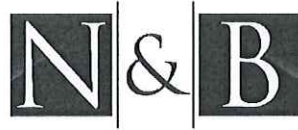


Esgenoôpetitj First Nation
Consolidated Financial Statements
March 31, 2018

**Esgenoôpetitj First Nation
Consolidated Financial Statements
As at March 31, 2018**

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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, 2018 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.

Basis for qualified opinion

Esgenoôpetitj Development Corporation Ltd., a government business enterprise of the Esgenoôpetitj First Nation that is accounted for in these financial statements on a modified equity basis, 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 any 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 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, 2018 and the results of its operations and its cash flows for the year ended in accordance with Canadian public sector accounting standards.



Chartered Professional Accountants

Fredericton, NB
February 4, 2019

**Esgenoôpetitj First Nation
Consolidated Statement of Financial Position
As at March 31, 2018**

	<u>2018</u>	<u>2017</u>
Financial assets		
Restricted cash (Note 2)	\$ 471,455	\$ 149,557
Cash (Note 2)	547,379	-
Accounts receivable (Note 6)	2,801,346	3,024,482
Receivable from Pêcheries Baie Chaleurs Fisheries (2012) Inc. (Note 7)	-	341,739
Receivable from Esgenoôpetitj Development Corporation Ltd. (Note 8)	3,321,198	2,281,897
Investment in government business enterprises (Note 9)	<u>230,987</u>	<u>1,136,562</u>
	<u>7,372,365</u>	<u>6,934,237</u>
Liabilities		
Bank indebtedness (Note 2)	-	297,510
Accounts payable and accrued liabilities (Note 10)	1,341,752	2,116,167
Deferred revenue (Note 11)	3,119,059	981,968
Payable to Pêcheries Baie Chaleurs Fisheries (2012) Inc. (Note 7)	342,770	-
Long-term debt (Note 12)	<u>16,876,325</u>	<u>15,251,478</u>
	<u>21,679,906</u>	<u>18,647,123</u>
Net debt	<u>(14,307,541)</u>	<u>(11,712,886)</u>
Non-financial assets		
Tangible capital assets (Note 13)	43,997,924	40,567,757
Prepaid expenses (Note 14)	<u>122,306</u>	<u>24,278</u>
	<u>44,120,230</u>	<u>40,592,035</u>
Accumulated surplus	<u>\$ 29,812,689</u>	<u>\$ 28,879,149</u>

Approved by the First Nation

 , Chief

 , Councillor

See accompanying notes to the financial statements

Nicholson & Beaumont
Chartered Professional Accountants

**Esgenoôpetitj First Nation
Consolidated Statement of Operations
For the Year Ended March 31, 2018**

	2018 Budget (Unaudited)	2018 Actual	2017 Actual
Revenue			
Aboriginal Affairs and Northern Development Canada (AANDC) (Note 20)	\$ 13,428,117	\$ 15,896,402	\$ 16,581,223
Federal government	742,397	1,227,961	1,310,058
Health Canada	1,402,013	1,717,730	1,472,958
Provincial government	-	720,266	844,124
Other	<u>350,984</u>	<u>6,733,054</u>	<u>2,137,750</u>
	<u>15,923,511</u>	<u>26,295,413</u>	<u>22,346,113</u>
Expenses			
Indian registry administration	14,749	16,131	14,063
Economic development	121,688	121,430	127,199
Education	4,232,650	4,080,452	4,066,488
Social assistance	5,175,157	5,190,254	5,197,026
Child, family and community services	979,058	1,144,610	1,102,168
Headstart	315,201	245,599	216,570
Capital – infrastructure assets	1,592,881	1,242,716	1,043,226
Capital – education assets	365,933	724,608	718,185
Capital housing	947,278	1,786,652	1,152,747
Band financial management	1,126,028	1,113,906	1,073,122
Medical services	1,585,376	1,683,014	1,604,097
Fisheries	345,573	842,157	608,427
Day camp	-	69,930	57,978
Tiny treasures day care	163,076	174,839	184,434
Healing foundation	-	12,744	47,639
Band constable program	-	1,279	-
ASETS	408,497	522,420	467,742
Other band activities	-	4,249,333	427,135
Work essential skills program	<u>-</u>	<u>-</u>	<u>58,939</u>
	<u>17,373,145</u>	<u>23,222,074</u>	<u>18,167,185</u>
	<u>(1,449,634)</u>	<u>3,073,339</u>	<u>4,178,928</u>
Other income (loss)			
Net income (loss) investment in government business enterprises	<u>-</u>	<u>(2,139,799)</u>	<u>89,256</u>
Annual surplus (deficit)	<u>\$ (1,449,634)</u>	<u>\$ 933,540</u>	<u>\$ 4,268,184</u>

See accompanying notes to the financial statements

Nicholson & Beaumont
Chartered Professional Accountants

Esgenoôpetitj First Nation
Consolidated Statement of Changes in Accumulated Surplus
For the Year Ended March 31, 2018

	2018 Budget (Unaudited)	2018 Actual	2017 Actual
Beginning balance	\$ 28,879,149	\$ 28,879,149	\$ 24,610,965
Annual surplus (deficit)	<u>(1,449,634)</u>	<u>933,540</u>	<u>4,268,184</u>
End of period	<u>\$ 27,429,515</u>	<u>\$ 29,812,689</u>	<u>\$ 28,879,149</u>

See accompanying notes to the financial statements

Nicholson & Beaumont
Chartered Professional Accountants

Esgenoôpetitj First Nation
Consolidated Statement of Changes in Net Debt
For the Year Ended March 31, 2018

	<u>2018</u> <u>Actual</u>	<u>2017</u> <u>Actual</u>
Annual surplus	\$ <u>933,540</u>	\$ <u>4,268,184</u>
Net acquisition of tangible capital assets	(5,261,672)	(9,184,936)
Amortization of tangible capital assets	1,831,505	1,539,221
Decrease (increase) in prepaid expenses	<u>(98,028)</u>	<u>68,973</u>
	<u>(3,528,195)</u>	<u>(7,576,742)</u>
Decrease (increase) in net debt	(2,594,655)	(3,308,558)
Net debt, beginning of year	<u>(11,712,886)</u>	<u>(8,404,328)</u>
Net debt, end of year	<u>\$(14,307,541)</u>	<u>\$(11,712,886)</u>

See accompanying notes to the financial statements

Nicholson & Beaumont
Chartered Professional Accountants

**Esgenoôpetitj First Nation
Consolidated Statement of Cash Flows
For the Year Ended March 31, 2018**

	<u>2018</u>	<u>2017</u>
Operating activities		
Annual surplus	\$ 933,540	\$ 4,268,184
Add non-cash items:		
Amortization of tangible capital assets	<u>1,831,505</u>	<u>1,539,221</u>
	<u>2,765,045</u>	5,807,405
Net changes in non-cash operating items		
Accounts receivable	223,136	(444,836)
Prepaid expenses	(98,028)	68,973
Accounts payable and accrued liabilities	(774,415)	751,935
Deferred revenue	<u>2,137,091</u>	<u>918,721</u>
	<u>4,252,829</u>	<u>7,102,198</u>
Financing activities		
Increase of long-term debt	2,638,624	3,998,670
Repayment of long-term debt	(1,013,777)	(858,986)
Advances from (to) Pêcheries Baie Chaleurs Fisheries (2012) Inc.	684,509	300,000
Advances (to) from Esgenoôpetitj Development Corporation Ltd.	<u>(1,039,301)</u>	<u>(395,554)</u>
	<u>1,270,055</u>	<u>3,044,130</u>
Investing activities		
Net acquisition of tangible capital assets	(5,261,672)	(9,184,936)
Investment in government business enterprises	<u>905,575</u>	<u>(89,256)</u>
	<u>(4,356,097)</u>	<u>(9,274,192)</u>
Increase in cash and cash equivalents	1,166,787	872,136
Cash and cash equivalents, beginning of year	<u>(147,953)</u>	<u>(1,020,089)</u>
Cash and cash equivalents, end of year	\$ <u>1,018,834</u>	\$ <u>(147,953)</u>
Cash and cash equivalents consist of the following:		
Cash (bank indebtedness)	\$ 547,379	\$ (297,510)
Restricted cash	<u>471,455</u>	<u>149,557</u>
	\$ <u>1,018,834</u>	\$ <u>(147,593)</u>

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, 2018**

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, 2018**

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 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.

Esgenoôpetitj First Nation
Notes to the Consolidated Financial Statements
For the Year Ended March 31, 2018

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.

Esgenoôpetitj First Nation
Notes to the Consolidated Financial Statements
For the Year Ended March 31, 2018

1. Significant accounting policies (continued)

(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.

(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

	<u>2018</u>	<u>2017</u>
Externally restricted		
AANDC – Ottawa trust (Note 3)	\$ 49,084	\$ 47,521
CMHC – Replacement reserve (Note 4)	383,455	61,924
CMHC – Operating reserve (Note 5)	38,916	40,112
	<u>471,455</u>	<u>149,557</u>
Unrestricted		
Capital projects	32,774	(85,773)
Operating	514,605	(211,737)
	<u>547,379</u>	<u>(297,510)</u>
	\$ <u>1,018,834</u>	\$ <u>(147,953)</u>

Esgenoôpetitj First Nation
Notes to the Consolidated Financial Statements
For the Year Ended March 31, 2018

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.

	<u>Opening Balance</u>	<u>Additions</u>	<u>Withdrawal</u>	<u>2018 Balance</u>	<u>2017 Balance</u>
Revenue	\$ 27,782	\$ 1,563	\$ -	\$ 29,345	\$ 27,782
Capital	<u>19,739</u>	<u>-</u>	<u>-</u>	<u>19,739</u>	<u>19,739</u>
Total	\$ <u>47,521</u>	\$ <u>1,563</u>	\$ <u>-</u>	\$ <u>49,084</u>	\$ <u>47,521</u>

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 (2017 - \$70,364) 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, 2018, the bank account is underfunded by \$301,904 (2017 - \$553,071).

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, 2018, the bank account is underfunded by \$314,637 (2017 - \$313,441).

**Esgenoôpetitj First Nation
Notes to the Consolidated Financial Statements
For the Year Ended March 31, 2018**

6. Accounts receivable

	<u>2018</u>	<u>2017</u>
Due from members		
Advances – employees and other	\$ <u>223,072</u>	\$ <u>177,970</u>
Due from others		
Aboriginal Affairs and Northern Development Canada	1,028,614	1,791,143
Health Canada	289,356	297,581
Fisheries and Oceans	430,392	106,251
Other	<u>1,028,087</u>	<u>853,240</u>
	<u>2,776,449</u>	<u>3,048,215</u>
Subtotal	2,999,521	3,226,185
Allowance for doubtful accounts	<u>(198,175)</u>	<u>(201,703)</u>
	\$ <u>2,801,346</u>	\$ <u>3,024,482</u>

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

	<u>2018</u>	<u>2017</u>
Loan receivable from (payable to) Pêcheries Baie Chaleurs Fisheries (2012) Inc., a subsidiary company, non-interest bearing, unsecured and repayable in varying annual payments.	\$ <u>(342,770)</u>	\$ <u>341,739</u>

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, 2018

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;
Pêcherries 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 Pêcherries Baie Chaleurs Fisheries (2012) Inc.

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

	<u>2018</u>	<u>2017</u>
Esgenoôpetitj Development Corporation Ltd.	\$ (925,942)	\$ (488,124)
Pêcherries Baie Chaleurs Fisheries (2012) Inc.	<u>1,156,929</u>	<u>1,624,686</u>
	<u>\$ 230,987</u>	<u>\$ 1,136,562</u>

10. Accounts payable and accrued liabilities

	<u>2018</u>	<u>2017</u>
Suppliers	\$ 1,167,450	\$ 1,815,851
Sales tax	14,673	63,554
Accrued liabilities	62,886	62,983
Accrued clawbacks	<u>96,743</u>	<u>173,779</u>
	<u>\$ 1,341,752</u>	<u>\$ 2,116,167</u>

11. Deferred revenue

	<u>2018</u>	<u>2017</u>
Health Canada	\$ 507,405	\$ 398,993
AANDC	2,556,984	577,975
MAWIW Council Inc.	49,670	-
Province of New Brunswick	<u>5,000</u>	<u>5,000</u>
	<u>\$ 3,119,059</u>	<u>\$ 981,968</u>

Esgenoôpetitj First Nation
Notes to the Consolidated Financial Statements
For the Year Ended March 31, 2018

12. Long-term debt

	<u>2018</u>	<u>2017</u>
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.	\$ 2,474,571	\$ 2,570,349
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.	821,315	908,813
Demand loan from Bank of Montreal, secured by a general security agreement, interest payable by monthly instalments at prime + 1.50%.	3,586,255	3,048,243
Demand loan from Bank of Montreal, secured by a general security agreement, interest payable by monthly instalments at prime + 1.50%.	1,031,616	480,050
Demand loan from Bank of Montreal, repayable in monthly instalments of \$10,315 including and interest at the rate of prime + 1.50%, secured by a general security agreement.	1,711,378	467,094
Demand loan from Bank of Montreal, repayable in monthly instalments of \$4,684 including and interest at the rate of prime + 1.50%, secured by a general security agreement.	227,654	-
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
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.	186,750	196,534
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.	67,588	75,920
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.	53,378	60,111
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.	388,235	407,464
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.	93,952	117,698
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.	235,787	251,340

Esgenoôpetitj First Nation
Notes to the Consolidated Financial Statements
For the Year Ended March 31, 2018

12. Long-term debt (continued)

	<u>2018</u>	<u>2017</u>
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.	95,223	105,639
Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$625 including principal and interest at the rate of 1.35%, renewable in May 2022.	95,628	101,768
Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$1,315 including principal and interest at the rate of 1.30%, renewable in June 2022.	204,077	217,027
Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$901 including principal and interest at the rate of 2.41%, renewable in April 2023.	96,083	104,866
Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$1,000 including principal and interest at the rate of 2.41%, renewable in April 2023.	130,284	139,546
Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$2,031 including principal and interest at the rate of 2.41%, renewable in April 2023.	264,566	283,375
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.	139,596	147,032
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.	348,025	366,442
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.	263,894	277,882
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.	291,509	306,843
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.	222,799	231,086
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.	582,621	604,531

Esgenoôpetitj First Nation
Notes to the Consolidated Financial Statements
For the Year Ended March 31, 2018

12. Long-term debt (continued)

	<u>2018</u>	<u>2017</u>
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.	53,511	63,062
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.	<u>3,210,030</u>	<u>3,353,763</u>
	16,876,325	15,251,478
Current portion of long-term debt	(531,648)	(515,482)
Current portion to be refinanced	(974,314)	(846,582)
Demand loans	<u>(6,556,902)</u>	<u>(4,360,387)</u>
	\$ <u>8,813,461</u>	\$ <u>9,529,027</u>

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

2019	\$ 8,062,864
2020	542,059
2021	552,802
2022	559,698
2023	549,982
Thereafter	<u>6,608,920</u>
	\$ <u>16,876,325</u>

13. Tangible capital assets

	<u>Rate</u>	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2018 Net Book Value</u>	<u>2017 Net Book Value</u>
Land	0%	\$ 14,000	\$ -	\$ 14,000	\$ 14,000
Residential buildings	4%	17,620,729	3,275,321	14,345,408	11,767,095
Commercial buildings	4%	22,948,752	7,265,757	15,682,995	12,675,486
Water and sewer Infrastructure	4%	9,258,361	1,669,513	7,588,848	5,454,104
Paving	8%	2,327,603	436,868	1,890,735	2,055,147
Recreational structure	4%	333,230	110,370	222,860	232,146
Vehicles	30%	483,456	276,865	206,591	130,594
Computer equipment	30%	340,564	316,294	24,270	34,671
Equipment	20%	851,278	583,347	267,931	334,914
Vessel	8%	1,060,000	701,610	358,390	389,555
Shoreline erosion S.L. 40 years		3,825,911	635,492	3,190,419	3,286,066
Assets under construction	0%	<u>205,477</u>	<u>-</u>	<u>205,477</u>	<u>4,193,979</u>
		\$ <u>59,269,361</u>	\$ <u>15,271,437</u>	\$ <u>43,997,924</u>	\$ <u>40,567,757</u>

Esgenoôpetitj First Nation
Notes to the Consolidated Financial Statements
For the Year Ended March 31, 2018

14. Prepaid expenses

	<u>2018</u>	<u>2017</u>
Insurance	\$ 17,775	\$ 11,353
Other	<u>104,531</u>	<u>12,925</u>
	<u>\$122,306</u>	<u>\$ 24,278</u>

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).

	<u>2018</u>	<u>2017</u>
Amortization	\$ 1,831,504	\$ 1,539,221
Interest	429,766	234,169
Insurance	180,596	114,260
Professional and consultant fees	506,225	484,102
Repairs and maintenance	1,019,045	724,391
Salaries and wages	7,128,963	5,050,044
Travel	333,593	340,555
Materials and supplies	565,012	365,204
Telephone	113,883	113,841
Tuition	1,886,236	1,808,970
Utilities	141,319	150,632
Office supplies and equipment	92,674	84,529
Other	8,505,613	6,673,461
Health programs	<u>487,645</u>	<u>483,806</u>
	<u>\$23,222,074</u>	<u>\$18,167,185</u>

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.

**Esgenoôpetitj First Nation
Notes to the Consolidated Financial Statements
For the Year Ended March 31, 2018**

16. Contingencies (continued)

Contingent liability for accrued interest on tuition fees

Esgenoôpetitj First Nation is contingently liable for accrued interest and service fees totalling \$1,043,915 (2017 - \$667,455) 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 \$376,460 (2017 - \$380,149) which is included in the above mentioned totals. During the year, principal repayments on delinquent tuition balances amounted to \$143,733 (2017 - \$143,733). 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 Bank of Montreal loan in the amount of \$1,987,235 for Pêcheries Baie Chaleurs Fisheries (2012) Inc. The loan bears interest at prime + 1.5%, is repayable in monthly blended payments of \$21,167, and matures in February 2028. Additional security for this loan includes a debenture on all of the company's assets and a marine mortgage over a vessel, the licenses and gear. The First Nation also guarantees an operating line of credit of \$500,000 which was unused at March 31, 2018. Additional security for the line of credit is the same as the Bank of Montreal loan.

The Esgenoôpetitj First Nation has guaranteed a Bank of Montreal loan in the amount of \$782,333 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.

	<u>2018</u>	<u>2017</u>
Chief and councillors	\$ (776,331)	\$ (525,452)
Management fee income	\$ -	\$ 377,500
Rental income	\$ 240,000	\$ -
Snow crab income	\$ 5,110,961	\$ -

**Esgenoôpetitj First Nation
Notes to the Consolidated Financial Statements
For the Year Ended March 31, 2018**

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, 2018.

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.

**Esgenoôpetitj First Nation
Notes to the Consolidated Financial Statements
For the Year Ended March 31, 2018**

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

	<u>2018</u>
AANDC funding per consolidated financial statements	\$ 15,896,402
Plus: Deferred revenue:	
Renovations and additions (NTLC)	50,100
Water < \$1.5M (NTF6)	65,000
A&C Wastewater > \$1.5M (NTF9)	35,000
Water > \$1.5M (NTFX)	577,048
CFS Operations (NPD3)	229,749
Prevention/Least Disruptive Measures (NPD7)	118,771
Waste Site Decommission/Closure (NTVH)	690,600
Post Secondary Student Support (NP5A)	359,478
Band Operated Schools Direct Service (NP34)	352,981
Schools O&M (NTHL)	78,257
Less: Accrued recoveries and (adjustments):	
Prior year deferred revenue:	
A&C Water < \$1.5M (NTF6)	(77,975)
FNWWAP Water < \$1.5M (NTFW)	<u>(500,000)</u>
Funding per AANDC revenue confirmation	\$ <u>17,875,411</u>

21. Government Transfers

	<u>Operating</u>	<u>Capital</u>	<u>2018 Total</u>
Federal government transfers			
Aboriginal Affairs and Northern Development Canada	\$ 15,896,402	\$ -	\$ 15,896,402
Health Canada	1,717,730	-	1,717,730
Canada Mortgage and Housing Corporation	174,776	-	174,776
Department of Fisheries and Oceans	906,572	-	906,572
Government of Canada (Canada Child Benefit)	<u>146,613</u>	<u>-</u>	<u>146,613</u>
	18,842,093	-	18,842,093
Provincial government transfers	<u>720,266</u>	<u>-</u>	<u>720,266</u>
	\$ <u>19,562,359</u>	\$ <u>-</u>	\$ <u>19,562,359</u>

Esgenoôpetitj First Nation
Notes to the Consolidated Financial Statements
For the Year Ended March 31, 2018

21. Government Transfers (continued)

	<u>Operating</u>	<u>Capital</u>	<u>2017 Total</u>
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)	<u>169,381</u>	<u>-</u>	<u>169,381</u>
	19,364,239	-	19,364,239
Provincial government transfers	<u>844,124</u>	<u>-</u>	<u>844,124</u>
	\$ <u>20,208,363</u>	\$ <u>-</u>	\$ <u>20,208,363</u>

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.

23. Comparative figures

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the year ending March 31, 2018.

Esgenoôpetitj First Nation
Notes to the Consolidated Financial Statements
For the Year Ended March 31, 2018

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, 2018 are as follows:

	Education		Health		Economic Development		Housing	
	2018	2017	2018	2017	2018	2017	2018	2017
Revenues								
Federal government	\$ 4,376,374	\$ 4,576,866	\$ 1,717,730	\$ 1,472,958	\$ 297,165	\$ 268,974	\$ 691,361	\$ 1,960,656
Provincial government	42,696	459,964	-	-	428,890	384,160	-	-
Other revenue	<u>481,957</u>	<u>807,651</u>	<u>-</u>	<u>-</u>	<u>5,452,951</u>	<u>519,268</u>	<u>516,807</u>	<u>440,369</u>
	<u>4,901,027</u>	<u>5,844,481</u>	<u>1,717,730</u>	<u>1,472,958</u>	<u>6,179,006</u>	<u>1,172,402</u>	<u>1,208,168</u>	<u>2,401,025</u>
Expenses								
Salaries and benefits	2,207,205	2,238,731	911,962	813,706	1,765,221	201,224	246,561	73,611
Amortization	428,859	429,163	35,375	32,718	6,631	-	617,691	511,008
Debt servicing	-	-	-	-	-	-	406,895	218,936
Other expenses	<u>2,691,416</u>	<u>2,584,520</u>	<u>735,677</u>	<u>757,673</u>	<u>2,844,510</u>	<u>569,680</u>	<u>515,505</u>	<u>349,191</u>
	<u>5,327,480</u>	<u>5,252,414</u>	<u>1,683,014</u>	<u>1,604,097</u>	<u>4,616,362</u>	<u>770,904</u>	<u>1,786,652</u>	<u>1,152,746</u>
Annual Surplus (Deficit)	\$ (426,453)	\$ 592,067	\$ 34,716	\$ (131,139)	\$ 1,562,644	\$ 401,498	\$ (578,484)	\$ 1,248,279

Nicholson & Beaumont
Chartered Professional Accountants

Esgenoôpetitj First Nation
Notes to the Consolidated Financial Statements
For the Year Ended March 31, 2018

24. Segment disclosure (continued)

	Community Services		Social Services		Band Government		Other		Total	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues										
Federal government	\$ 3,331,354	\$ 2,944,008	\$ 6,602,890	\$ 6,681,980	\$ 918,647	\$ 697,336	\$ 906,572	\$ 761,461	\$ 18,842,093	\$ 19,364,239
Provincial government	-	-	-	-	-	-	248,680	-	720,266	844,124
Other revenue	<u>167,500</u>	<u>223,448</u>	<u>-</u>	<u>-</u>	<u>113,839</u>	<u>87,007</u>	<u>-</u>	<u>60,007</u>	<u>6,733,054</u>	<u>2,137,750</u>
	3,498,854	3,167,456	6,602,890	6,681,980	1,032,486	784,343	1,155,252	821,468	26,295,413	22,346,113
Expenses										
Salaries and benefits	317,539	309,058	719,726	577,315	534,036	443,971	426,713	392,428	7,128,963	5,050,044
Amortization	550,731	459,186	-	-	28,422	41,910	163,795	65,236	1,831,504	1,539,221
Debt servicing	-	-	-	-	22,871	15,233	-	-	429,766	234,169
Other expenses	<u>631,959</u>	<u>565,033</u>	<u>5,615,139</u>	<u>5,721,882</u>	<u>544,707</u>	<u>586,070</u>	<u>252,928</u>	<u>209,702</u>	<u>13,831,841</u>	<u>11,343,751</u>
	1,500,229	1,333,277	6,334,865	6,299,197	1,130,036	1,087,184	843,436	667,366	23,222,074	18,167,185
Annual Surplus (Deficit)	\$ 1,998,625	\$ 1,834,179	\$ 268,025	\$ 382,783	\$ (97,550)	\$ (302,841)	\$ 311,816	\$ 154,102	\$ 3,073,339	\$ 4,178,928