EEL GROUND FIRST NATION

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2015

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

MARCH 31, 2015

The accompanying consolidated financial statements are the responsibility of Chief and Council. The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards and necessarily include estimates which are based on management's best judgments

Management is also responsible for implementing and maintaining a system of internal controls designed to give reasonable assurance that transactions are appropriately authorized, assets are safeguarded from loss and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The consolidated financial statements have been reviewed and approved by Chief and Council

Lenehan McCain & Associates, an independent firm of accountants, has been engaged to examine the consolidated financial statements in accordance with Canadian generally accepted auditing standards. Their report stating the scope of their examination and opinion on the consolidated financial statements, follows.

Sept. 4, 2015

Chief Date

LENEHAN McCAIN & Associates
CHARTERED PROFESSIONAL ACCOUNTANTS

389 Connell Street, Suite 200
Woodstock, New Brunswick
E7M 5G5

Telephone (506) 325-2101
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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, 2015, 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, 2015, 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 Professional Accountants

Woodstock, New Brunswick
August 25, 2015

EEL GROUND FIRST NATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MARCH 31, 2015

	2015	2014
Financial Assets		
Cash (Note 6)	$ -	$ 1,433,600
Restricted cash (Note 2)	264,585	202,376
Accounts receivable (Note 3)	2,235,091	1,893,364
Trust funds held by Federal Government (Note 4)	98,819	87,391
Investment in Natuaqanek Commercial Fishery Cooperative Ltd. (Note 5)	195,616	236,187
	2,795,032	3,852,918
Liabilities		
Bank indebtedness (Note 6)	920,692	-
Accounts payable (Note 7)	2,530,283	1,123,124
Deferred revenue (Note 8)	665,801	3,262,578
Long-term debt (Note 9)	5,369,115	5,540,944
	9,485,211	9,926,646
Net debt	(6,690,129)	(6,073,728)
Non-financial Assets		
Tangible capital assets (Note 11)	23,961,020	17,129,195
Prepaid expenses (Note 13)	164,166	36,517
	24,125,186	17,165,712
Accumulated Surplus	$ 17,426,057	$ 11,091,984

Approved on behalf of the Eel Ground First Nation

_________________ Chief _________________ Councillor
_________________ Councillor _________________ Councillor
_________________ Councillor _________________ Councillor
_________________ Councillor _________________ Councillor
_________________ Councillor _________________ Councillor

The accompanying notes are an integral part of the financial statements

EEL GROUND FIRST NATION

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

FOR THE YEAR ENDED MARCH 31, 2015

	2015 Budget	2015 Actual	2014 Actual
Surplus	$ (591,642)	$ 6,334,873	$ 1,102,055
Acquisition of tangible capital assets	-	(7,765,890)	(2,031,194)
Amortization of tangible capital assets	751,274	934,066	751,274
	751,274	(6,831,824)	(1,279,920)
Acquisition of prepaid asset	-	(127,650)	(17,960)
Increase in net financial assets	159,632	(625,401)	(195,825)
Net debt at beginning of year	(6,073,728)	(6,073,728)	(5,877,903)
Net debt at end of year	$ (5,914,096)	$ (6,699,129)	$ (6,073,728)

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, 2015

	2015 Budget	2015 Actual	2014 Actual
Revenue			
Aboriginal Affairs and Northern Development	$ 5,791,989	$ [illegible]	$ 10,545,156
Deferred revenue, opening school construction	-	2,342,010	-
Other	[illegible]	[illegible]	2,157,616
Health Canada	857,178	[illegible]	849,004
Crown land forestry operations	768,000	[illegible]	863,218
Deferred revenue, opening water project	-	750,327	-
Rental	536,200	[illegible]	623,523
Fisheries operations	[illegible]	497,565	506,062
Canada Mortgage and Housing Corporation	107,000	222,425	211,252
Deferred revenue, closing school construction	-	-	(2,342,010)
Deferred revenue, closing water project	-	[illegible]	(750,327)
	[illegible]	[illegible]	12,763,499
Expenditures			
Social Development	[illegible]	[illegible]	1,855,601
Child Maintenance	[illegible]	[illegible]	571,419
Community Development	[illegible]	[illegible]	2,036,489
Community Infrastructure	[illegible]	[illegible]	455,639
Housing and Capital Projects	641,152	[illegible]	713,087
Band Administration	[illegible]	[illegible]	876,718
Education	[illegible]	1,873,745	1,844,278
Child and Family Services	795,327	762,016	707,738
Public Safety	89,853	[illegible]	90,153
Community Health	[illegible]	[illegible]	1,082,197
Youth Home	332,710	[illegible]	381,541
Assisted Living	[illegible]	179,615	177,773
	[illegible]	10,993,242	10,792,633
Surplus before other items	[illegible]	[illegible]	[illegible]
Other items			
Amortization	(751,274)	[illegible]	(751,274)
Equity of Natuaganek Commercial Fishery Coop	-	[illegible]	(117,537)
	(751,274)	(974,637)	(868,811)
Surplus	[illegible]	6,334,073	1,102,055
Accumulated surplus at beginning of year	[illegible]	[illegible]	[illegible]
Accumulated surplus at end of year	$ [illegible]	$ [illegible]	$ 11,091,984

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, 2015

	2015 Actual	2014 Actual
Cash flows from		
Operating activities		
Surplus	$ 6,334,073	$ 1,102,055
Items not affecting cash		
Amortization expense	934,064	751,274
	7,268,137	1,853,329
Change in non-cash operating working capital		
Accounts receivable	(341,727)	(308,079)
Prepaid expenses	(127,649)	(17,961)
Trust funds held by Federal Government	(3,428)	(2,131)
Accounts payable	1,407,024	(322,733)
Deferred revenue	(2,595,777)	3,133,855
Investment in Natuaganek Commercial Fishery Cooperative Ltd.	40,571	117,537
	5,646,211	4,453,817
Capital activities		
Acquisition of tangible capital assets	(7,765,891)	(2,034,194)
Disposal of tangible capital assets	-	3,000
	(7,765,891)	(2,031,194)
Financing activities		
Repayment of long-term debt	(2,004,106)	(388,513)
Proceeds of long-term debt	1,832,274	343,094
	(171,832)	(45,419)
Increase (decrease) in cash and cash equivalents	(2,291,512)	2,377,204
Cash and cash equivalents, beginning of year	1,635,976	(741,228)
Cash and cash equivalents, end of year	$ (655,536)	$ 1,635,976
Represented by		
Cash	$ -	$ 1,433,600
Bank indebtedness	(920,092)	-
Restricted cash	264,556	202,376
	$ (655,536)	$ 1,635,976

The accompanying notes are an integral part of the financial statements

EEL GROUND FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2015

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.

EEL GROUND FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2015

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, 2015

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 administrative 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 %
Fencing	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.

EEL GROUND FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2015

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 various fishing licenses some of which have been acquired without financial consideration. These particular licenses are not recorded as assets in these financial statements. Paid licenses are included in Note 11

BEL GROUND FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2015

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

		2015		2014
Balance, beginning of year	$	202,376	$	151,667
Deposits		62,130		50,709
	$	264,506	$	202,376

3. Accounts receivable

		2015		2014
Aboriginal Affairs and Northern Development Canada (AANDC)	$	594,875	$	495,815
Advances to Members		372,687		361,667
Other		672,367		621,511
HST Recoverable		32,014		43,122
Department of Fisheries and Oceans		324,390		81,505
Bel Ground Community Development		297,913		284,744
Health Canada		2,335		5,000
	$	2,296,091	$	1,893,364

4. Trust funds held by Federal Government

		March 31, 2014		Additions (Interest)		March 31, 2015
Revenue	$	60,214	$	3,428	$	63,642
Capital		27,177		-		27,177
	$	87,391	$	3,428	$	90,819

SEL GROUND FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2015

5. Investment in Government Business Enterprises

Natuaqanek Commercial Fishery Cooperative Ltd.

		2015 Total		2014 Total
Cash	$	-	$	(19,362)
Tangible capital assets		517,563		587,[illegible]
Other assets		-		5,195
Total assets	$	517,563	$	552,019
Accounts payable	$	273,821	$	260,672
Long-term debt		31,998		25,728
Other liabilities		16,128		29,432
Total liabilities		321,947		315,832
Equity		195,616		236,187
Total liabilities and equity	$	517,563	$	552,019
		2015 Total		**2014 Total**
Revenue	$	259,768	$	213,302
Expenses		8,720		68,369
Debt servicing		11,623		19,129
Wages and benefits		244,485		201,902
Amortization		36,[illegible]		41,439
Total expenses		301,339		330,839
Net income	$	(41,571)	$	(117,537)

EEL GROUND FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2015

6. Bank indebtedness

		2015		2014
Cash	$	110,002	$	1,450,199
Bank indebtedness		[illegible]		(16,599)
	$	[illegible]	$	1,433,600

7. Accounts payable

Remittances for band employee benefits are current as of March 31, 2015

		2015		2014
Trade	$	2,1[illegible],174	$	799,718
Pension plan		32,905		33,864
Wages and payroll deductions		148,1[illegible]		65,082
Minister of Finance		177,457		211,732
Accrued interest		11,468		12,729
	$	2,536,203	$	1,123,125

8. Deferred revenue

		2015		2014
Province of NB - Provincial partnering	$	-	$	59,719
Summer games		180		-
Playground contributions		[illegible]		18,600
FNEII Special education and new paths		67,322		85,[illegible]
North American Indigenous Games		-		1,240
Church donations		1,075		250
NACEC		4,032		4,032
Water project		527,[illegible]		750,327
School construction		-		2,342,010
Canada Feed the Children		46,[illegible]		-
	$	665,801	$	3,2[illegible],578

EEL GROUND FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2015

9. Long-term debt

	2015	2014
Royal Bank of Canada Various mortgages at interest rates from 2.68% to 5.59%, 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.	$ 940,496	$ 2,064,278
Canada Mortgage and Housing Corporation 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.	3,239,633	2,391,891
Royal Bank of Canada 4.75% demand loan, payable $7,324 monthly including interest, maturity date July 2016, secured by lagoon	-	193,293
Chrysler Canada 5.74% loan, payable $443 monthly including interest, due June 2017, secured by vehicle	11,184	15,717
Royal Bank of Canada 2.77% loan, payable $295 monthly including interest, due February 2018	24,972	27,788
Royal Bank of Canada 5.25% loan, payable $3,051 monthly including interest, maturity date December 2016, secured by apartment building	474,392	485,844
Royal Bank of Canada Prime rate plus 3% demand loan, payable $6,[illegible] monthly plus interest, due November 2014	-	362,133
CIBC Prime plus 1.25% loan, payable $17,395 monthly plus interest, due June 2018	678,438	-
	$ 5,369,115	$ 5,540,944

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

EEL GROUND FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2015

9. Long-term debt, continued

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

2016	$ 440,[illegible]
2017	437,044
2018	[illegible]
2019	444,374
2020 and thereafter	3,547,967
	$ 5,369,115

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, 2015

11. Tangible Capital Assets

	Cost			Accumulated amortization			
	Balance, beginning of year	Additions	Balance, end of year	Balance, beginning of year	Amortization	Balance, end of year	2015 net book value
Community buildings	$ 6,222,165	$ 6,963,748	$ 13,185,913	$ 1,429,275	$ 341,835	$ 1,771,110	$ 11,414,803
Vehicles	444,980	-	444,980	389,163	16,745	405,908	39,072
Computers	220,611	2,410	223,021	195,657	25,556	221,213	1,808
Furniture and equipment	268,353	2,590	270,943	120,086	29,912	149,998	120,945
Paving	195,800	-	195,800	124,331	5,717	130,048	65,752
Water and sewer	6,773,989	460,898	7,234,887	1,992,419	140,090	2,132,509	5,102,378
Subdivision	828,333	1,950	830,283	336,277	19,721	355,998	474,285
Vessels	383,250	-	383,250	236,751	21,974	258,725	124,525
Fisheries licences	451,600	-	451,600	240,684	14,764	255,448	196,152
Housing	9,938,300	334,294	10,272,594	3,533,544	317,748	3,851,292	6,421,302
	$ 25,727,381	$ 7,765,890	$ 33,493,271	$ 8,598,187	$ 934,062	$ 9,532,249	$ 23,961,022

	Cost			Accumulated amortization			
	Balance, beginning of year	Additions	Balance, end of year	Balance, beginning of year	Amortization	Balance, end of year	2014 Net book value
Community buildings	$ 4,714,175	$ 1,507,990	$ 6,222,165	$ 1,260,927	$ 168,348	$ 1,429,275	$ 4,792,890
Vehicles	422,313	22,667	444,980	370,097	19,066	389,163	55,817
Computers	187,339	33,272	220,611	187,339	8,318	195,657	24,954
Furniture and equipment	194,768	73,585	268,353	92,219	27,867	120,086	148,267
Paving	195,800	-	195,800	118,116	6,215	124,331	71,469
Water and sewer	6,717,458	56,531	6,773,989	1,857,504	134,915	1,992,419	4,781,570
Subdivision	828,333	-	828,333	315,775	20,502	336,277	492,056
Vessels	321,150	62,100	383,250	216,377	20,374	236,751	146,499
Fisheries licenses	451,600	-	451,600	224,909	15,775	240,684	210,916
Housing	9,663,246	275,054	9,938,300	3,203,688	329,856	3,533,544	6,404,756
	$ 23,696,107	$ 2,031,274	$ 25,727,381	$ 7,846,911	$ 751,276	$ 8,598,187	$ 17,129,194

EEL GROUND FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2015

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 $2,235,091 (2014 - $1,893,364) 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 $2,530,203 (2014 - $1,123,125). 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.

BEL GROUND FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2015

13. Prepaid expenses

		2015		2014
Social assistance and rent	$	28,741	$	6,501
Insurance		10,999		10,026
Election costs		-		7,030
Payroll		114,346		-
Other		10,080		12,960
Total	$	164,166	$	36,517

14. Economic Dependence

Bel 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 dependent on the continuation of this funding arrangement.

15. Expenses by object

	2015	2014
Wages and benefits	$ 3,043,736	$ 2,527,568
Foster care	390,329	559,315
Social program payments	1,587,118	1,725,146
Travel and training	88,775	61,517
Programs and activities	3,932,931	3,768,614
Tuition costs	614,607	587,078
Repairs, supplies and services	870,065	775,692
Interest and bank charges	232,680	266,503
Professional services	68,697	50,092
Other	131,006	470,918
Amortization	934,064	751,274
	$ 11,927,398	$ 11,543,907

EEL GROUND FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2015

16. Annual surplus net of capital related revenues and amortization

	2015	2014
Annual surplus (deficit)	$ 6,334,083	$ 1,102,055
Deduct: Federal government transfers for capital	(7,176,243)	(4,789,486)
Add: Deferred revenue - tangible capital assets	-	3,092,337
Add: Amortization expense included in annual surplus (deficit)	934,056	751,274
Annual surplus net of capital related revenues and amortization	$ 91,896	$ 156,180

EEL GROUND FIRST NATION
SUPPLEMENTARY INFORMATION
GOVERNMENT TRANSFERS
YEAR ENDED MARCH 31, 2015

	2015 Operating	2015 Capital	2015 Total
Federal government transfers			
Aboriginal Affairs and Northern Development Canada	6,248,548	4,336,178	10,584,726
Health Canada	888,446	2,335	890,781
Canada Mortgage and Housing Corp.	190,775	31,650	222,425
Department of Fisheries and Oceans	497,965	-	497,965
Children's Special Allowances	21,932	-	21,932
Heritage Canada	6,929	-	6,929
Public Safety	89,053	-	89,053
Federal government transfer total	$ 7,943,647	$ 4,370,163	$ 12,313,810
Provincial government transfers	$ 870,307	$ -	$ 870,307

Revenues	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total revenues	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Expenses														
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total expenses	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Annual surplus (deficit)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Revenues	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total revenues	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Expenses												
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total expenses	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Annual surplus (deficit)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

	[illegible] 2014 Actual	[illegible] 2014 Actual	Community [illegible] 2014 Actual	Community [illegible] 2014 Actual	Housing and capital projects 2014 Actual	Band administration 2014 Actual	Education 2014 Actual
Revenue							
Federal Government	2,[illegible]	271,[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1,[illegible]
Provincial Government	-		[illegible]	-		[illegible]	[illegible]
[illegible]		-	[illegible]	-	[illegible]	-	-
[illegible]		-	[illegible]	31,400	[illegible]	[illegible]	[illegible]
[illegible]	-		-		([illegible])		
Total revenue	2,[illegible]	271,[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Expenses							
Salaries and benefits	[illegible]	-	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amortization		-	-	-			
[illegible]		-	-	-	[illegible]	[illegible]	
Cost of goods sold				-	-	-	
Other expenses	[illegible]	271,[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total expenses	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Annual surplus (deficit)	[illegible]	-	[illegible]	([illegible])	[illegible]	([illegible])	[illegible]

	Child and family services 2014 Actual	[illegible] 2014 Actual	Community [illegible] 2014 Actual	Youth [illegible] 2014 Actual	[illegible] 2014 Actual	Consolidated [illegible] 2014 Actual
Revenue						
Federal Government	[illegible]	[illegible]	[illegible]	-	[illegible]	[illegible]
Provincial Government	-		-	[illegible]	-	[illegible]
[illegible]		-	-	[illegible]		[illegible]
[illegible]		-	-		-	([illegible])
Other revenue	[illegible]		[illegible]	[illegible]		[illegible]
[illegible]	-					([illegible])
Total revenue	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Expenses						
Salaries and benefits	[illegible]	[illegible]	-	[illegible]	-	[illegible]
Amortization	-		-	-	-	[illegible]
[illegible]	-	-	-	-	-	[illegible]
Cost of goods sold	-	-	-			
Other expenses	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total expenses	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Annual surplus (deficit)	([illegible])	([illegible])	[illegible]	([illegible])	-	[illegible]

LENEHAN McCAIN & Associates

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, 2015. These schedules were prepared in accordance with the instructions in the Aboriginal Affairs and Northern Development Canada Year End Financial Reporting Handbook, 2014-2015. 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, 2014-2015. These schedules were not intended to be and should not be used by anyone other than the specified users or for any other purpose.

August 25, 2015
Woodstock, NB

Lenehan M'Cain & Associates
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