

### 21. Investment in Government Business Enterprises

The commercial enterprises that are included in the First Nation reporting entity, as described in note 2 - Principles of Consolidation to these consolidated financial statements includes

- Esgenoïpetitj Development Corporation Ltd (Dev Corp) - fully consolidated
- Pecheries Baie Chaleurs Fisheries (2012) Inc (Baie Chaleurs) - modified equity basis

Esgenoïpetitj First Nation owns 66 67% of Pecheries Baie Chaleurs Fisheries (2012) Inc

Esgenoïpetitj First Nation's investment in government business enterprises consist of the following

	<u>2014</u>	<u>2013</u>
Pecheries Baie Chaleurs Fisheries (2012) Inc	\$ <u>1,281,253</u>	\$ <u>1,596,561</u>

The following table presents condensed financial information for these commercial enterprises

	<u>Dev. Corp.</u>	<u>Baie Chaleurs</u>	<u>2014 Total</u>	<u>2013 Total</u>
Cash	\$ 111,130	\$ 60,243	\$ 171,373	\$ 112,574
Accounts receivable	149,802	193,827	343,629	126,681
Inventory	44,736	-	44,736	-
Tangible capital assets	2,398,112	2,382,925	4,781,037	4,819,725
Other assets	-	226,897	226,897	236,452
<b>Total assets</b>	<u>2,703,780</u>	<u>2,863,892</u>	<u>\$ 5,567,672</u>	<u>\$ 5,295,432</u>
Accounts payable	58,508	132,491	190,999	132,759
Advances	-	438,691	438,691	133,333
Long term debt	1,596,880	795,949	2,392,829	2,437,270
Other liabilities	15,000	213,333	228,333	213,333
Due to Esgenoïpetitj First Nation	<u>3,068,716</u>	-	<u>3,068,716</u>	<u>3,027,042</u>
<b>Total liabilities</b>	<u>4,739,104</u>	<u>1,580,464</u>	<u>6,319,568</u>	<u>5,943,737</u>
Equity (Deficit)	<u>(2,035,326)</u>	<u>1,283,428</u>	<u>(751,898)</u>	<u>(2,244,867)</u>
<b>Total Liabilities and Equity</b>	<u>\$ 2,703,778</u>	<u>\$ 2,863,892</u>	<u>\$ 5,567,670</u>	<u>\$ 3,698,870</u>
<b>Revenue</b>	<u>\$ 4,326,913</u>	<u>\$10,446,409</u>	<u>\$14,773,322</u>	<u>\$ 2,641,856</u>
Expenses	3,985,270	10,419,003	14,404,273	2,508,240
Debt servicing	<u>132,100</u>	<u>45,487</u>	<u>177,587</u>	<u>180,312</u>
<b>Total Expenses</b>	<u>4,117,370</u>	<u>10,464,490</u>	<u>14,581,860</u>	<u>2,688,552</u>
<b>Net Income (Loss)</b>	<u>\$ 209,543</u>	<u>\$ (18,081)</u>	<u>\$ 191,462</u>	<u>\$ (46,696)</u>

**ESGENOÔPETITJ FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2014**

**22 Government Transfers**

	<u>Operating</u>	<u>Capital</u>	<u>2014 Total</u>
<b>Federal government transfers:</b>			
Aboriginal Affairs and Northern Development Canada	\$ 11,831,981	\$ 1,131,514	\$ 12,963,495
Health Canada	1,600,939	-	1,600,939
Canada Mortgage and Housing Corporation	179,330	-	179,330
Department of Fisheries and Oceans	750,913	-	750,913
Aboriginal Skills and Employment Training Strategy	234,402	-	234,402
Public Safety Canada	181,902	-	181,902
Human Resources and Skills Development Canada	<u>78,799</u>	<u>-</u>	<u>78,799</u>
Total	14,858,266	1,131,514	15,989,780
<b>Provincial government transfers</b>	<u>1,391,164</u>	<u>-</u>	<u>1,391,164</u>
	<u>\$ 16,249,430</u>	<u>\$ 1,131,514</u>	<u>\$ 17,380,944</u>
	<u>Operating</u>	<u>Capital</u>	<u>2013 Total</u>
<b>Federal government transfers:</b>			
Aboriginal Affairs and Northern Development Canada	\$ 11,487,505	\$ 2,328,544	\$ 13,816,049
Health Canada	1,590,141	-	1,590,141
Canada Mortgage and Housing Corporation	175,231	-	175,231
Department of Fisheries	990,277	300,000	1,290,277
Aboriginal Skills and Employment Training Strategy	592,874	-	592,874
Public Safety Canada	<u>156,271</u>	<u>-</u>	<u>156,271</u>
Total	14,992,299	2,628,544	17,620,843
<b>Provincial government transfers</b>	<u>672,387</u>	<u>500,000</u>	<u>1,172,387</u>
	<u>\$ 15,664,686</u>	<u>\$ 3,128,544</u>	<u>\$ 18,793,230</u>

**23. Comparative Figures**

Certain prior year comparative figures have been reclassified to conform with current year presentation.

**24. Budgeted Figures**

Budgeted figures are unaudited and have been derived from the estimates approved by Esgenoôpetitj First Nation's Chief and Council

ESGENOOPETITJ FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2014

25. Segment Disclosure

Esgenopetitj First Nation provides a range of services to its members. For management reporting purposes, operations and activities are organized and reported by department. For each segment separately reported, the segment revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The presentation by segment is based on the same accounting policies as described in the summary of Significant Accounting Policies as described in Note 1. The segment results for the period are as follows:

	Education			Health			Economic Development			Housing			Community Services		
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014
<b>Revenues</b>															
Federal Government	\$ 4,088,570	\$ 4,326,618	\$ 1,523,858	\$ 1,490,447	\$ 346,055	\$ 367,406	\$ 759,120	\$ 749,010	\$ 1,680,433	\$ 1,957,574					
Provincial Government	78,220	15,593	-	-	1,312,944	656,794	-	-	-	-					
Economic Activities	-	-	-	-	2,971,530	1,947,677	319,384	312,948	-	-					
Other Revenue	82,702	127,412	-	-	42,439	37,385	3,378	44,500	86,472	43,618					
<b>Total Revenues</b>	<b>4,249,492</b>	<b>4,469,623</b>	<b>1,523,858</b>	<b>1,490,447</b>	<b>4,672,968</b>	<b>3,009,262</b>	<b>1,081,882</b>	<b>1,106,458</b>	<b>1,766,905</b>	<b>2,001,192</b>					
<b>Expenses</b>															
Salaries and benefits	1,708,928	1,507,822	745,299	762,873	1,747,945	716,328	75,480	104,092	267,366	291,709					
Amortization	470,014	495,405	53,507	33,223	114,079	119,683	285,964	255,875	183,722	141,898					
Debt Servicing	-	-	-	-	132,099	119,147	134,087	191,303	-	-					
Other Expenses	2,545,524	2,420,206	733,162	684,662	2,483,278	1,849,426	568,132	665,584	315,212	264,293					
<b>Total Expenses</b>	<b>4,724,466</b>	<b>4,423,433</b>	<b>1,531,968</b>	<b>1,480,758</b>	<b>4,477,401</b>	<b>2,804,584</b>	<b>1,063,663</b>	<b>1,216,854</b>	<b>766,300</b>	<b>697,900</b>					
<b>Annual Surplus (Deficit)</b>	<b>\$ (474,974)</b>	<b>\$ 46,190</b>	<b>\$ (8,110)</b>	<b>\$ 9,689</b>	<b>\$ 195,567</b>	<b>\$ 204,678</b>	<b>\$ 18,219</b>	<b>\$ (110,396)</b>	<b>\$ 1,000,605</b>	<b>\$ 1,303,292</b>					



ESGENOÓPETITJ FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2014

25. Segment Disclosure (continued)

	Social Services		Band Government		Other		Consolidated Totals	
	2014	2013	2014	2013	2014	2013	2014	2013
<b>Revenues</b>								
Federal Government	\$ 5,686,375	\$ 5,276,371	\$ 972,554	\$ 2,306,869	\$ 932,815	\$ 1,146,548	\$ 15,989,780	\$ 17,620,843
Provincial Government	-	-	-	500,000	-	-	1,391,164	1,172,387
Economic Activities	-	-	-	-	-	-	3,290,914	2,260,625
Other Revenue	132,129	146,863	268,824	118,192	-	-	615,944	517,970
<b>Total Revenues</b>	<b>5,818,504</b>	<b>5,423,234</b>	<b>1,241,378</b>	<b>2,925,061</b>	<b>932,815</b>	<b>1,146,548</b>	<b>21,287,802</b>	<b>21,571,825</b>
<b>Expenses</b>								
Salaries and benefits	600,338	550,862	378,579	373,245	534,741	483,463	6,058,676	4,790,394
Amortization	-	-	42,411	45,273	69,811	74,312	1,219,508	1,165,669
Debit Servicing	-	-	46,897	42,824	-	-	311,083	353,274
Other Expenses	5,522,140	5,827,136	560,428	520,573	381,686	681,187	13,109,562	12,913,067
<b>Total Expenses</b>	<b>6,122,478</b>	<b>6,377,998</b>	<b>1,028,315</b>	<b>981,915</b>	<b>986,238</b>	<b>1,238,962</b>	<b>20,700,829</b>	<b>19,222,404</b>
<b>Annual Surplus (Deficit)</b>	<b>\$ (303,974)</b>	<b>\$ (954,764)</b>	<b>\$ 213,063</b>	<b>\$ 1,943,146</b>	<b>\$ (53,423)</b>	<b>\$ (92,414)</b>	<b>\$ 586,973</b>	<b>\$ 2,349,421</b>