

**EEL GROUND FIRST NATION**

**CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2014**



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### Independent Auditor's Report

To the Members of  
Eel Ground First Nation

We have audited the accompanying consolidated financial statements of Eel Ground First Nation, which comprise the consolidated statement of financial position as at March 31, 2014, and the consolidated statements of operations, change 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 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 judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the First Nation'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 First Nation'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 Eel Ground First Nation as at March 31, 2014, and the results of its operations, the changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*Lenehan McCain + Associates*  
Chartered Accountants

Woodstock, New Brunswick  
October 6, 2014

**EEL GROUND FIRST NATION**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**MARCH 31, 2014**

	<b>2014</b>	<b>2013</b>
<b>Financial Assets</b>		
Cash (Note 6)	\$ 1,433,600	\$ -
Restricted cash (Note 2)	202,376	151,667
Accounts receivable (Note 3)	1,893,364	1,585,285
Trust funds held by Federal Government (Note 4)	87,391	85,260
Investment in Natuaqanek Commercial Fishery Cooperative Ltd. (Note 5)	<u>236,187</u>	<u>353,724</u>
	<b>3,852,918</b>	<b>2,175,936</b>
<b>Liabilities</b>		
Bank indebtedness (Note 6)		892,895
Accounts payable (Note 7)	1,123,125	1,445,858
Deferred revenue (Note 8)	3,262,578	128,723
Long-term debt (Note 9)	<u>5,540,944</u>	<u>5,586,363</u>
	<b>9,926,647</b>	<b>8,053,839</b>
<b>Net debt</b>	<b>(6,073,729)</b>	<b>(5,877,903)</b>
<b>Non-financial Assets</b>		
Tangible capital assets (Note 11)	17,129,195	15,849,275
Prepaid expenses (Note 13)	<u>36,517</u>	<u>18,556</u>
	<b>17,165,712</b>	<b>15,867,831</b>
<b>Accumulated Surplus</b>	<b>\$ 11,091,983</b>	<b>\$ 9,989,928</b>

Approved on behalf of the Eel Ground First Nation

Chief  
George George, Chief  
Wendy Maripen, Councillor  
Wendy Starbuck, Councillor  
Debra George, Councillor  
Debra George, Councillor

Councillor Financial, Councillor  
 , Councillor  
 , Councillor  
 , Councillor  
 , Councillor  
 , Councillor

The accompanying notes are an integral part of the financial statements

FEL GROUND FIRST NATIONCONSOLIDATED STATEMENT OF CHANGE IN NET DEBTFOR THE YEAR ENDED MARCH 31, 2014

	2014 Budget	2014 Actual	2013 Actual
<u>Surplus</u>	<u>\$ (358,070)</u>	<u>\$ 1,102,055</u>	<u>\$ (9,669)</u>
Acquisition of tangible capital assets	-	(2,031,194)	(1,357,955)
Amortization of tangible capital assets	687,566	751,274	687,566
	<u>687,566</u>	<u>(1,279,920)</u>	<u>(670,389)</u>
<u>Acquisition of prepaid asset</u>	<u>-</u>	<u>(17,961)</u>	<u>5,597</u>
Increase in net financial assets	329,496	(195,826)	(674,461)
<u>Net debt at beginning of year</u>	<u>(5,877,903)</u>	<u>(5,877,903)</u>	<u>(5,203,442)</u>
<u>Net debt at end of year</u>	<u>\$ (5,548,407)</u>	<u>\$ (6,073,729)</u>	<u>\$ (5,877,903)</u>

The accompanying notes are an integral part of the financial statements

**EEL GROUND FIRST NATION**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED MARCH 31, 2014**

	2014 Budget	2014 Actual	2013 Actual
<b>Revenue</b>			
Aboriginal Affairs and Northern Development	\$ 5,803,463	\$ 10,545,156	\$ 6,178,474
Health Canada	905,118	849,004	881,320
Rental	200,000	623,528	521,334
Fisheries operations	385,080	606,062	517,041
Crown land forestry operations	180,000	863,218	484,707
Canada Mortgage and Housing Corporation	184,800	211,252	234,808
Other	1,736,501	2,157,616	2,123,627
Deferred revenue, closing school construction	-	(2,342,010)	-
Deferred revenue, closing water project	-	(750,327)	-
	<b>9,394,962</b>	<b>12,763,499</b>	<b>10,941,331</b>
<b>Expenditures</b>			
Social Development	1,986,990	1,855,601	1,661,052
Child Maintenance	528,500	571,419	703,392
Community Development	1,019,724	2,036,489	2,183,153
Community Infrastructure	405,705	455,639	440,426
Housing and Capital Projects	304,964	713,037	681,732
Band Administration	732,478	876,718	949,023
Education	1,689,900	1,844,278	1,879,026
Child and Family Services	789,612	707,788	535,885
Public Safety	89,053	90,153	95,163
Community Health	954,255	1,082,197	759,611
Youth Home	390,425	381,541	394,110
Assisted Living	173,868	177,773	175,439
	<b>9,065,466</b>	<b>10,792,633</b>	<b>10,458,012</b>
<b>Surplus before other items</b>	<b>329,496</b>	<b>1,970,866</b>	<b>483,319</b>
<b>Other items</b>			
Amortization	(687,566)	(751,274)	(687,566)
Equity of Natuaganek Commercial Fishery Coop	-	(117,537)	194,578
	<b>(687,566)</b>	<b>(868,811)</b>	<b>(492,988)</b>
<b>Surplus (deficit)</b>	<b>(358,070)</b>	<b>1,102,055</b>	<b>(9,669)</b>
<b>Accumulated surplus at beginning of year</b>	<b>9,989,928</b>	<b>9,989,928</b>	<b>9,999,597</b>
<b>Accumulated surplus at end of year</b>	<b>\$ 9,631,858</b>	<b>\$ 11,091,983</b>	<b>\$ 9,989,928</b>

The accompanying notes are an integral part of the financial statements

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

	2014 Actual	2013 Actual
<b>Cash flows from Operating activities</b>		
Surplus (deficit)	\$ 1,102,055	\$ (9,669)
Items not affecting cash		
Amortization expense	751,274	687,566
	1,853,329	677,897
Change in non-cash operating working capital		
Accounts receivable	(308,079)	105,417
Prepaid expenses	(17,961)	5,597
Trust funds held by Federal Government	(2,131)	(26,598)
Accounts payable	(322,733)	662,239
Deferred revenue	3,133,855	123,723
Investment in Natuaqanek Commercial Fishery Cooperative Ltd.	117,537	(194,578)
	4,453,817	1,353,697
<b>Capital activities</b>		
Acquisition of tangible capital assets	(2,034,194)	(1,357,955)
Disposal of tangible capital assets	3,000	-
	(2,031,194)	(1,357,955)
<b>Financing activities</b>		
Repayment of long-term debt	(388,513)	(411,597)
Proceeds of long-term debt	343,094	513,842
	(45,419)	102,245
Increase in cash and cash equivalents	2,377,204	97,987
<b>Cash and cash equivalents, beginning of year</b>	(741,228)	(839,215)
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,635,976</b>	<b>\$ (741,228)</b>
<b>Represented by</b>		
Cash	\$ 1,433,600	\$ -
Bank indebtedness		(892,895)
Restricted cash	202,376	151,667
	\$ 1,635,976	\$ (741,228)

The accompanying notes are an integral part of the financial statements

**EEL GROUND FIRST NATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****MARCH 31, 2014****1. Basis of Presentation and Significant Accounting Policies**

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

**(a) Reporting entity**

The consolidated financial statements of Eel Ground First Nation reflect the assets, liabilities, revenues, expenditures, changes in net debt and accumulated surplus of the reporting entity. The reporting entity is comprised of the organizations accountable for the administration of their affairs and resources to the Chief and Council or controlled by band. Inter-fund and inter-corporate balances and transactions have been eliminated. The entities included in the consolidated financial statements are as follows:

1. Eel Ground Education Committee Inc.
2. Eel Ground Youth Home Inc.
3. Natuaqanek Commercial Fishery Cooperative Ltd.

**(b) Cash and cash equivalents**

Cash and cash equivalents include cash on hand, balances with banks net of bank overdrafts and term deposits having a maturity of one year or less at acquisition which are held for the purpose of meeting short-term cash commitments.

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## **EEL GROUND FIRST NATION**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2014**

**1. Basis of Presentation and Significant Accounting Policies (continued)**

**(c) Principles of consolidation**

All controlled entities are fully consolidated on a line-by-line basis except for Natuaganek Commercial Fishery Cooperative Ltd. which meet the definition of government business enterprise. This enterprise is included in the consolidated financial statements on a modified equity basis.

**Consolidation Method**

This method combines the accounts of distinct organizations. It requires uniform accounting policies for the organizations. Inter-organizational balances and transactions are eliminated under this method. This method reports the organizations as if they were one organization.

**Modified Equity Method**

This method is used for commercial enterprises which meet the definition of government business enterprises. Government business enterprises have the power to contract in their own name, have the financial and operating authority to carry on a business, sell goods and services to customers outside the First Nation as their principle activity, and that can, in the normal course of operations, maintain operations and meet liabilities from revenues received from outside the First Nation government. The modified equity method reports a commercial enterprise's net assets as an investment on the Consolidated Statement of Financial Position. The net income of the commercial enterprises is reported as equity earnings (loss) on the Consolidated Statement of Operations. Inter-organizational transactions and balances are not eliminated. All gains or losses arising from inter-organizational transactions between commercial enterprises or other First Nation organizations are eliminated. The accounting policies of commercial organizations are not adjusted to conform to those of the First Nation.

**(d) Net debt**

The First Nation's financial statements are presented so as to highlight net debt as the measurement of financial position. The net debt of the First Nation is determined by its liabilities less its financial assets. Net debt is comprised of two components, non-financial assets and accumulated surplus.

**EEL GROUND FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2014**

**1. Basis of Presentation and Significant Accounting Policies (continued)**

**(e) Tangible Capital Assets**

Tangible capital assets (TCAs) are items that can be physically touched, are used to provide First Nation services, are used for First Nation administration purposes or are used for the construction and/or maintenance of other TCAs owned by the First Nation, will be useful for a period greater than one year and will be used by the First Nation on a regular basis.

Certain tangible capital assets, including but not limited to housing as well as roads and infrastructure, have been recorded at a nominal amount of \$1 as specific historical data was not available. Whereas all such assets are amortized over a period not longer than twenty five years, it is management's opinion that all assets acquired prior to 1988 would now be fully amortized.

Tangible Capital Assets are recorded at cost, which includes all amounts directly attributable to acquisition, construction, development or betterment of the asset, and are amortized on the straight-line (computers and water and sewer) or declining balance method over their estimated useful lives. Amortization begins in the year acquired. Current descriptions and applicable rates are as follows::

Community buildings	4 %
Vehicles	30 %
Computers	2 years
Furniture and equipment	20 %
Paving	8 %
Water and sewer	25 years
Subdivision	4 %
Vessels	15 %
Fisheries licenses	7 %
Housing	5 %

**(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 (both operating and capital) are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Contributions from other sources are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purpose.

Revenue related to fees or services received in advance of the fee being earned or the service is performed is deferred and recognized when the fee is earned or service performed.

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**EEL GROUND FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2014**

**1. Basis of Presentation and Significant Accounting Policies (continued)**

**(g) Expense recognition**

Expenses are recorded on the accrual basis as they are incurred and measurable based on receipt of goods or services and obligation to pay.

**(h) Use of Estimates**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. These estimates are reviewed periodically and are reported in earnings in the period in which they become known. Actual results could differ from those estimates.

**(i) Asset classification**

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations. Non-financial assets are acquired, constructed or developed assets that do not provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale. Non-financial assets include tangible capital assets, prepaid expenses and inventories of supplies.

**(j) Segment disclosure**

The financial statements of Eel Ground First Nation provide supporting schedules which are established by program based on government funding provided. The various programs have been amalgamated for the purpose of presentation in the consolidated financial statements. Details of the operations of each program are set out in the supplementary schedules for management information purposes.

**(k) Financial Instruments**

The First Nation's financial instruments consist of cash, restricted cash, accounts receivable, bank indebtedness, accounts payable, deferred revenue and long-term debt. Unless otherwise noted it is management's opinion that the First Nation is not exposed to significant interest, currency or credit risks.

**(l) Intangible assets**

The First Nation owns fishing licenses which have been acquired without financial consideration and are therefore not recorded as assets in these financial statements.

**EEL GROUND FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2014**

**2. Restricted cash**

The operating agreements with Canada Mortgage and Housing Corporation require the First Nation to accumulate reserve funds. These funds are restricted, and may only be used for purposes approved by Canada Mortgage and Housing Corporation.

	2014	2013
Balance, beginning of year	\$ 151,667	\$ 126,072
Deposits	50,709	25,595
	<b>\$ 202,376</b>	<b>\$ 151,667</b>

**3. Accounts receivable**

	2014	2013
Aboriginal Affairs and Northern Development Canada (AANDC)	\$ 495,815	\$ 335,363
Advances to Members	361,667	356,341
Other	621,511	392,494
HST Recoverable	43,122	47,964
Department of Fisheries and Oceans	81,505	156,432
Eel Ground Community Development	284,744	296,691
Health Canada	5,000	-
	<b>\$ 1,893,364</b>	<b>\$ 1,585,285</b>

**4. Trust funds held by Federal Government**

	March 31, 2013	Additions (Interest)	March 31, 2014
Revenue	\$ 58,083	\$ 2,131	\$ 60,214
Capital	27,177	-	27,177
	<b>\$ 85,260</b>	<b>\$ 2,131</b>	<b>\$ 87,391</b>

**EEL GROUND FIRST NATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****MARCH 31, 2014****5. Investment in Government Business Enterprises**

- Natuaqanek Commercial Fishery Cooperative Ltd.

	2014 Total	2013 Total
<u>Cash</u>	\$ (10,562)	\$ 33,215
Accounts receivable	-	32,542
Tangible capital assets	557,386	594,086
Other assets	5,195	2,500
<b>Total assets</b>	<b>\$ 552,019</b>	<b>\$ 662,343</b>
Accounts payable	\$ 249,672	\$ 263,619
Long-term debt	36,728	45,000
Other liabilities	29,432	-
<b>Total liabilities</b>	<b>315,832</b>	<b>308,619</b>
<b>Equity</b>	<b>236,187</b>	<b>353,724</b>
<b>Total liabilities and equity</b>	<b>\$ 552,019</b>	<b>\$ 662,343</b>
	2014 Total	2013 Total
<u>Revenue</u>	\$ 213,302	\$ 694,912
Expenses	68,369	173,238
Debt servicing	19,119	5,932
Wages and benefits	201,502	287,593
Amortization	41,849	33,571
<b>Total expenses</b>	<b>330,539</b>	<b>500,334</b>
<b>Net income</b>	<b>\$ (117,537)</b>	<b>\$ 194,578</b>

**EEL GROUND FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2014**

**6. Bank indebtedness**

A demand operating loan has been authorized by the Royal Bank of Canada to a maximum of \$750,000 and bears interest at prime plus 1.5% per annum and is secured by a general security agreement.

Cash includes funding which was obtained during the 13/14 fiscal year from AANDC to be utilized to finance construction of a new school. Unexpended funds are expected to be utilized during the 14/15 fiscal year.

	2014	2013
Cash	\$ 1,450,199	\$ 63,745
Bank indebtedness	(16,599)	(956,640)
	<b>\$ 1,433,600</b>	<b>\$ (892,895)</b>

**7. Accounts payable**

Remittances for band employee benefits are current as of March 31, 2014.

	2014	2013
Trade	\$ 799,718	\$ 955,316
Pension plan	33,864	37,093
Wages and payroll deductions	65,082	59,665
Minister of Finance	211,732	377,265
Accrued interest	12,729	16,519
	<b>\$ 1,123,125</b>	<b>\$ 1,445,858</b>

**8. Deferred revenue**

	2014	2013
Province of NB - Provincial partnering	\$ 59,719	\$ 1,253
Health program - health services integration fund	-	76,678
Playground contributions	18,600	-
FNEII Special education and new paths	85,800	50,792
North American Indigenous Games	1,240	-
Church donations	850	-
NACEC	4,032	-
Water project	750,327	-
School construction	2,342,010	-
	<b>\$ 3,262,578</b>	<b>\$ 128,723</b>

**EEL GROUND FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2014**

**9. Long-term debt**

	2014	2013
<b>Royal Bank of Canada</b> Various mortgages at interest rates from 2.02% to 5.85%, guaranteed by the Minister of Aboriginal Affairs and Northern Development Canada. These loans are related to CMHC housing projects and have varying repayment terms and maturity dates..	\$ 2,064,278	\$ 2,515,848
<b>Canada Mortgage and Housing Corporation</b> Various mortgages at interest rates from 1.52% to 2.69%, payable to CMHC guaranteed by the Minister of Aboriginal Affairs and Northern Development Canada. These loans are related to CMHC housing projects and have varying repayment terms and maturity dates.	2,391,891	1,863,716
<b>Royal Bank of Canada</b> 5.50% demand loan, payable \$1,435 monthly plus interest, due March 2013, secured by school bus	-	1,413
<b>Royal Bank of Canada</b> 4.75% demand loan, payable \$7,324 monthly including interest, maturity date July 2016, secured by lagoon	193,293	269,999
<b>Chrysler Canada</b> 5.74% loan, payable \$443 monthly including interest, due June 2017, secured by vehicle	15,717	20,354
<b>Royal Bank of Canada</b> 2.77% loan, payable \$295 monthly including interest, due February 2018	27,788	30,530
<b>Royal Bank of Canada</b> 5.25% loan, payable \$3,051 monthly including interest, maturity date December 2016, secured by apartment building	485,844	496,503
<b>Royal Bank of Canada</b> Prime rate plus 3% demand loan, payable \$6,466 monthly plus interest, due November 2014	362,133	388,000
	<hr/> <b>\$ 5,540,944</b>	<hr/> <b>\$ 5,586,363</b>

Each Section 95 housing loan has been guaranteed by Aboriginal Affairs and Northern Development Canada.

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**EEL GROUND FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2014**

**9. Long-term debt, continued**

Principal portion of long-term debt due within the next five years:

2015	\$ 443,923
2016	414,375
2017	351,682
2018	312,095
<b>2019 and thereafter</b>	<b>4,018,869</b>
	<hr/>
	<b>\$ 5,540,944</b>
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**10. Contingent Liabilities**

Eel Ground 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. The likelihood of compliance reviews and any potential findings are not determinable as at the date on the auditor's report.

## EEL GROUND FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2014

## 11. Tangible Capital Assets

	Balance, beginning of year	Additions	Disposals	Cost	Balance, beginning of year	Amortization	Balance, end of year	Accumulated amortization 2014 net book value
<b>Community buildings</b>								
Vehicles	\$ 4,714,175	\$ 1,507,990	\$ (3,000)	\$ 6,222,165	\$ 1,260,987	\$ 168,288	\$ 1,429,275	\$ 4,792,850
Computers	422,318	25,662	(370)	444,980	370,097	19,056	389,163	55,817
Furniture and equipment	187,339	33,272	-	220,611	187,339	8,318	195,657	24,954
Paving	194,768	73,585	-	268,353	92,219	27,367	120,086	148,267
Water and sewer	195,800	-	-	195,800	118,116	6,215	124,331	71,469
Subdivision	6,717,458	56,531	-	6,773,989	1,857,504	134,915	1,992,419	4,781,570
Vessels	828,333	-	-	828,333	315,775	20,502	336,277	492,056
Fisheries licenses	321,150	62,100	-	383,250	216,377	20,374	236,751	146,459
Housing	451,600	-	-	451,600	224,809	15,875	240,684	210,916
	<u>9,663,246</u>	<u>275,054</u>	<u>-</u>	<u>9,938,300</u>	<u>3,203,688</u>	<u>329,856</u>	<u>3,533,544</u>	<u>6,404,756</u>
	<u>\$ 23,696,187</u>	<u>\$ 2,034,194</u>	<u>\$ (3,000)</u>	<u>\$ 25,727,381</u>	<u>\$ 7,846,911</u>	<u>\$ 751,276</u>	<u>\$ 8,598,187</u>	<u>\$ 17,129,194</u>
<b>Cost</b>								
<b>Community buildings</b>								
Vehicles	\$ 4,523,414	\$ 190,761	\$ -	\$ 4,714,175	\$ 1,121,079	\$ 139,908	\$ 1,260,987	\$ 3,453,188
Computers	392,144	30,174	-	422,318	354,183	15,914	370,097	52,221
Furniture and equipment	187,339	-	-	187,339	-	-	187,339	-
Paving	133,365	61,403	-	194,768	74,253	17,966	92,219	107,549
Water and sewer	195,800	-	-	195,800	111,361	6,735	118,116	77,684
Subdivision	6,514,690	202,768	-	6,717,458	1,725,183	132,321	1,857,504	4,859,954
Vessels	686,159	142,174	-	828,333	297,380	18,395	315,775	512,558
Fisheries licenses	321,150	-	-	321,150	197,888	18,499	216,377	104,773
Housing	451,600	-	-	451,600	207,738	17,071	224,809	226,791
	<u>8,932,567</u>	<u>730,679</u>	<u>-</u>	<u>9,663,246</u>	<u>2,382,939</u>	<u>320,149</u>	<u>3,203,688</u>	<u>6,404,756</u>
	<u>\$ 22,338,228</u>	<u>\$ 1,357,959</u>	<u>\$ -</u>	<u>\$ 23,696,187</u>	<u>\$ 7,159,343</u>	<u>\$ 687,568</u>	<u>\$ 7,846,911</u>	<u>\$ 15,849,276</u>

**EEL GROUND FIRST NATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****MARCH 31, 2014****12. Financial Instruments Risks and Uncertainties**

The First Nation is exposed to the following risks in respect of certain of the financial instruments held:

**Credit risk**

The financial instruments that potentially subject the First Nation to a significant concentration of credit risk consist primarily of cash and accounts receivable.

The First Nation maintains cash balances with Canadian chartered banks which is insured by the Canada Deposit Insurance Corporation up to CDN \$100,000. From time to time, these balances exceed the federally insured limits and expose the First Nation to credit risk from concentration of cash. The First Nation limits this risk by transacting with reputable financial institutions.

The First Nation does have credit risk in accounts receivable \$1,893,364 (2013 - \$1,585,285). Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The First Nation reduces its exposure to credit risk by performing valuations on a regular basis and creating an allowance for bad debts when applicable. The First Nation derives substantially all of its revenues and therefore, accounts receivable, from government sources. In the opinion of management, the credit risk exposure to the First Nation is low and is not material.

**Liquidity risk**

The First Nation does have a liquidity risk in the accounts payable and accrued liabilities of \$1,123,125 (2013 - \$1,445,858). Liquidity risk is the risk that the First Nation cannot repay its obligations when they become due to its creditors. The First Nation reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due; maintains an adequate line of credit to repay trade creditors and maintains a responsible cash position. In the opinion of management, the liquidity risk exposure to the First Nation is low and is not material.

**Interest rate risk**

The First Nation is exposed to interest rate risk. This risk exists due to interest rate exposure on its bank indebtedness and certain term loans, which are variable based on the bank's prime rates. This exposure may have an effect on its interest expenses in future periods. The First Nation reduces its exposure to interest rate risk by regularly monitoring published bank prime interest rates which have been relatively stable over the period presented. There are some loans payable that are at fixed term rates and therefore, do not affect interest rate risk. The First Nation does not use derivative instruments to reduce its exposure to interest rate risk. In the opinion of management the interest rate risk exposure to the First Nation is low and is not material.

**EEL GROUND FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2014**

**13. Prepaid expenses**

	2014	2013
Social rent	\$ 6,501	\$ 5,230
Insurance	10,426	11,293
Election costs	7,000	-
Software	-	1,439
Other	12,590	594
<b>Total</b>	<b>\$ 36,517</b>	<b>\$ 18,556</b>

**14. Economic Dependence**

Eel Ground First Nation received a major portion of its revenues pursuant to a funding arrangement with Aboriginal Affairs and Northern Development Canada. The continued operation of the First Nation is dependant on the continuation of this funding arrangement.

**15. Expenses by object**

	2014	2013
Wages and benefits	\$ 2,527,568	\$ 4,073,887
Foster care	559,315	687,671
Social program payments	1,725,346	1,531,945
Travel and training	61,517	83,063
Programs and activities	3,768,614	1,696,855
Transfers to other programs	-	147,067
Tuition costs	587,078	511,926
Repairs, supplies and services	775,682	567,762
Interest and bank charges	266,503	277,287
Professional services	50,092	93,112
Other	470,918	787,436
Amortization	751,274	687,566
<b>Total</b>	<b>\$ 11,543,907</b>	<b>\$ 11,145,577</b>



### REVIEW ENGAGEMENT REPORT

To the Chief, Council and Members of Eel Ground First Nation

We have reviewed the schedules of salaries, honoraria and travel paid to Chief and Council, salaries and travel paid to senior management as well as the schedule of Federal Government Funding of Eel Ground First Nation for the year ended March 31, 2014. These schedules were prepared in accordance with the instructions in the Aboriginal Affairs and Northern Development Canada Year End Financial Reporting Handbook, 2013-2014. Our review was made in accordance with Canadian generally accepted standards for review engagements and, accordingly, consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the First Nation.

A review does not constitute an audit and, consequently, we do not express an audit opinion on these schedules.

Based on our review, nothing has come to our attention that causes us to believe that these schedules have not been prepared, in all material respects, in accordance with the instructions in the handbook described above.

These schedules, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information and use of the members of Eel Ground First Nation and Aboriginal Affairs and Northern Development Canada for the purpose of complying with the Aboriginal Affairs and Northern Development Canada Year End Financial Reporting Handbook, 2013-2014. These schedules were not intended to be and should not be used by anyone other than the specified users or for any other purpose.

October 6, 2014  
Woodstock, NB

*Lenehan McCain & Associates*  
Lenehan McCain & Associates