ESGENOÔPETITJ FIRST NATION

AUDITOR'S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2015

ESGENOÔPETITJ FIRST NATION

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MARCH 31, 2015

INDEPENDENT AUDITOR'S REPORT

To the Chief and Band Councillors of
ESGENOÔPETITJ FIRST NATION

We have audited the accompanying consolidated financial statements of ESGENOÔPETITJ FIRST NATION, which comprise the consolidated financial position as at March 2015, and the consolidated statements of operations and changes in accumulated surplus, changes in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility
Our responsibility is to express an opinion on these 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 financial statements are free from 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 auditor's judgment, including the assessment of the 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 policies 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.

Basis for Qualified Opinion
The consolidated financial statements include a receivable of $2,319,223 in dispute with the Province of New Brunswick (note 9) 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.

Esgenoôpetij 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 Esgenoôpetij 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 Esgenoôpetij First nation as at March 31, 2015, and the results of its operations and its cash flows for the year ended in accordance with Canadian public sector accounting standards.

Other matters
As mentionned in note 25 of the financial statements, budget figures are also unaudited.

Nadeau Picard & Associés

Nadeau Picard & Associés
Chartered Professional Accountants

Grand Falls, NB
November 4, 2015

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CONSOLIDATED FINANCIAL POSITION
March 31

	2015	2014
FINANCIAL ASSETS		
Restricted cash (note 3)	$ 373,677	$ 145,036
Accounts receivable (note 7)	2,426,830	4,447,383
Deposit on tangible capital assets	150,000	-
Inventory	19,955	44,736
Receivable from Pêcheries Baie Chaleurs Fisheries (2012) Inc. (note 8)	961,739	-
Receivable from Province of New Brunswick (note 9)	2,319,223	2,319,223
Investments in government business enterprises (note 10)	736,031	1,281,253
	6,987,455	8,237,631
LIABILITIES		
Bank indebtedness	571,111	120
Due to Pêcheries Baie Chaleurs Fischeries (2012) Inc.	-	252,790
Loan payable to MAWIW	-	198,030
Accounts payable and accrued liabilities (note 11)	6,891,826	11,886,758
Deferred revenue (note 12)	145,000	78,520
Long-term debt (note 13)	6,350,001	6,216,371
	13,957,938	18,632,589
NET DEBT	(6,970,483)	(10,394,958)
NON FINANCIAL ASSETS		
Tangible capital assets (note 14)	29,974,189	30,093,028
Prepaid expenses (note 15)	61,841	255,653
	30,036,030	30,348,681
ACCUMULATED SURPLUS	$ 23,065,547	$ 19,953,723

APPROVED BY THE FIRST NATION

______________, Chief

______________, Councillor

______________, Councillor

CONSOLIDATED OPERATIONS
Year ended March 31

	2015 Budget (Unaudited)	2015 Actual	2014 Actual
REVENUE			
Aboriginal Affairs and Northern Development Canada (AANDC) (note 22)	$ 11,264,590	$ 12,713,772	$ 12,963,495
Federal Government	968,416	1,627,861	1,425,346
Health Canada	1,451,536	1,581,826	1,600,939
Provincial Government	1,320,112	2,144,887	1,391,164
Other	2,644,714	4,233,167	3,906,858
	17,649,368	22,301,513	21,287,802
EXPENSES			
Indian Registry Administration	14,789	14,652	14,700
Economic Development	102,493	109,065	94,216
Education	3,326,322	3,623,178	3,427,475
Social Assistance	5,068,514	5,461,408	5,009,419
Child, Family and Community Services	932,734	982,700	1,113,059
Headstart	258,689	268,559	265,815
Capital - Infrastructure Assets	357,797	733,794	452,810
Capital - Education Assets	245,409	678,110	717,650
Capital Housing	900,606	904,970	707,799
Band Financial Management	971,758	1,171,261	1,013,615
Medical Services	1,425,784	1,672,997	1,531,968
Fisheries	327,566	879,202	792,458
Day Camp	50,000	56,237	55,979
Tiny Treasures Day Care	163,076	183,136	176,459
Healing Foundation	-	3,086	81,052
Band Constable Program	150,644	144,117	193,780
ASETS	552,497	453,143	579,341
Other Band Activities	2,837,748	4,599,226	4,117,370
	17,686,426	21,938,841	20,344,965
	(37,058)	362,672	942,837
OTHER INCOME (EXPENSES)			
Tuition fees write-off	-	3,294,373	-
Net loss from investment in government business enterprises	-	(545,221)	(315,309)
	-	2,749,152	315,309
ANNUAL SURPLUS	(37,058)	3,111,824	627,528

CONSOLIDATED CHANGES IN ACCUMULATED SURPLUS
Year ended March 31

	2015 Budget (Unaudited)	2015 Actual	2014 Actual
BEGINNING BALANCE			
As previously reported	19,953,723	19,186,801	18,915,137
Adjustments to prior years (note 2)	-	766,922	411,058
As restated	19,953,723	19,953,723	19,326,195
Annual surplus	(37,058)	3,111,824	627,528
END OF PERIOD	$ 19,916,665	$ 23,065,547	$ 19,953,723

CONSOLIDATED CHANGES IN NET DEBT
Year ended March 31

	2015 Actual	2014 Actual
ANNUAL SURPLUS	$ 3,111,824	$ 627,528
Acquisition of tangible capital assets	(1,114,546)	(2,356,212)
Amortization of tangible capital assets	1,233,385	1,219,508
Decrease (increase) in prepaid expenses	193,812	(41,968)
Disposal of tangible capital assets	-	58,115
Accumulated amortization on disposal of tangible capital assets	-	(52,760)
	312,651	(1,173,317)
DECREASE (INCREASE) IN NET DEBT	3,424,475	(545,789)
NET DEBT, BEGINNING OF YEAR	(10,394,958)	(9,849,169)
NET DEBT, END OF YEAR	$ (6,970,483)	$ (10,394,958)

CONSOLIDATED CASH FLOWS
Year ended March 31

Indirect method	2015	2014
OPERATING ACTIVITIES		
Annual surplus	$ 3,111,824	$ 627,528
Add (deduct) non-cash items :		
Amortization	1,233,385	1,219,508
Gain on disposal of capital assets	-	(94,645)
	4,345,209	1,752,391
Net change in non-cash working capital items		
Accounts receivable	2,020,553	(2,048,098)
Inventory	24,781	(44,736)
Prepaid	193,812	(41,967)
Accounts payable and accrued liabilities	(4,994,931)	1,692,506
Deferred revenue	66,480	28,520
	1,655,904	1,338,616
FINANCING ACTIVITIES		
Increase of long-term debt	1,042,591	74,077
Repayment of long-term debt	(908,961)	(847,441)
Advance from (to) Pêcheries Baie Chaleurs Fisheries (2012) Inc.	(1,214,529)	252,790
Loan payable to MAWIW	(198,030)	198,030
	(1,278,929)	(322,544)
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(1,114,546)	(2,356,211)
Proceeds from disposal of capital assets	-	100,000
Deposit on tangible capital assets	(150,000)	-
Investment in government business enterprises	545,221	315,308
	(719,325)	(1,940,903)
DECREASE IN CASH AND CASH EQUIVALENTS	(342,350)	(924,831)
CASH AND CASH EQUIVALENTS, BEGINNING	144,916	1,069,747
CASH AND CASH EQUIVALENTS, ENDING	$ (197,434)	$ 144,916

Cash and cash equivalents consist of the following:.

	2015	2014
Bank indebtedness	$ (571,111)	$ (120)
Restricted cash	373,677	145,036
	$ (197,434)	$ 144,916

1. SIGNIFICANT ACCOUNTING POLICIES

Basic of Accounting

These consolidated financial statements have been prepared by Band management in accordance with the First Nation Reporting Handbook, which states that you follow the Canadian public sector accounting standards for government entities, as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Professional Accountants, which encompasses the following principles:

a) Accrual Accounting

Expenses are recorded for all goods and services received or consumed during this fiscal year.

Amounts received or recorded as receivable but not earned by the end of the fiscal year are recorded as deferred revenue.

b) Reporting Entity

The Esgenoôpetitj First Nation reporting entity includes theEsgenoôpetitj First Nation government and all related entities which are accountable to the First Nation and are either owned or controlled by it.

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.

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.

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 and are not to be consumed in the normal course of 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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Use of estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting periods presented. Actual results could differ from these estimates.

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 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 restricitions 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.

g) 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.

h) Cash and Cash Equivalents

The First Nation's policy is to disclose bank balances under cash and cash equivalents, including bank overdrafts with balances that fluctuate frequently from being positive to overdrawn and term deposits with a maturity period of three months or less from the date of acquisition. Cash and cash equivalents that the First Nation cannot use for current transactions because they are pledged as security are also excluded from cash and cash equivalents.

i) Financial Instruments

The First Nation's financial instruments consist of cash, accounts receivable, bank loans, demand loans, accounts payable, accrued liabilities and long term debt. The fair value of these financial instruments approximate their carrying values unless otherwise noted.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Accounts receivable

Accounts receivable includes trade receivables, loans and advances, and federal and provincial government receivable. 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.

k) Inventory

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

l) 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 recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset. 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.

Amortization is provided annually, at rate and methods calculated to write-off the assets over their estimated useful lives as follows:

Commercial buildings	declining balance	4%
Residential buildings	declining balance	4%
Computer	declining balance	30%
Equipment	declining balance	20%
Midshore vessel	declining balance	8%
Vehicule	declining balance	30%
Shoreline erosion	straight line	40 years

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.

Tangible capital assets are written down when conditions indicate that they no longer contribute to Indian Island First Nation's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the consolidated statement of operations.

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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Deferred Revenue

Deferred revenue represents unspent Government transfers for programs, where the eligibility criteria has not been met at year end. The unspent revenue is carried foward to be recognized as eligibility criteria is met or until the funder deems the surpluses to be repayable at which time an amount payable is recognized.

n) 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.

o) Segmented Information

The First Nation discloses segmented results of operations for the year in note 24 to the consolidated financial statements. The First Nation has segregated its activities into the following segments based on distinguishable groups of activities:

Education
Provides elementary, secondary and post-secondary tuition for qualifying members along with related programs and support.

Health
Contains activities that provide medical services to band members.

Economic Development
Contains activities of the economic development program.

Housing
Contain activities that relate to the maintenance of buildings and land of the First Nation houses.It also includes the section 95 housing and related expenditures.

Community
Contain all activities related to the maintenance of buildings and land of the First Nation. It also includes the expenses related to Day Care and Day Camp.

Social
Povides social assistance to qualifying members.

Band Government
Includes all other activities not described in another fund. Mainly centralized and shared activities.

Other
Includes the band constable program and the fisheries activities.

2. ADJUSTMENTS TO PRIOR YEARS

According to section 3150 of the Public Sector Accounting of the CPA Canada Handbook - Accounting, the C.M.H.C. houses should be recognized as tangible capital assets on the statement of financial position at cost when it has a useful economic lives beyond an accounting period and its held for rental purposes. In the March 31, 2013 year end, the First Nation started a 5 units project (17 914 565/017). All cost related to this unit was expensed in 2013 as well as in 2014. Since the First Nation has met all of the conditions of section 3150, a prior year adjustment was made to capitalize the unit and consequently, the opening retained earnings as at April 1, 2013 was increased by $411,058 and the net income for the year ended March 31, 2014 was increased by $261,222.

The financial position presentation for the C.M.H.C. houses have been reclassified from the net income to the tangible capital asset for an amount of $672,280

In addition, according to section 2400 of the Public Sector Accounting of the CPA Canada Handbook - Accounting, financial statements shoud be adjusted when an event occured between the date of the fianncial statements and the date of approval of the financial statement. Since a C.M.H.C. house was burned down as at March 31, 2014 year-end, and since the insurance proceed was known before the approval of the financial statement, the house should have been disposed as a capital asset. Therefore, the retained earnings and net income as at March 31, 2014 have been increased by $94,645.

3. CASH

	2015	2014
Externally restricted		
AANDC - Ottawa trust (note 4)	$ 46,172	$ 44,429
CMHC - Replacement reserve (note 5)	60,956	60,956
CMHC - Operating reserve (note 6)	39,106	35,707
	146,234	141,092
Unrestricted		
Capital Projects	227,443	3,944
Operating	(571,111)	(120)
	(343,668)	3,824
	$ (197,434)	$ 144,916

4. OTTAWA TRUST MONEYS

The Ottawa Trust accounts arise from monies 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 and are subject to audit by the Office of the Auditor General of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act.

	Opening balance	Additions	Withdrawals	2015 balance	2014 balance
Revenue	$ 24,690	$ 1,743	$ -	$ 26,433	$ 24,690
Capital	19,739	-	-	19,739	19,739
Total				$ 46,172	$ 44,429

5. REPLACEMENT RESERVE BANK ACCOUNT

Under the terms of an agreement with Canada Mortgage and Housing Corporation, the Replacement Reserve bank account is to be credited in the amount of $67,503 (2014 - $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 otherwise approved by the Canada Mortgage and Housing Corporation.

As at March 31, 2015, the bank account is underfunded by $427,862 (2014 - $360,359).

6. OPERATING RESERVE BANK ACCOUNT

Under the terms of an 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 otherwise approved by the Canada Mortgage and Housing Corporation. 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, 2015, the bank account is underfunded by $288,277 (2014 - $258,784).

7. ACCOUNTS RECEIVABLE

	2015	2014
Due from members		
Advances - Social Assistance	$ 73,939	$ 67,738
Advances - Employees and other	297,580	256,470
	371,519	324,208
Due from others		
Aboriginal Affais and Northern Development Canada	1,528,599	3,531,790
Health Canada	4,042	10,000
Fisheries and Oceans	153,991	423,888
Other	815,735	834,474
	$ 2,502,367	$ 4,800,152
Allowance for doubtful accounts*	(447,056)	(676,977)
	$ 2,426,830	$ 4,447,383

* The allowance for doubtful accounts includes a provision of $nil (2014 - $352,769) applicable to disputed funding owing from MAWIW.

	2015	2014

8. RECEIVABLE FROM PÊCHERIES BAIE CHALEURS FISHERIES (2012) INC

	2015	2014
Loan receivable from Pêcheries Baie Chaleurs Fisheries (2012), non interest bearing, repayable in the following three annual payments	$ 961,739	$ -

Estimated payments to be received during the next three years are :

2016: $236,667
2017: $416,667
2018: $308,405

9. 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 advised that they are currently negotiating this amount with the Province of New Brunswick.

10. INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISES

The commercial enterprises that are included in the First Nation reporting entity, as described in note 1 - Principles of Consolidation to these consolidated financial statements includes:

Esgenoôpetitj Development Corporation Ltd (Dev. Corp) - fully consolidated;

Pêcheries Baie Chaleurs Fisheries (2012) Inc (Baie Chaleurs) - modified equity basis.

Esgenoôpetitj First Nation owns 66.67% of Pêcheries Baie Chaleurs Fisheries (2012) Inc.

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

	2015	2014
Pêcheries Baie Chaleurs Fisheries (2012) Inc.	$ 736,031	$ 1,281,253

The following table presents condensed financial information for these commercial enterprises.

	Dev. Corp.	Baie Chaleurs	2015 Total	2014 Total
Cash	$ 83,043	$ 2,953	$ 85,996	$ 171,372
Accounts receivable	165,631	15,397	181,028	343,631
Inventory	19,955	95,110	115,065	44,736
Tangible capital assets	2,293,297	2,337,077	4,630,374	4,905,444
Other assets	-	204,085	204,085	110,231
Total assets	2,561,926	2,654,622	5,216,548	5,575,414
Bank loan	-	16,667	16,667	-
Accounts payable	114,610	161,041	275,651	190,999
Advances	-	104,500	104,500	438,691
Long-term debt	1,411,877	765,279	2,177,156	2,392,829
Other liabilities	140,000	213,333	353,333	228,333
Due to Esgenoôpetitj First Nation	1,817,557	641,159	2,458,716	3,068,716
Total liabilities	**3,484,044**	**1,901,979**	**5,386,023**	**6,319,568**
Equity (Deficit)	(922,118)	752,643	(169,475)	(744,154)
Total Liabilities and Equity	**$ 2,561,926**	**$ 2,654,622**	**$ 5,216,548**	**$ 5,575,414**
Revenue	$ 5,735,884	$ 6,983,333	$ 12,719,217	$ 14,773,324
Expenses	4,484,143	7,466,550	11,950,693	14,700,140
Debt servicing	138,535	55,311	193,846	183,439
Total Expenses	4,622,678	7,521,861	12,144,539	14,883,579
Net Income (Loss)	**$ 1,113,206**	**$ (538,528)**	**$ 574,678**	**$ (110,255)**

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2015	2014
Province of New Brunswick - Tuition	$ 4,661,856	$ 8,907,665
Suppliers	1,860,128	1,670,509
Payroll deductions	56,566	246,574
Sales Tax	49,160	-
Accrued liabilities	114,006	1,041,856
Accrued clawbacks	150,110	20,154
	$ 6,891,826	$ 11,886,758

The tuition payable balance of $4,661,856 does not include accrued interest and service charges of $10,919,148 (2014 - $9,525,461) for which the First Nation is contingently liable as identified in note 17.

12. DEFERRED REVENUE

	2015	2014
Health Canada - Medical services	$ -	$ 10,000
Province of New Brunswick	20,000	15,000
MAWIW Council Inc	-	24,824
Aboriginal Healing Foundation	-	28,696
Snow crab advance	125,000	-
	$ 145,000	$ 78,520

13. LONG-TERM DEBT

	2015	2014
Loan paid during year	$ -	$ 483,484
Demand loan from Bank of Montreal, secured by a general security agreement, interest payable by monthly instalments at prime rate plus 1.50%	382,012	-
Loan from Peace Hill Trust, repayable by monthly instalments of $1,100 including capital and interest at the rate of 6.25%, secured by a Chevrolet Tahoe with a net value of $8,525, due in April 2015	1,235	13,954
Subtotal carried forward	$ 383,247	$ 497,438

13. LONG-TERM DEBT (continued)

	2015	2014
Subtotal from previous page	$ 383,247	$ 497,438
Loan secured by a first mortgage on buildings, repayable by monthly instalments of $1,152 including capital and interest at the rate of 2.78%, renewable in August 2015	214,845	222,616
Loan secured by a first mortgage on buildings, repayable by monthly instalments of $820 including capital and interest at the rate of 2.56%, renewable in December 2015	91,855	98,722
Loan secured by a first mortgage on buildings, repayable by monthly instalments of $661 including capital and interest at the rate of 2.56%, renewable in December 2015	72,996	79,520
Loan secured by a first mortgage on buildings, repayable by monthly instalments of $2,277 including capital and interest at the rate of 2.65%, renewable in April 2016	441,632	457,097
Loan from Bank of Montreal, repayable by monthly instalments of $23,298 including capital and interest at the rate of 6.25%, secured by a general security agreement, renewable in April 2016	1,411,877	1,596,880
Loan, secured by a first mortgage on buildings, repayable by monthly instalments of $2,113 including capital and interest at the rate of 1.64%, renewable in December 2016	163,811	186,546
Loan secured by a first mortgage on buildings, repayable by monthly instalments of $1,560 including capital and interest at the rate of 1.64%, renewable in December 2016	281,096	295,569
Loan secured by a first mortgage on buildings, repayable by monthly instalments of $993 including capital and interest at the rate of 1.64%, renewable in December 2016	125,723	135,503
Loan secured by a first mortgage on buildings, repayable by monthly instalments of $639 including capital and interest at the rate of 1.67%, renewable in April 2017	113,518	119,248
Subtotal carried forward	$ 3,300,600	$ 3,689,139

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31

13. LONG-TERM DEBT (continued)

	2015	2014
Subtotal from previous page	$ 3,300,600	$ 3,689,139
Loan secured by a first mortgage on buildings, repayable by monthly instalments of $1,348 including capital and interest at the rate of 1.65%, renewable in June 2017	241,818	253,912
Loan secured by a first mortgage on buildings, repayable by monthly instalments of $974 including capital and interest at the rate of 1.53%, renewable in July 2017	26,777	37,965
Loan secured by a first mortgage on buildings, repayable by monthly instalments of $868 including capital and interest at the rate of 1.62%, renewable in March 2018	122,011	130,378
Loan secured by a first mortgage on buildings, repayable by monthly instalments of $954 including capital and interest at the rate of 1.62%, renewable in March 2018	157,629	166,454
Loan secured by a first mortgage on buidings, repayable by monthly instalments of $1,937 including capital and interest at the rate of 1.62%, renewable in March 2018	320,095	338,015
Loan secured by a first mortgage on buildings, repayable by monthly instalments of $900 including capital and interest at the rate of 2.35%, renewable in September 2018	161,391	168,323
Loan secured by a first mortgage on buildings, repayable by monthly instalments of $2,233 including capital and interest at the rate of 2.35%, renewable in September 2018	402,011	419,182
Loan secured by a first mortgage on buildings, repayable by monthly instalments of $1,625 including capital and interest at the rate of 2.04%, renewable in March 2019	305,020	318,182
Loan secured by a first mortgage on buildings, repayable by monthly instalments of $1,756 including capital and interest at the rate of 1.92%, renewable in April 2019	336,647	351,143
Loan secured by a first mortgage on buildings, repayable by monthly instalments of $1,143 including capital and interest at the rate of 2.40%, renewable in October 2018	247,076	253,293
Subtotal carried forward	$ 5,621,075	$ 6,125,986

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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	2015	2014
13. LONG-TERM DEBT (continued)		
Subtotal from previous page	$ 5,621,075	$ 6,125,986
Loan secured by a first mortgage on buildings, repayable by monthly instalments of $2,773 including capital and interest at the rate of 1.92%, renewable in July 2019	647,113	-
Loan secured by a first mortgage on buildings, repayable by monthly instalments of $904 including capital and interest at the rate of 1.05%, renewable in April 2020	$ 81,813	$ 90,385
	6,350,001	6,216,371
Current portion of long-term debt	(417,566)	(896,369)
Current portion to be refinanced	(379,696)	-
Demand loan	(382,012)	-
	$ 5,170,727	$ 5,320,002

Estimated long-term debt principal repayments to be made or refinanced during the next five years are :

2015 : $1,179,274
2016 : $2,322,966
2017 : $945,966
2018 : $1,022,174
2019 : $846,205

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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14. TANGIBLE CAPITAL ASSETS

	Cost					Accumulated Amortization				Net Value	
	Opening Balance	Additions	Disposals	Transfers of Assets	Closing Balance	Opening Balance	Amortization	Disposals Write-off &, Other adj.	Closing Balance	Total 2015	Total 2014
Commercial land	$ 64,000	$ -	$ -	$ -	$ 64,000	$ -	$ -	$ -	$ -	$ 64,000	$ 64,000
Commercial buildings	22,124,798	-	-	-	22,124,798	5,148,387	670,369	-	5,818,756	16,306,042	16,976,411
Residential buildings	10,430,301	52,968	-	1,215,400	11,698,669	3,106,219	312,788	-	3,419,007	8,279,662	7,324,082
Midshore vessel	1,010,000	-	-	-	1,010,000	571,372	35,090	-	606,462	403,538	438,628
Vehicles	244,369	15,806	-	-	260,175	137,781	34,348	-	172,129	88,046	106,588
Paving	70,150	8,380	-	-	78,530	2,806	5,723	-	8,529	70,001	67,344
Shoreline erosion	3,328,863	-	-	497,048	3,825,911	252,902	95,647	-	348,549	3,477,362	3,075,961
Computer	331,101	15,138	-	-	346,239	241,509	29,148	-	270,657	75,582	89,592
Asset under construction	1,712,448	995,478	-	(1,712,448)	995,478	-	-	-	-	995,478	1,712,448
Equipment	724,721	26,776	-	-	751,497	486,747	50,272	-	537,019	214,478	237,974
Total	40,040,751	1,114,546	-	-	41,155,297	9,947,723	1,233,385	-	11,181,108	29,974,189	30,093,028

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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15. PREPAID EXPENSES

	2015	2014
Insurance	$ 10,601	$ 158,814
Other	51,240	96,839
	$ 61,841	$ 255,653

16. 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).

	2015	2014
Amortization	$ 1,233,387	$ 1,219,508
Building repairs and renovations	481,389	236,743
Interest	293,017	270,604
Insurance	210,313	202,556
Professional and consultant fees	322,262	170,401
Repairs and maintenance	416,895	518,070
Salaries and wages	5,596,979	6,058,676
Travel	128,998	143,850
Materials and supplies	452,891	436,190
Telephone	82,790	80,483
Tuition	1,820,619	1,788,173
Utilities	107,823	108,535
Office supplies and equipment	41,540	98,846
Other	9,974,069	8,340,675
Health programs	775,869	671,655
	$ 21,938,841	$ 20,344,965

17. 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 operation, Esgenoôpetitj First Nation may become involved in legal actions. Some other potential liabilities may become actual liabilities when one or more future event occur or fail to occur. To the extent that the future events 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.

	2015	2014

17. CONTINGENCIES (continued)

Contingent Liability for Accrued Interest on Tuition Fees

Esgenoôpetitj First Nation is contingently liable for accrued interest and service fees totalling $10,919,148 (2014 - $9,525,461) 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 $1,393,687 (2014 - $1,669,167) which is included in the above mentioned totals. During the year, principal repayments on delinquent tuition balances amounted to $2,005,974 (2014 - $nil). 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 bear interest at 6.2% per annum, is repayable in annual blended payments of $105,529, and matures November, 2015. Additional security for his loan includes a debenture of $3,600,000 and a guarantee from 618090 N.B. Inc.

18. ECONOMIC DEPENDENCE

The Esgenoôpetitj First Nation receives a major portion of its revenues 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.

19. SUBSEQUENT EVENTS

On April 20, 2015, the First Nation acquired the remaining 33.33% interest in Pêcheries Baie Chaleurs Fisheries (2012) Inc. for a $700,000 promissory note.

20. 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.

	2015	2014
Heating oil	$ 498,803	$ 483,952

21. FAIR VALUE AND RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES

The First Nation is exposed to various risks through its financial instruments and has a comprehensive risk managemet 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, 2015.

a) **Fair value of Financial Assets and Liabilities**

The carrying value of cash, accounts receivable, bank overdraft, bank loan, demand loans, accounts payable and accrued liabilities approximates fair market value due to their short-term nature.

The carrying value of the long-term debt at the balance sheet date is a fair representation of the present value of future cash flows given that the interest rate risk is protected by an agreement with CMHC for the majority of the long-term debt.

b) **Credit Risk**

Credit risk is the risk that a counterparty will default on its financial liabilities.

Financial assets which potentially subject the First Nation to credit risk and concentrations of credit risk consist principally of cash and accounts receivable.

Management manages credit risk associated with accounts receivable by pursuing collections when they are due.

c) **Interest Rate Risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The First Nation is exposed to interest rate risk on its fixed and variable interest rate financial instruments. Fixed-interest instruments subject the First Nation to a fair value risk while the variable-rate instruments subject it to a cash flow risk.

21. FAIR VALUE AND RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES (continued)

d) Liquidity Risk

Liquidity risk is the risk that the First Nation will not be able to meet its financial obligations related to financial liabilities as they come due. The First Nation is exposed to this risk mainly in respect of funds from funding partners, long term debt and accounts payable.

22. RECONCILIATION OF ABORIGINAL AFFAIRS AND NORTHERN DEVELOPMENT CANADA (AANDC) FUNDING

	2015
AANDC funding per consolidated financial statements	$ 12,713,772
Less: Amount receivable for Response (NTR2)	26,803
Plus: AANDC recoveries	
In-home Care (NPC5)	17,973
FNWWAP - Water O&M (NTFZ)	14,980
Prevention/least disruptive measures (02388)	3,056
Summer work experience (02175)	5,598
Funding per AANDC revenue confirmation	$ 12,728,576

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23. GOVERNMENT TRANSFERS

	Operating	Capital	2015 Total
Federal government transfers			
Aboriginal Affairs and Northern Development Canada	$ 12,328,576	$ 400,000	$ 12,728,576
Health Canada	1,581,826	-	1,581,826
Canada Mortgage and Housing Corporation	195,444	-	195,444
Department of Fisheries and Oceans	758,400	-	758,400
Aboriginal Skills and Employment Training Strategy	509,413	-	509,413
Public Safety Canada	156,271	-	156,271
Human Resources and Skills Development Canada	8,333	-	8,333
	15,538,263	400,000	15,938,263
Provincial government transfers	2,144,887	-	2,144,887
	$ 17,683,150	$ 400,000	$ 18,083,150

	Operating	Capital	2014 Total
Federal government transfers			
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	78,799	-	78,799
	14,858,266	1,131,514	15,989,780
Provincial government transfers	1,391,164	-	1,391,164
	$ 16,249,430	$ 1,131,514	$ 17,380,944

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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24. SEGMENT DISCLOSURE

Esgenoôpetitj First Nation provides a range of services to its members. For each segment separatly reported, the segment revenue and expenses represent both amounts that are directly attribuable 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 in Note 1. The segment results for the period are as follows :

	Education		Health		Economic Development		Housing		Community Services	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Revenues										
Federal Government	$ 4,389,625	$ 4,088,570	$ 1,492,700	$ 1,523,858	$ 358,100	$ 346,055	$ 638,877	$ 759,120	$ 1,144,240	$ 1,680,433
Provincial Government	15,639	78,220	-	-	2,129,248	1,312,944	-	-	-	-
Economic Activities	-	-	-	-	3,518,711	2,971,530	317,760	319,384	-	-
Other Revenue	85,247	82,702	-	-	64,474	42,439	-	3,378	35,716	86,472
Total revenue	4,490,511	4,249,492	1,492,700	1,523,858	6,070,533	4,672,968	956,637	1,081,882	1,179,956	1,766,905
Expenses										
Salaries and benefits	1,773,952	1,708,928	849,663	745,299	1,108,291	1,747,945	116,273	75,480	255,759	267,366
Amortization	448,928	470,014	47,464	53,507	110,490	114,079	306,634	285,964	214,139	183,722
Debt Servicing	-	-	-	-	138,534	132,099	115,367	134,087	-	-
Other Expenses	2,531,550	2,545,524	775,869	733,162	3,619,536	2,483,278	366,696	212,268	506,356	315,212
Total Expenses	4,754,430	4,724,466	1,672,996	1,531,968	4,976,851	4,477,401	904,970	707,799	976,254	766,300
Annual Surplus (Deficit)	$ (263,919)	$ (474,974)	$ (180,296)	$ (8,110)	$ 1,093,682	$ 195,567	$ 51,667	$ 374,083	$ 203,702	$ 1,000,605

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24. SEGMENT DISCLOSURE (continued)

	Social Services		Band Government		Other		Consolidated Totals	
	2015	2014	2015	2014	2015	2014	2015	2014
Revenues								
Federal Government	$ 6,144,279	$ 5,686,375	$ 840,968	$ 972,554	$ 914,670	$ 932,815	$15,923,459	$15,989,780
Provincial Government	-	-	-	-	-	-	2,144,887	1,391,164
Economic Activities	-	-	-	-	-	-	3,836,471	3,290,914
Other revenue	133,800	132,129	77,459	268,824	-	-	396,696	615,944
Total revenue	6,278,079	5,818,504	918,427	1,241,378	914,670	932,815	22,301,513	21,287,802
Expenses								
Salaries and benefits	581,215	600,338	392,918	378,579	518,908	534,741	5,596,979	6,058,676
Amortization	-	-	40,228	42,411	65,504	69,811	1,233,387	1,219,508
Debt Servicing	-	-	39,116	46,897	-	-	293,017	313,083
Other Expenses	5,862,893	5,522,140	713,651	560,428	438,907	381,686	14,815,458	12,753,698
Total Expenses	6,444,108	6,122,478	1,185,913	1,028,315	1,023,319	986,238	21,938,841	19,637,166
Annual Surplus (Deficit)	$ (166,029)	$ (303,974)	$ (267,486)	$ 213,063	$ (108,649)	$ (53,423)	$ 362,672	$ 942,837

25. BUDGETED FIGURES

Certain figures for 2014 have been reclassified to make their presentation identical to that adopted in 2015.

26. BUDGETED FIGURES

Unaudited budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the Chief and Council.