

EEL GROUND FIRST NATION

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016



**LENEHAN
MCCAIN
& Associates**

CHARTERED ACCOUNTANTS

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

Independent Auditor's Report

To the Chief and Council and 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, 2016, 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, 2016, 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

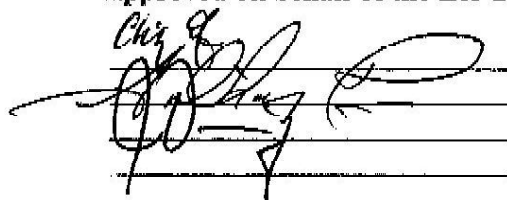
Chartered Professional Accountants

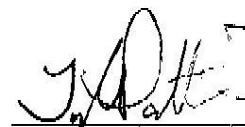
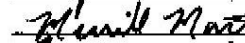
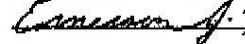
Woodstock, New Brunswick
August 12, 2016

EEL GROUND FIRST NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2016

	2016	2015
Financial Assets		
Restricted cash (Note 2)	\$ 264,801	\$ 264,556
Accounts receivable (Note 3)	1,306,948	2,235,091
Trust funds held by Federal Government (Note 4)	91,771	90,819
Investment in Natuaqanek Commercial Fishery Cooperative Ltd. (Note 5)	157,102	195,616
	<u>1,820,622</u>	<u>2,786,082</u>
Liabilities		
Bank indebtedness (Note 6)	550,637	920,092
Accounts payable (Note 7)	1,490,690	2,530,201
Deferred revenue (Note 8)	1,130,168	665,801
Long-term debt (Note 9)	6,369,519	5,369,115
	<u>9,541,014</u>	<u>9,485,209</u>
Net debt	<u>(7,720,392)</u>	<u>(6,699,127)</u>
Non-financial Assets		
Tangible capital assets (Note 11)	25,476,047	23,961,020
Prepaid expenses (Note 13)	256,780	164,166
	<u>25,732,827</u>	<u>24,125,186</u>
Accumulated Surplus	<u>\$ 18,012,435</u>	<u>\$ 17,426,059</u>

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, 2016

	2016 Budget	2016 Actual	2015 Actual
Surplus	\$ 624,648	\$ 586,376	\$ 6,334,073
Acquisition of tangible capital assets	-	(2,605,701)	(7,765,888)
Amortization of tangible capital assets	934,066	1,090,674	934,066
	934,066	(1,515,027)	(6,831,822)
Acquisition of prepaid asset	-	(92,614)	(127,649)
Increase in net financial assets	1,558,714	(1,021,265)	(625,398)
Net debt at beginning of year	(6,699,127)	(6,699,127)	(6,073,729)
Net debt at end of year	\$ (5,140,413)	\$ (7,720,392)	\$ (6,699,127)

EEL GROUND FIRST NATION

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

FOR THE YEAR ENDED MARCH 31, 2016

	2016 Budget	2016 Actual	2015 Actual
Revenue			
Indigenous and Northern Affairs Canada	\$ 5,848,903	\$ 7,296,279	\$ 10,584,725
Other	1,438,512	1,553,011	2,180,915
Crown land forestry operations	807,000	955,291	845,552
Rental	501,000	943,261	515,638
Health Canada	741,054	881,612	890,781
Deferred revenue, opening water project	-	527,986	750,327
Fisheries operations	425,050	520,310	497,565
Canada Mortgage and Housing Corporation	180,000	228,861	222,425
Deferred revenue, opening school construction	-	-	2,342,010
Deferred revenue, closing water project	-	(939,479)	(527,986)
	<u>9,941,519</u>	<u>11,967,132</u>	<u>18,301,952</u>
Expenditures			
Social Development	1,963,667	1,910,452	1,715,445
Child Maintenance	550,000	279,414	405,887
Community Development	2,024,135	2,213,031	2,393,508
Community Infrastructure	482,170	525,192	784,098
Housing and Capital Projects	650,038	641,815	564,938
Band Administration	688,873	817,030	850,603
Education	1,676,890	1,868,275	1,873,745
Child and Family Services	668,542	730,215	762,016
Public Safety	-	63,992	89,053
Community Health	940,045	1,015,543	1,037,803
Youth Home	-	5,625	336,531
Assisted Living	180,884	180,984	179,615
	<u>9,825,244</u>	<u>10,251,568</u>	<u>10,993,242</u>
Surplus before other items	116,275	1,715,564	7,308,710
Other items			
Amortization	(934,066)	(1,090,674)	(934,066)
Equity of Natuaqanek Commercial Fishery Coop	-	(38,514)	(40,571)
	<u>(934,066)</u>	<u>(1,129,188)</u>	<u>(974,637)</u>
Surplus	(817,791)	586,376	6,334,073
Accumulated surplus at beginning of year	17,426,057	17,426,057	11,091,984
Accumulated surplus at end of year	\$ 16,608,266	\$ 18,012,433	\$ 17,426,057

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, 2016

	2016 Actual	2015 Actual
Cash flows from		
Operating activities		
Surplus	\$ 586,376	\$ 6,334,073
Items not affecting cash		
Amortization expense	1,090,674	934,064
	1,677,050	7,268,137
Change in non-cash operating working capital		
Accounts receivable	928,143	(341,727)
Prepaid expenses	(92,614)	(127,649)
Trust funds held by Federal Government	(952)	(3,428)
Accounts payable	(1,039,511)	1,407,084
Deferred revenue	464,367	(2,596,777)
Investment in Natuaqanek Commercial Fishery Cooperative Ltd.	38,514	40,571
	1,974,997	5,646,211
Capital activities		
Acquisition of tangible capital assets	(2,605,702)	(7,765,891)
Financing activities		
Repayment of long-term debt	(1,235,695)	(2,004,106)
Proceeds of long-term debt	2,236,100	1,832,274
	1,000,405	(171,832)
Increase (decrease) in cash and cash equivalents	369,700	(2,291,512)
Cash and cash equivalents, beginning of year	(655,536)	1,635,976
Cash and cash equivalents, end of year	\$ (285,836)	\$ (655,536)
Represented by		
Bank indebtedness	\$ (550,637)	\$ (920,092)
Restricted cash	264,801	264,556
	\$ (285,836)	\$ (655,536)

The accompanying notes are an integral part of the financial statements

EEL GROUND FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016

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 Chartered Professional Accountants of Canada.

(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, 2016

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 Natuaqanek 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, 2016

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.

EEL GROUND FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016

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.

EEL GROUND FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016

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.

	2016	2015
Balance, beginning of year	\$ 264,556	\$ 202,376
Deposits	245	62,180
Balance, end of year	\$ 264,801	\$ 264,556

3. Accounts receivable

	2016	2015
Indigenous and Northern Affairs Canada (INAC)	\$ 251,984	\$ 594,075
Advances to Members	316,548	372,087
Other	394,264	672,367
HST Recoverable	52,866	32,014
Department of Fisheries and Oceans	52,031	324,300
Eel Ground Community Development	233,388	237,913
Health Canada	5,867	2,335
	\$ 1,306,948	\$ 2,235,091

4. Trust funds held by Federal Government

	March 31, 2015	Additions (Interest)	March 31, 2016
Revenue	\$ 63,642	\$ 952	\$ 64,594
Capital	27,177	-	27,177
Total	\$ 90,819	\$ 952	\$ 91,771

EEL GROUND FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016

5. Investment in Government Business Enterprises

Natuaqanek Commercial Fishery Cooperative Ltd.

	2016 Total	2015 Total
Accounts receivable	\$ 9,953	\$ -
<u>Tangible capital assets</u>	<u>485,334</u>	<u>517,563</u>
<u>Total assets</u>	<u>\$ 495,287</u>	<u>\$ 517,563</u>
Accounts payable	\$ 76,912	\$ 52,765
Long-term debt	27,923	31,998
Callable debt	205,722	221,056
<u>Other liabilities</u>	<u>27,628</u>	<u>16,128</u>
<u>Total liabilities</u>	<u>338,185</u>	<u>321,947</u>
<u>Equity</u>	<u>157,102</u>	<u>195,616</u>
<u>Total liabilities and equity</u>	<u>\$ 495,287</u>	<u>\$ 517,563</u>
	2016 Total	2015 Total
<u>Revenue</u>	<u>\$ 340,696</u>	<u>\$ 260,768</u>
Expenses	31,301	8,720
Debt servicing	10,402	11,623
Wages and benefits	305,278	244,488
<u>Amortization</u>	<u>32,228</u>	<u>36,508</u>
<u>Total expenses</u>	<u>379,209</u>	<u>301,339</u>
<u>Net income</u>	<u>\$ (38,513)</u>	<u>\$ (40,571)</u>

EEL GROUND FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016

6. Bank indebtedness

	2016	2015
Cash	\$ 24,222	\$ 110,902
Bank indebtedness	(574,859)	(1,030,994)
	<u>\$ (550,637)</u>	<u>\$ (920,092)</u>

7. Accounts payable

Remittances for band employee benefits are current as of March 31, 2016.

	2016	2015
Trade	\$ 877,949	\$ 2,047,003
Pension plan	20,069	32,905
Wages and payroll deductions	15,167	148,189
Minister of Finance	310,072	177,467
Accrued interest	14,261	11,468
Indigenous and Northern Affairs Canada	253,174	113,171
	<u>\$ 1,490,692</u>	<u>\$ 2,530,203</u>

8. Deferred revenue

	2016	2015
Province of NB - ASETS	\$ 6,523	\$ -
Summer games	-	100
Playground contributions	-	18,600
FNEII Special education and new paths	71,135	67,322
Church donations	2,231	1,075
NACEC	4,032	4,032
Water project - INAC	939,479	527,986
HSIF Project - Health Canada	46,922	-
Canada Feed the Children	40,346	46,686
NSMDC - CEDO	19,500	-
	<u>\$ 1,130,168</u>	<u>\$ 665,801</u>

EEL GROUND FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016

9. Long-term debt

	2016	2015
Royal Bank of Canada Various mortgages at interest rates from 2.68% to 5.59%, guaranteed by the Minister of Indigenous and Northern Affairs Canada. These loans are related to CMHC housing projects and have varying repayment terms and maturity dates.	\$ 721,628	\$ 940,496
Canada Mortgage and Housing Corporation Various mortgages at interest rates from 1.11% to 2.44%, payable to CMHC guaranteed by the Minister of Indigenous and Northern Affairs Canada. These loans are related to CMHC housing projects and have varying repayment terms and maturity dates.	3,848,942	3,239,633
Chrysler Canada 5.74% loan, payable \$443 monthly including interest, due June 2017, secured by vehicle	6,378	11,184
Royal Bank of Canada 2.77% loan, payable \$295 monthly including interest, due February 2018	22,078	24,972
Royal Bank of Canada 5.25% loan, payable \$3,051 monthly including interest, maturity date December 2016, secured by apartment building	462,397	474,392
CIBC Prime plus 1.25% loan, payable \$17,395 monthly plus interest, due June 2018	-	678,438
CIBC Prime plus 1.25% loan payable \$16,071 monthly plus interest, due July 2022	1,221,429	-
CIBC Prime plus 1.25% loan payable \$1,667 monthly plus interest, due July 2020, secured by school bus	86,667	-
	6,369,519	5,369,115
Current portion	454,631	460,585
	\$ 5,914,888	\$ 4,908,530

EEL GROUND FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016

9. Long-term debt, continued

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

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

2017-18	\$ 448,990
2018-19	410,217
2019-20	412,721
2020-21	434,880
2021 and thereafter	4,662,711
	<hr/>
	\$ 6,369,519

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, 2016

11. Tangible Capital Assets

	Balance, beginning of year	Additions	Cost Balance, end of year	Balance, beginning of year	Amortization of year	Balance, end of year	2016 net book value
Community buildings	\$ 13,185,913	\$ 685,273	\$ 13,871,186	\$ 1,771,110	\$ 459,887	\$ 2,230,997	\$ 11,640,189
Vehicles	444,980	103,004	547,984	405,908	27,172	433,080	114,904
Computers	223,021	33,196	256,217	221,213	9,504	230,717	25,500
Furniture and equipment	270,943	30,930	301,873	149,998	27,282	177,280	124,593
Paving	195,800	-	195,800	130,048	5,261	135,309	60,491
Water and sewer	7,234,887	1,000,507	8,235,394	2,132,509	154,701	2,287,210	5,948,184
Subdivision	830,283	-	830,283	355,998	18,972	374,970	455,313
Vessels	383,250	105,960	489,210	258,725	26,626	285,351	203,859
Fisheries licenses	451,600	-	451,600	255,448	13,731	269,179	182,421
Housing	10,272,594	646,831	10,919,425	3,851,292	347,539	4,198,831	6,720,594
	\$ 33,493,271	\$ 2,605,701	\$ 36,098,972	\$ 9,532,249	\$ 1,090,675	\$ 10,622,924	\$ 25,476,048

	Balance, beginning of year	Additions	Cost Balance, end of year	Balance, beginning of year	Amortization of year	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 licenses	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

EEL GROUND FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016

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 \$1,306,948 (2015 - \$2,235,091). 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 \$1,490,690 (2015 - \$2,530,201). 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, 2016

13. Prepaid expenses

	2016	2015
Social assistance and rent	\$ 25,525	\$ 28,741
Insurance	11,305	10,999
Election costs	7,000	-
Payroll	9,682	114,346
Other	17,225	10,080
Minister of Finance - tuition	186,043	-
Total	\$ 256,780	\$ 164,166

14. Economic Dependence

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

15. Expenses by object

	2016	2015
Wages and benefits	\$ 3,170,019	\$ 3,043,736
Child welfare programs	433,667	390,829
Social program payments	1,813,976	1,587,118
Travel and training	51,655	80,775
Programs and activities	3,103,277	3,952,931
Tuition costs	626,995	614,687
Repairs, supplies and services	709,265	890,065
Interest and bank charges	214,655	232,688
Professional services	60,912	68,607
Other	67,147	131,806
Amortization	1,090,674	934,066
	\$ 11,342,242	\$ 11,927,308

EEL GROUND FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016

16. Annual surplus net of capital related revenues and amortization

	2016	2015
Annual surplus (deficit)	\$ 586,376	\$ 6,334,073
Deduct: Federal government transfers for capital (Page 31)	(1,254,695)	(7,176,243)
Deduct: Other transfer for capital	(10,718)	-
Add: Amortization expense included in annual surplus (deficit)	1,090,674	934,066
Annual surplus net of capital related revenues and amortization	\$ 411,637	\$ 91,896