Esgenoôpetitj First Nation

Consolidated Financial Statements

March 31, 2017

Nicholson & Beaumont
Chartered Professional Accountants

Esgenoôpetitj First Nation
Consolidated Financial Statements
As at March 31, 2017

Nicholson & Beaumont
Chartered Professional Accountants

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NICHOLSON & BEAUMONT
CHARTERED PROFESSIONAL ACCOUNTANTS

AUDITOR'S REPORT

To the Chief and Councillors of
Esgenoôpetitj First Nation

We have audited the accompanying consolidated financial statements of the **Esgenoôpetitj First Nation**, which comprise the consolidated statement of financial position as at March 31, 2017 and the consolidated statements of operations, changes in accumulated surplus, changes in net debt and cash flows for the year ended and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, 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 audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Esgenoôpetitj First Nation** as at March 31, 2017 and the results of its operations and its cash flows for the year ended in accordance with Canadian public sector accounting standards.

Nicholson & Beaumont

Chartered Professional Accountants

Fredericton, NB
September 15, 2017

Esgenoôpetitj First Nation
Consolidated Statement of Financial Position
As at March 31, 2017

	2017	2016
Financial assets		
Restricted cash (Note 2)	$ 149,557	$ 146,294
Accounts receivable (Note 6)	3,024,482	2,579,646
Receivable from Pêcheries Baie Chaleurs Fisheries (2012) Inc. (Note 7)	341,739	641,739
Receivable from Esgenoôpetitj Development Corporation Ltd. (Note 8)	2,281,897	1,886,343
Investment in government business enterprises (Note 9)	1,136,562	1,047,306
	6,934,237	6,301,328
Liabilities		
Bank indebtedness (Note 2)	297,510	1,166,383
Accounts payable and accrued liabilities (Note 10)	2,116,167	1,364,232
Deferred revenue (Note 11)	981,968	63,247
Long-term debt (Note 12)	15,251,478	12,111,794
	18,647,123	14,705,656
Net debt	(11,712,886)	(8,404,328)
Non-financial assets		
Tangible capital assets (Note 13)	40,567,757	32,922,042
Prepaid expenses (Note 14)	24,278	93,251
	40,592,035	33,015,293
Accumulated surplus	$ 28,879,149	$ 24,610,965

Approved by the First Nation

______________________, Chief

______________________, Councillor

______________________, Councillor

See accompanying notes to the financial statements

Consolidated Statement of Operations
For the Year Ended March 31, 2017

	2017 Budget (Unaudited)	2017 Actual	2016 Actual
Revenue			
Aboriginal Affairs and Northern Development Canada (AANDC) (Note 20)	$ 12,901,225	$ 16,581,223	$ 13,139,129
Federal government	742,397	1,310,058	1,231,133
Health Canada	1,446,496	1,472,958	1,611,368
Provincial government	-	844,124	748,608
Other	151,500	2,137,750	1,724,145
	15,241,618	22,346,113	18,454,383
Expenses			
Indian registry administration	15,137	14,063	14,498
Economic development	121,688	127,199	121,688
Education	3,144,128	4,066,488	3,834,367
Social assistance	5,159,793	5,197,026	5,321,302
Child, family and community services	959,498	1,102,168	1,037,580
Headstart	315,200	216,570	228,736
Capital – infrastructure assets	357,797	1,043,226	701,459
Capital – education assets	1,043,466	718,185	704,612
Capital housing	900,687	1,152,747	967,252
Band financial management	1,222,132	1,073,122	1,017,314
Medical services	1,434,111	1,604,097	1,568,863
Fisheries	342,570	608,427	624,752
Day camp	-	57,978	51,995
Tiny treasures day care	163,076	184,434	179,441
Healing foundation	-	47,639	21,328
Band constable program	-	-	3,278
ASETS	408,497	467,742	403,431
Other band activities	-	427,135	110,965
Work essential skills program	-	58,939	29,585
	15,587,780	18,167,185	16,942,446
	(346,162)	4,178,928	1,511,937
Other income			
Net income investment in government business enterprises	-	89,256	33,481
Annual surplus	$ (346,162)	$ 4,268,184	$ 1,545,418

See accompanying notes to the financial statements

Esgenoôpetitj First Nation
Consolidated Statement of Changes in Accumulated Surplus
For the Year Ended March 31, 2017

	2017 Budget (Unaudited)	2017 Actual	2016 Actual
Beginning balance	$ 24,610,965	$ 24,610,965	$ 23,065,547
Annual surplus	(346,162)	4,268,184	1,545,418
End of period	$ 24,264,803	$ 28,879,149	$ 24,610,965

Esgenoôpetitj First Nation
Consolidated Statement of Changes in Net Debt
For the Year Ended March 31, 2017

	2017 Actual	2016 Actual
Annual surplus	$ 4,268,184	$ 1,545,418
Net acquisition of tangible capital assets	(9,184,936)	(6,549,091)
Amortization of tangible capital assets	1,539,221	1,307,940
Decrease (increase) in prepaid expenses	68,973	(31,410)
	(7,576,742)	(5,272,561)
Decrease (increase) in net debt	(3,308,558)	(3,727,143)
Net debt, beginning of year	(8,404,328)	(4,677,185)
Net debt, end of year	$(11,712,886)	$ (8,404,328)

See accompanying notes to the financial statements

Esgenoôpetitj First Nation
Consolidated Statement of Cash Flows
For the Year Ended March 31, 2017

	2017	2016
Operating activities		
Annual surplus	$ 4,268,184	$ 1,545,418
Add (deduct) non-cash items:		
Amortization of tangible capital assets	1,539,221	1,307,940
	5,807,405	2,853,358
Net changes in non-cash operating items		
Accounts receivable	(444,836)	(295,705)
Prepaid expenses	68,973	(31,410)
Accounts payable and accrued liabilities	751,935	(5,435,724)
Deferred revenue	918,721	58,247
	7,102,198	(2,851,234)
Financing activities		
Increase of long-term debt	3,998,670	7,531,505
Repayment of long-term debt	(858,986)	(357,835)
Advances from (to) Pêcheries Baie Chaleurs Fisheries (2012) Inc.	300,000	320,000
Advances (to) from Esgenoôpetitj Development Corporation Ltd.	(395,554)	(19,710)
Receivable from Province of New Brunswick	-	2,319,223
	3,044,130	9,793,183
Investing activities		
Net acquisition of tangible capital assets	(9,184,936)	(6,549,091)
Deposit on tangible capital assets	-	150,000
Investment in government business enterprises	(89,256)	(1,233,393)
	(9,274,192)	(7,632,484)
Increase (decrease) in cash and cash equivalents	872,136	(690,535)
Cash and cash equivalents, beginning of year	(1,020,089)	(329,554)
Cash and cash equivalents, end of year	$ (147,953)	$ (1,020,089)
Cash and cash equivalents consist of the following:		
Bank indebtedness	$ (297,510)	$ (1,166,383)
Restricted cash	149,557	146,294
	$ (147,593)	$ (1,020,089)

See accompanying notes to the financial statements

Nicholson & Beaumont
Chartered Professional Accountants

Esgenoôpetitj First Nation
Notes to the Consolidated Financial Statements
For the Year Ended March 31, 2017

1. Significant accounting policies

Basis 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 the Esgenoôpetitj 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 to be fully consolidated on a line-by-line basis except for commercial enterprises which meet the definition of a government business enterprise, which are to be accounted for by the modified equity method. Inter-organizational balances and transactions are to be eliminated upon consolidation.

Under the modified equity method of accounting, only Esgenoôpetitj First Nation's proportionate share of the government business enterprise's earnings (loss) and other changes in equity are recorded as an increase (decrease) to its investment in the government business enterprise. No adjustment is made for accounting policies of the enterprise that are different from those of Esgenoôpetitj First Nation.

Organizations accounted for on a modified equity basis include Pecheries Baie Chaleurs Fisheries (2012) Inc. and Esgenoôpetitj Development Corporation Ltd.

There are no organizations that are required to be fully consolidated in Esgenoôpetitj First Nation's financial statements.

(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.

(e) Use of estimates
The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the reported amounts of revenues and expenses for the periods covered. The main estimates relate to the useful life of tangible capital assets subject to amortization and the allowance for doubtful accounts. Actual results could differ significantly from these estimates.

Esgenoôpetitj First Nation
Notes to the Consolidated Financial Statements
For the Year Ended March 31, 2017

1. Significant accounting policies (continued)

(f) Revenue recognition
Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis.

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 consolidated 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.

(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 initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The First Nation subsequently measures all of its financial assets and financial liabilities at cost or amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash, accounts receivable, receivable from Pêcheries Baie Chaleurs Fisheries (2012) Inc., Receivable from Esgenoôpetitj Development Corporation Ltd. and investments in government business enterprises.

Financial liabilities measured at amortized cost include bank indebtedness, accounts payable and accrued liabilities, deferred revenue and long-term debt.

(j) Accounts receivable
Accounts receivable include 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.

Esgenoôpetitj First Nation
Notes to the Consolidated Financial Statements
For the Year Ended March 31, 2017

1. Significant accounting policies (continued)

(k) 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:

Residential buildings	Declining balance	4%
Commercial buildings	Declining balance	4%
Water and sewer infrastructure	Declining balance	4%
Paving	Declining balance	8%
Recreational structure	Declining balance	4%
Vehicles	Declining balance	30%
Computer equipment	Declining balance	30%
Equipment	Declining balance	20%
Midshore vessel	Declining balance	8%
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 Esgenoôpetitj 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.

(l) 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 forward 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.

(m) 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.

Esgenoôpetitj First Nation
Notes to the Consolidated Financial Statements
For the Year Ended March 31, 2017

1. Significant accounting policies (continued)

(n) 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 postsecondary 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
Contains activities related to the maintenance of buildings and land of the First Nation houses. It also includes the section 95 housing and related expenditures.

Community
Contains 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
Provides 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. Cash

	2017	2016
Externally restricted		
AANDC – Ottawa trust (Note 3)	$ 47,521	$ 46,172
CMHC – Replacement reserve (Note 4)	61,924	60,972
CMHC – Operating reserve (Note 5)	40,112	39,150
	149,557	146,294
Unrestricted		
Capital projects	1,800	(46,384)
Operating	(299,310)	(1,119,999)
	(297,510)	(1,166,383)
	$ (147,953)	$ (1,020,089)

Esgenoôpetitj First Nation
Notes to the Consolidated Financial Statements
For the Year Ended March 31, 2017

3. Ottawa trust money

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	Withdrawal	2017 Balance	2016 Balance
Revenue	$ 26,433	$ 1,349	$ -	$ 27,782	$ 26,433
Capital	19,739	-	-	19,739	19,739
Total	$ 46,172	$ -	$ -	$ 47,521	$ 46,172

4. 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 $70,364 (2016 - $69,586) 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 Canadian Deposit Insurance Corporation or otherwise approved by the Canada Mortgage and Housing Corporation,

As at March 31, 2017, the bank account is underfunded by $553,071 (2016 - $489,862).

5. 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, 2017, the bank account is underfunded by $313,441 (2016 - $323,523).

Esgenoôpetitj First Nation
Notes to the Consolidated Financial Statements
For the Year Ended March 31, 2017

6. Accounts receivable

	2017	2016
Due from members		
Advances – employees and other	$ 177,970	$ 176,172
Due from others		
Aboriginal Affairs and Northern Development Canada	1,791,143	1,437,413
Health Canada	297,581	42,688
Fisheries and Oceans	106,251	349,567
Other	853,240	768,207
	3,048,215	2,597,875
Subtotal	3,226,185	2,774,047
Allowance for doubtful accounts	(201,703)	(194,401)
	$ 3,024,482	$ 2,579,646

7. Receivable from Pêcheries Baie Chaleurs Fisheries (2012) Inc.

	2017	2016
Loan receivable from Pêcheries Baie Chaleurs Fisheries (2012) Inc., a subsidiary company, non-interest bearing, unsecured and repayable in varying annual payments.	$ 341,739	$ 641,739

Estimated payments to be received during the next fiscal year is:

2018	$ 341,739

8. Receivable from Esgenoôpetitj Development Corporation Ltd.

The loan receivable from Esgenoôpetitj Development Corporation Ltd., a subsidiary company, is non-interest bearing, unsecured and has no set terms of repayment.

Esgenoôpetitj First Nation
Notes to the Consolidated Financial Statements
For the Year Ended March 31, 2017

9. Investment in government business enterprises

The organizations that are included in the First Nation reporting entity, as described in note 1(c) – Principles of consolidation to these consolidated financial statements include:

Esgenoôpetitj Development Corporation Ltd. (Dev. Corp) – modified equity basis;
Pêcheries Baie Chaleurs Fisheries (2012) Inc. (Baie Chaleurs) - modified equity basis.

Esgenoôpetitj First Nation owns 100% of Esgenoôpetitj Development Corporation Ltd.

Esgenoôpetitj First Nation owns 100% of Pêcheries Baie Chaleurs Fisheries (2012) Inc.

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

	2017	2016
Esgenoôpetitj Development Corporation Ltd.	$ (488,124)	$ (474,896)
Pêcheries Baie Chaleurs Fisheries (2012) Inc.	1,624,686	1,522,202
	$ 1,136,562	$ 1,047,306

10. Accounts payable and accrued liabilities

	2017	2016
Suppliers	$ 1,815,851	$ 436,880
Payroll deductions	-	79,084
Sales tax	63,554	68,050
Accrued liabilities	62,983	405,704
Accrued clawbacks	173,779	374,514
	$ 2,116,167	$ 1,364,232

11. Deferred revenue

	2017	2016
Health Canada	$ 398,993	$ -
AANDC	577,975	-
Joint Economic Development Initiative	-	58,247
Province of New Brunswick	5,000	5,000
	$ 981,968	$ 63,247

Esgenoôpetitj First Nation
Notes to the Consolidated Financial Statements
For the Year Ended March 31, 2017

12. Long-term debt

	2017	2016
Loan from Bank of Montreal, repayable by monthly instalments of $15,876 including principal and interest at the rate of 3.75%, secured by a general security agreement, renewable February 2021.	**$ 2,570,349**	$ 2,669,895
Loan from Bank of Montreal, repayable by monthly instalments of $10,006 including principal and interest at the rate of 3.75%, secured by a general security agreement, renewable February 2021.	**908,813**	1,000,000
Demand loan from Bank of Montreal, secured by a general security Agreement, interest payable by monthly instalments at prime + 1.50%.	**3,048,243**	-
Demand loan from Bank of Montreal, secured by a general security Agreement, interest payable by monthly instalments at prime + 1.50%.	**480,050**	-
Demand loan from Bank of Montreal, secured by a general security Agreement, interest payable by monthly instalments at prime + 1.50%.	**467,094**	-
Demand loan from Peace Hills Trust, secured by the right, title and interest in and to all present and after-acquired crab quota issued, assigned, granted, allocated or otherwise to the First Nation, interest payable by monthly instalments at 6.50%.	**365,000**	650,000
Loan secured by a first mortgage on buildings, repayable by monthly instalments of $981 including principal and interest at the rate of 1.04%, renewable in October 2020.	**196,534**	206,222
Loan secured by a first mortgage on buildings, repayable by monthly instalments of $772 including principal and interest at the rate of 1.30%, renewable in December 2020.	**75,920**	84,146
Loan secured by a first mortgage on buildings, repayable by monthly instalments of $623 including principal and interest at the rate of 1.30%, renewable in December 2020.	**60,111**	66,760
Loan secured by a first mortgage on buildings, repayable by monthly instalments of $1,980 including principal and interest at the rate of 1.14%, renewable in June 2021.	**407,464**	425,780
Loan secured by a first mortgage on buildings, repayable by monthly instalments of $2,095 including principal and interest at the rate of 1.31%, renewable in December 2021.	**117,698**	140,971
Loan secured by a first mortgage on buildings, repayable by monthly instalments of $1,562 including principal and interest at the rate of 1.31%, renewable in December 2021.	**251,340**	266,395
Loan secured by a first mortgage on buildings, repayable by monthly instalments of $978 including principal and interest at the rate of 1.31%, renewable in December 2021.	**105,639**	115,787

12. Long-term debt (continued)

	2017	2016
Loan secured by a first mortgage on buildings, repayable by monthly instalments of $639 including principal and interest at the rate of 1.67%, renewable in May 2017.	**101,768**	107,696
Loan secured by a first mortgage on buildings, repayable by monthly instalments of $1,348 including principal and interest at the rate of 1.65%, renewable in June 2017.	**217,027**	229,533
Loan secured by a first mortgage on buildings, repayable by monthly instalments of $868 including principal and interest at the rate of 1.62%, renewable in March 2018.	**104,866**	113,512
Loan secured by a first mortgage on buildings, repayable by monthly instalments of $954 including principal and interest at the rate of 1.62%, renewable in March 2018.	**139,546**	148,666
Loan secured by a first mortgage on buildings, repayable by monthly instalments of $1,937 including principal and interest at the rate of 1.62%, renewable in March 2018.	**283,375**	301,894
Loan secured by a first mortgage on buildings, repayable by monthly instalments of $900 including principal and interest at the rate of 2.35%, renewable in September 2018.	**147,032**	154,304
Loan secured by a first mortgage on buildings, repayable by monthly instalments of $2,233 including principal and interest at the rate of 2.35%, renewable in September 2018.	**366,442**	384,455
Loan secured by a first mortgage on buildings, repayable by monthly instalments of $1,625 including principal and interest at the rate of 2.04%, renewable in March 2019.	**277,882**	291,602
Loan secured by a first mortgage on buildings, repayable by monthly instalments of $1,756 including principal and interest at the rate of 1.92%, renewable in April 2019.	**306,843**	321,901
Loan secured by a first mortgage on buildings, repayable by monthly instalments of $1,143 including principal and interest at the rate of 2.40%, renewable in October 2018.	**231,086**	239,189
Loan secured by a first mortgage on buildings, repayable by monthly instalments of $2,773 including principal and interest at the rate of 1.92%, renewable in July 2019.	**604,531**	626,053

Esgenoôpetitj First Nation
Notes to the Consolidated Financial Statements
For the Year Ended March 31, 2017

12. Long-term debt (continued)

	2017	2016
Loan secured by a first mortgage on buildings, repayable by monthly instalments of $847 including principal and interest at the rate of 1.05%, renewable in April 2020.	**63,062**	72,515
Loan from Province of New Brunswick for outstanding tuition arrears, repayable by monthly principal instalments of $11,978, maturing June 2040. Interest is accrued at 10.69% if in default, 0% otherwise.	**3,353,763**	3,494,518
	15,251,478	12,111,794
Current portion of long-term debt	**(515,482)**	(491,729)
Current portion to be refinanced	**(846,582)**	(948,933)
Demand loan	**(4,360,387)**	(650,000)
	$ 9,529,027	$ 10,021,132

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

2018	$ 5,722,451
2019	525,569
2020	535,978
2021	546,719
2022	553,619
Thereafter	7,367,142
	$ 15,251,478

13. Tangible capital assets

	Rate	Cost	Accumulated Amortization	2017 Net Book Value	2016 Net Book Value
Land	0%	$ 14,000	$ -	**$ 14,000**	$ 14,000
Residential buildings	4%	14,493,236	2,726,141	**11,767,095**	9,779,028
Commercial buildings	4%	19,362,498	6,687,012	**12,675,486**	13,172,134
Water and sewer Infrastructure	4%	6,857,434	1,403,330	**5,454,104**	3,317,855
Paving	8%	2,327,603	272,456	**2,055,147**	2,233,856
Recreational structure	4%	333,230	101,084	**232,146**	241,819
Vehicles	30%	347,956	217,362	**130,594**	57,928
Computer equipment	30%	340,564	305,893	**34,671**	49,530
Equipment	20%	851,278	516,364	**334,914**	127,363
Vessel	8%	1,060,000	670,445	**389,555**	371,255
Shoreline erosion	S.L. 40 years	3,825,911	539,845	**3,286,066**	3,381,714
Assets under construction	0%	4,193,979	-	**4,193,979**	175,560
		$ 54,007,689	$ 13,439,932	**$ 40,567,757**	$ 32,922,042

Esgenoôpetitj First Nation
Notes to the Consolidated Financial Statements
For the Year Ended March 31, 2017

14. Prepaid expenses

	2017	2016
Insurance	$ 11,353	$ 10,305
Other	12,925	82,946
	$ 24,278	$ 93,251

15. Expenses by object

The following is a summary of expense by object which includes all expenditures contained in the non-consolidated statement of operations and accumulated surplus (page 4).

	2017	2016
Amortization	$ 1,539,221	$ 1,307,940
Interest	234,169	116,141
Insurance	114,260	101,041
Professional and consultant fees	484,102	458,733
Repairs and maintenance	724,391	565,343
Salaries and wages	5,050,044	4,946,606
Travel	340,565	267,615
Materials and supplies	365,204	460,640
Telephone	113,841	85,432
Tuition	1,808,970	1,899,120
Utilities	130,332	121,335
Office supplies and equipment	104,829	53,326
Other	6,673,461	5,993,709
Health programs	483,806	565,465
	$18,167,185	$16,942,446

16. 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 events occur or fails to occur. To the extent that the future events are likely to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded in Esgenoôpetitj First Nation's consolidated financial statements.

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Notes to the Consolidated Financial Statements
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16. Contingencies (continued)

Contingent liability for accrued interest on tuition fees

Esgenoôpetitj First Nation is contingently liable for accrued interest and service fees totalling $667,455 (2016 - $287,306) 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 applicable to the current (and future) liability of delinquent tuition would be waived upon full principal repayment. In the meantime, current year accrued interest totalled $380,149 (2016 - $287,306) which is included in the above mentioned totals. During the year, principal repayments on delinquent tuition balances amounted to $143,733 (2016 - $107,799). 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 guarantees

The Esgenoôpetitj First Nation has guaranteed a Caisse Populaire loan in the amount of $805,679 for Pêcheries Baie Chaleurs (2012) Inc. The loan bears interest at 5.65% per annum, is repayable in annual blended payments of $105,529, and matures February, 2018. Additional security for this loan includes a debenture of $3,600,000, a maritime mortgage on M.V. Esgenoôpetitj and guarantees from Groupe Belle Île Inc. and 618090 N.B. Inc.

The Esgenoôpetitj First Nation has guaranteed a Bank of Montreal loan in the amount of $1,005.396 for Esgenoôpetitj Development Corporation Ltd. The loan bears interest at 6.25% per annum, is repayable in monthly blended payments of $23,928, and matures April, 2021.

17. 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.

18. Related party transactions

The following amounts have been (paid to) or received from related parties during the year which includes Chief and Councillors, management staff, Esgenoôpetitj Development Corporation Ltd., Pêcheries Baie Chaleurs Fisheries (2012) Inc. and other companies owned by Chief or Councillors.

	2017	2016
Heating oil	$ (216,957)	$ (231,578)
Management fee income	$ 377,500	$ -

19. Financial instruments

The First Nation is exposed to various risks through its financial instruments, without being exposed to concentrations of risk. The following analysis provides a measure of the organization's risk exposure and concentration as at March 31, 2017.

Esgenoôpetitj First Nation
Notes to the Consolidated Financial Statements
For the Year Ended March 31, 2017

19. Financial instruments (continued)

Credit risk

Credit risk is the risk that one party to a financial asset will cause a financial loss for the First Nation by failing to discharge an obligation. The First Nation's credit risk is mainly related to accounts receivable and related party receivable. The First Nation provides credit to its clients in the normal course of its operations.

Market risk

Market risk is the risk that the fair value or future cash flows of the First Nation's financial instruments will fluctuate because of changes in market prices. Some of the Company's financial instruments expose it to this risk, which comprises currency risk, interest rate risk and other price risk. The First Nation is primarily exposed to interest rate risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates. The First Nation is exposed to interest rate risk on its fixed interest rate financial instruments. Fixed interest rate instruments subject the First Nation to a fair value risk, since fair value fluctuates inversely to changes in market interest rates.

Liquidity risk

Liquidity risk is the risk that the First Nation will encounter difficulty in meeting obligations associated with financial liabilities. The First Nation is exposed to this risk mainly in respect of its bank indebtedness, accounts payable and accrued liabilities and long-term debt.

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

	2017
AANDC funding per consolidated financial statements	$ 16,581,223
Plus: AANDC recoveries	
Pln/Risk Mgmt Gov Cap Dev (NG1J)	49,836
Deferred revenue	
A&C Water < $1.5M (NTF6)	77,975
FNWWAP Water < $1.5M (NTFW)	500,000
Accrued recoveries and (adjustments)	
FNWWAP Water O&M (NTFZ)	(14,980)
In-Home Care (NPC5)	(17,973)
Operations – CFS (NPD3)	(35,079)
Schools – O&M (NTHL)	(79,742)
Maintenance – Foster Homes (NPD1)	29,414
Funding per AANDC revenue confirmation	$ 17,090,674

Esgenoôpetitj First Nation
Notes to the Consolidated Financial Statements
For the Year Ended March 31, 2017

21. Government Transfers

	Operating	Capital	2017 Total
Federal government transfers			
Aboriginal Affairs and Northern Development Canada	$ 16,581,223	$ -	$ 16,581,223
Health Canada	1,472,958	-	1,472,958
Canada Mortgage and Housing Corporation	379,216	-	379,216
Department of Fisheries and Oceans	761,461	-	761,461
Government of Canada (Canada Child Benefit)	169,381	-	169,381
	19,364,239	-	19,364,239
Provincial government transfers	844,124	-	844,124
	$ 20,208,363	$ -	$ 20,208,363

	Operating	Capital	2016 Total
Federal government transfers			
Aboriginal Affairs and Northern Development Canada	$ 13,139,129	$ -	$ 13,139,129
Health Canada	1,611,368	-	1,611,368
Canada Mortgage and Housing Corporation	254,692	-	254,692
Department of Fisheries and Oceans	955,020	-	955,020
Public Safety Canada	18,343	-	18,343
Human Resources and Skills Development Canada	3,078	-	3,078
	15,981,630	-	15,981,630
Provincial government transfers	748,608	-	748,608
	$ 16,730,238	$ -	$ 16,730,238

22. Budgeted figures

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

Esgenoôpetitj First Nation
Notes to the Consolidated Financial Statements
For the Year Ended March 31, 2017

23. Comparative figures

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the year ending March 31, 2017.

As a result of an accounting framework change in a wholly owned government controlled subsidiary, the comparative figure financial assets have been increased by $1,098,743, the liabilities have been decreased by $1,110,587 and the non-financial assets have been decreased by $2,209,330.

Also, as a result of the change, revenues have been decreased by $6,512,052, expenses have been decreased by $6,064,830 and other income has been increased by $447,222. There was no change in the annual surplus.

Esgenoôpetitj First Nation
Notes to the Consolidated Financial Statements
For the Year Ended March 31, 2017

24. Segment disclosure

Esgenoôpetitj First Nation provides a range of services to its members. 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 in Note 1. The segment results for the year ended March 31, 2017 are as follows:

	Education		Health		Economic Development		Housing	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
Revenues								
Federal government	**$ 4,576,866**	$ 3,983,863	**$ 1,472,958**	$ 1,611,368	**$ 268,974**	$ 268,974	**$1,960,656**	$ 963,383
Provincial government	**459,964**	292,608	-	-	**384,160**	56,000	-	-
Other revenue	**807,651**	433,276	-	-	**519,268**	573,775	**440,369**	342,756
	5,844,481	4,709,747	**1,472,958**	1,611,368	**1,136,402**	898,749	**2,401,025**	1,306,139
Expenses								
Salaries and benefits	**2,238,731**	1,903,949	**813,706**	939,944	**201,224**	244,488	**73,611**	123,569
Amortization	**429,163**	426,710	**32,718**	42,252	-	3,057	**511,008**	409,938
Debt servicing	-	-	-	-	-	-	**218,936**	94,227
Other expenses	**2,584,520**	2,611,750	**757,673**	586,668	**569,680**	213,844	**349,191**	339,518
	5,252,414	4,942,409	**1,604,097**	1,568,864	**770,904**	461,389	**1,152,746**	967,252
Annual Surplus (Deficit)	**$ 592,067**	$ (232,662)	**$ (131,139)**	$ 42,504	**$ 365,498**	$ 437,360	**$ 1,248,279**	$ 338,887

Esgenoôpetitj First Nation
Notes to the Consolidated Financial Statements
For the Year Ended March 31, 2017

24. Segment disclosure (continued)

	Community Services		Social Services		Band Government		Other		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Revenues										
Federal government	$ 2,944,008	$ 1,137,237	$ 6,681,980	$ 6,213,076	$ 697,336	$ 830,368	$ 761,461	$ 973,363	$ 19,364,239	$ 15,981,630
Provincial government	-	-	-	-	-	-	-	400,000	844,124	748,608
Other revenue	223,448	190,343	-	153,735	87,007	674	60,007	29,586	2,137,750	1,724,145
	3,167,456	1,327,580	6,681,980	6,366,811	784,343	831,040	821,468	1,402,949	22,346,113	18,454,383
Expenses										
Salaries and benefits	309,058	268,514	577,315	625,449	443,971	403,922	392,428	436,771	5,050,044	4,946,606
Amortization	459,186	334,803	-	-	41,910	35,691	65,236	55,489	1,539,221	1,307,940
Debt servicing	-	-	-	-	15,233	21,914	-	-	234,169	116,141
Other expenses	565,033	350,906	5,721,881	5,733,431	586,070	570,285	209,703	165,357	11,343,751	10,571,759
	1,333,277	954,223	6,299,196	6,358,880	1,087,184	1,031,812	667,367	657,617	18,167,186	16,942,446
Annual Surplus (Deficit)	$ 1,834,179	$ 373,357	$ 382,784	$ 7,931	$ (302,841)	$ (200,772)	$ 154,101	$ 745,332	$ 4,178,928	$ 1,511,937