EEL GROUND FIRST NATION

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2017

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EEL GROUND FIRST NATION

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

MARCH 31, 2017

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.

Chief	September 22, 2017 Date

LENEHAN McCAIN & Associates
CHARTERED PROFESSIONAL ACCOUNTANTS

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, 2017, 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, 2017, 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
September 19, 2017

EEL GROUND FIRST NATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MARCH 31, 2017

	2017	2016
Financial Assets		
Cash (Note 6)	$ 1,583,685	$ -
Restricted cash (Note 2)	265,065	264,801
Accounts receivable (Note 3)	2,572,845	1,306,948
Trust funds held by Federal Government (Note 4)	93,473	91,771
Investment in Natuaqanek Commercial Fishery Cooperative Ltd. (Note 5)	146,034	157,102
	4,661,102	1,820,622
Liabilities		
Bank indebtedness (Note 6)	-	550,637
Accounts payable (Note 7)	1,699,880	1,490,691
Deferred revenue (Note 8)	3,381,791	1,130,168
Long-term debt (Note 9)	6,741,411	6,369,519
	11,823,082	9,541,015
Net debt	(7,161,980)	(7,720,393)
Non-financial Assets		
Tangible capital assets (Note 11)	28,291,912	25,476,047
Prepaid expenses (Note 13)	232,931	256,780
	28,524,843	25,732,827
Accumulated Surplus	$ 21,362,863	$ 18,012,434

Approved on behalf of the Eel Ground First Nation

_______________, Chief
_______________, Councillor
_______________, Councillor
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_______________, 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, 2017

	2017 Budget	2017 Actual	2016 Actual
Surplus	$ (679,582)	$ 3,350,429	$ 586,376
Acquisition of tangible capital assets	-	(4,035,905)	(2,605,702)
Disposal of tangible capital assets	-	20,000	-
Amortization of tangible capital assets	1,090,674	1,200,041	1,090,674
	1,090,674	(2,815,864)	(1,515,027)
Acquisition of prepaid asset	-	23,848	(92,614)
Increase in net financial assets	411,092	558,413	(1,021,266)
Net debt, beginning of year	(7,720,393)	(7,720,393)	(6,699,127)
Net debt, end of year	$ (7,309,301)	$ (7,161,980)	$ (7,720,393)

The accompanying notes are an integral part of the financial statements

EEL GROUND FIRST NATION

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

FOR THE YEAR ENDED MARCH 31, 2017

	2017 Budget	2017 Actual	2016 Actual
Revenue			
Indigenous and Northern Affairs Canada	$ 5,656,984	$ 9,999,869	$ 7,296,279
Other	1,498,664	3,096,570	1,599,932
Crown land forestry operations	901,394	1,014,215	955,291
Rental	814,000	1,112,477	943,261
Health Canada	853,973	1,734,471	881,612
Deferred revenue, opening	-	939,479	527,986
Fisheries operations	385,050	1,233,221	520,310
Canada Mortgage and Housing Corporation	180,888	376,678	228,861
Deferred revenue, closing	-	(3,381,791)	(986,400)
	10,290,953	16,125,189	11,967,132
Expenditures			
Social Development	2,101,399	1,907,782	1,910,452
Child Maintenance	325,000	315,587	279,414
Community Development	1,962,744	2,849,682	2,213,031
Community Infrastructure	471,664	513,722	525,192
Housing and Capital Projects	564,143	722,731	641,815
Band Administration	733,904	863,808	817,030
Education	1,767,166	2,193,204	1,868,275
Child and Family Services	661,827	795,026	730,215
Public Safety	55,011	32,251	63,992
Community Health	1,057,387	1,186,979	1,015,543
Youth Home	-	-	5,625
Assisted Living	179,615	182,879	180,984
	9,879,860	11,563,651	10,251,568
Surplus before other items	411,093	4,561,538	1,715,564
Other items			
Amortization	(1,090,674)	(1,200,041)	(1,090,674)
Equity of Natuaqanek Commercial Fishery Coop	-	(11,068)	(38,514)
	(1,090,674)	(1,211,109)	(1,129,188)
Surplus	(679,582)	3,350,429	586,376
Accumulated surplus at beginning of year	18,012,434	18,012,434	17,426,058
Accumulated surplus at end of year	$ 17,332,852	$ 21,362,863	$ 18,012,434

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, 2017

	2017 Actual	2016 Actual
Cash flows from		
Operating activities		
Surplus	$ 3,350,429	$ 586,376
Items not affecting cash		
Amortization expense	1,200,041	1,090,674
	4,550,470	1,677,050
Change in non-cash operating working capital		
Accounts receivable	(1,265,897)	928,143
Prepaid expenses	23,849	(92,614)
Trust funds held by Federal Government	(1,702)	(952)
Accounts payable	209,188	(1,039,511)
Deferred revenue	2,251,622	464,367
Investment in Natuaqanek Commercial Fishery Cooperative Ltd.	11,068	38,514
	5,778,598	1,974,997
Capital activities		
Acquisition of tangible capital assets	(4,035,905)	(2,605,702)
Disposal of tangible capital assets	20,000	-
	(4,015,905)	(2,605,702)
Financing activities		
Repayment of long-term debt	(2,479,510)	(1,235,695)
Proceeds of long-term debt	2,851,403	2,236,100
	371,893	1,000,405
Increase in cash and cash equivalents	2,134,586	369,700
Cash and cash equivalents, beginning of year	(285,836)	(655,536)
Cash and cash equivalents, end of year	$ 1,848,750	$ (285,836)
Represented by		
Cash	$ 1,583,685	$
Bank indebtedness	-	(550,637)
Restricted cash	265,065	264,801
	$ 1,848,750	$ (285,836)

The accompanying notes are an integral part of the financial statements

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. 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.

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 meets the definition of a 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.

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::

Land improvements	4 %
Community buildings	4 %
Vehicles	30 %
Paving	8 %
Furniture and equipment	20 %
Computers	2 years
Housing	5 %
Water and sewer	50 years
Fishing vessels	15 %
Fishing licences - intangible assets	7 %

(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.

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. Licenses for which financial consideration has been paid are included in Note 11.

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.

	2017	2016
Balance, beginning of year	$ 264,801	$ 264,556
Deposits	264	245
Balance, end of year	$ 265,065	$ 264,801

3. Accounts receivable

	2017	2016
Indigenous and Northern Affairs Canada (INAC)	$ 131,425	$ 251,984
Department of Fisheries and Oceans	872,716	52,031
Other	477,390	318,147
North Shore Micmac District Council	419,022	-
Advances to Members	336,289	316,548
Eel Ground Community Development	223,388	233,388
Natuaqanck Commercial Fishery Cooperative Inc.	62,803	76,117
HST Recoverable	49,812	52,866
Health Canada	-	5,867
	$ 2,572,845	$ 1,306,948

4. Trust funds held by Federal Government

	March 31, 2016	Additions (Interest)	March 31, 2017
Revenue	$ 64,594	$ 1,702	$ 66,296
Capital	27,177	-	27,177
Total	$ 91,771	$ 1,702	$ 93,473

5. Investment in Government Business Enterprises

w Natuaqanek Commercial Fishery Cooperative Ltd.

		2017 Total		2016 Total
Accounts receivable	$	10,223	$	9,953
Tangible capital assets		456,607		485,334
Total assets	$	466,830	$	495,287
Accounts payable	$	66,416	$	76,912
Long-term debt		25,863		27,923
Callable debt		190,389		205,722
Other liabilities		38,128		27,628
Total liabilities		320,796		338,185
Equity		146,034		157,102
Total liabilities and equity	$	466,830	$	495,287

		2017 Total		2016 Total
Revenue	$	409,775	$	340,696
Expenses		42,068		31,302
Debt servicing		8,480		10,402
Wages and benefits		341,569		305,278
Amortization		28,726		32,228
Total expenses		420,843		379,210
Net income	$	(11,068)	$	(38,514)

6. Cash / bank indebtedness

	2017	2016
Cash	$ 1,583,685	$ 24,222
Bank indebtedness	-	(574,859)
	$ 1,583,685	$ (550,637)

7. Accounts payable

Remittances for band employee benefits are current as of March 31, 2017.

	2017	2016
Trade	$ 865,577	$ 877,948
Pension plan	23,120	20,069
Wages and payroll deductions	27,463	15,167
Minister of Finance	669,022	310,072
Accrued interest	17,796	14,261
Indigenous and Northern Affairs Canada	96,902	253,174
	$ 1,699,880	$ 1,490,691

8. Deferred revenue

	2017	2016
Province of NB - ASETS	$ -	$ 6,523
Province of NB - Capital	236,521	-
Health Canada - capital investments	240,081	-
Health Canada - HSIF project	19,999	46,922
INAC - water project	2,801,269	939,479
INAC - recovery	10,743	-
Church donations	3,274	2,231
Canada Feed the Children	29,763	40,346
NSMDC - CEDO	-	19,500
NACEC	4,032	4,032
FNEII Special education and new paths	36,109	71,135
	$ 3,381,791	$ 1,130,168

9. Long-term debt

	2017	2016
Royal Bank of Canada Various mortgages at interest rates from 2.68% to 3.32%, 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.	$ 213,280	$ 721,628
Canada Mortgage and Housing Corporation Various mortgages at interest rates from 1.04% 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.	4,202,307	3,848,942
Chrysler Canada 5.74% loan, payable $443 monthly including interest, due June 2017, secured by vehicle	1,295	6,378
Royal Bank of Canada 2.77% loan, payable $295 monthly including interest, due February 2018	19,102	22,078
Royal Bank of Canada 5.25% loan, payable $3,051 monthly including interest, maturity date December 2016, secured by apartment building	-	462,397
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	66,667	86,667
CIBC Prime plus 1.25% loan payable in 66 monthly instalments of $16,981 plus interest, due July 2022	1,086,753	-
CIBC Prime plus 1.50% loan payable in 210 monthly instalments of $3,051 including interest, due July 2034, secured by 12 unit apartment building at 55 Riverside East	451,473	-
Ulnooweg Development Group 10.75% term loans due in full on April 21, 2017, secured by fishing licences and equipment	700,534	-

9. Long-term debt, continued

	2017	2016
	6,741,411	6,369,519
Current portion	1,167,060	454,631
	$ 5,574,351	$ 5,914,888

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	$ 1,167,060
2018-19	457,397
2019-20	467,521
2020-21	467,356
2021 and thereafter	4,182,077
	$ 6,741,411

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.

11. Tangible Capital Assets

	Cost				Accumulated amortization			
	Balance, beginning of year	Additions	Disposals	Balance, end of year	Balance, beginning of year	Amortization	Balance, end of year	2017 net book value
Community buildings	$ 13,871,186 $	866,146 $	-	$ 14,737,332	$ 2,230,997 $	482,931 $	2,713,928	$ 12,023,404
Vehicles	547,984	25,115	-	573,099	433,080	38,238	471,318	101,781
Computers	256,217	-	-	256,217	230,717	17,201	247,918	8,299
Furniture and equipment	301,873	64,369	-	366,242	177,280	31,356	208,636	157,606
Paving	195,800	-	-	195,800	135,309	4,839	140,148	55,652
Water and sewer	8,235,394	1,697,005	-	9,932,399	2,287,210	181,678	2,468,888	7,463,511
Subdivision	830,283	42,491	-	872,774	374,970	19,062	394,032	478,742
Vessels	489,210	140,800	(20,000)	610,010	285,351	39,639	324,990	285,020
Fisheries licenses - intangible assets	451,600	629,867	-	1,081,467	269,179	34,815	303,994	777,473
Housing	10,919,425	570,113	-	11,489,538	4,198,831	350,283	4,549,114	6,940,424
	$ 36,098,972 $	4,035,906 $	(20,000) $	40,114,878	$ 10,622,924 $	1,200,042 $	11,822,966	$ 28,291,912

	Cost				Accumulated amortization			
	Balance, beginning of year	Additions	Disposals	Balance, end of year	Balance, beginning of year	Amortization	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 - intangible assets	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

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 $2,572,845 (2016 - $1,306,948). 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 $1,699,880 (2016 - $1,490,691). 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.

13. Prepaid expenses

	2017	2016
Social assistance and rent	$ 22,372	$ 25,525
Insurance	11,534	11,305
Election costs	-	7,000
Payroll	-	9,682
Other	3,016	17,225
Minister of Finance - tuition	196,009	186,043
Total	$ 232,931	$ 256,780

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

	2017	2016
Wages and benefits	$ 4,035,300	$ 3,170,019
Child welfare programs	587,517	433,667
Social program payments	1,801,907	1,813,976
Travel and training	59,412	51,655
Programs and activities	3,373,506	3,103,277
Tuition costs	643,399	626,995
Repairs, supplies and services	568,411	709,265
Interest and bank charges	197,301	214,655
Professional services	61,716	60,912
Other	235,182	67,147
Amortization	1,200,041	1,090,674
	$ 12,763,692	$ 11,342,242

16. Annual surplus net of capital related revenues and amortization

	2017	2016
Annual surplus (deficit)	$ 3,350,429	$ 586,376
Deduct: Federal government transfers for capital (Page 31)	(3,625,019)	(1,254,695)
Deduct: Other transfer for capital	(209,213)	(10,718)
Add: Amortization expense included in annual surplus (deficit)	1,200,041	1,090,674
Annual surplus net of capital related revenues and amortization	$ 716,238	$ 411,637