

EEL GROUND (NATOAGANEG) FIRST NATION

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

EEL GROUND (NATOAGANEG) FIRST NATION

CONSOLIDATED FINANCIAL STATEMENTS

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Independent Auditor's Report

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EEL GROUND (NATOAGANEG) FIRST NATION

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

MARCH 31, 2019

The accompanying consolidated financial statements of Eel Ground (Natoaganeg) First Nation are the responsibility of management and have been approved by Council.

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada and as such include amounts that are the best estimates and judgments of management.

Management is responsible for the integrity and objectivity of these statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and is ultimately responsible for reviewing and approving the consolidated financial statements.

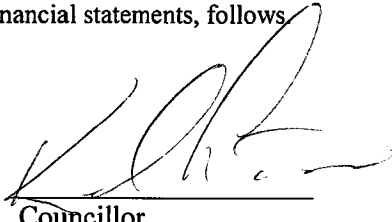
The Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the consolidated financial statements and the external auditor's report.

Lenahan 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

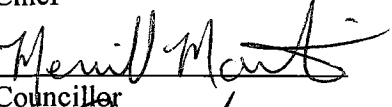
On behalf of Eel Ground (Natoaganeg) First Nation:



Chief




Councillor



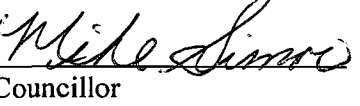
Councillor

Councillor



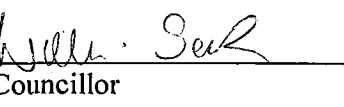
Councillor

Councillor



Councillor

Councillor



Councillor

Councillor

Independent Auditor's Report

To the Chief and Council and Members of
Eel Ground (Natoaganeg) First Nation

Opinion

We have audited the consolidated financial statements of Eel Ground (Natoaganeg) First Nation, which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statements of operations and accumulated surplus, change in net debt and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the First Nation as at March 31, 2019, and the results of its consolidated operations, the changes in its consolidated net debt, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards (PSAB).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the First Nation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 11 to the financial statements, which describes the de-recognition of an intangible asset during the year ended March 31, 2019, in order to be compliant with PSAB. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the First Nation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Those charged with governance are responsible for overseeing the First Nation's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

Independent Auditor's Report, continued

- ◆ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ◆ Obtain an understanding of internal control relevant to the audit 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.
- ◆ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ◆ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the First Nation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the First Nation to cease to continue as a going concern.
- ◆ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Lewhan McCain + Associates

Chartered Professional Accountants

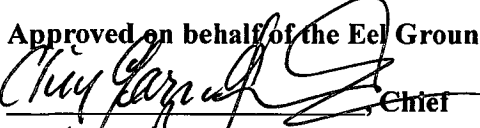
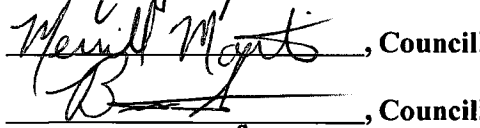
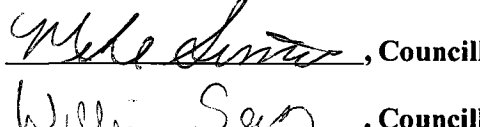
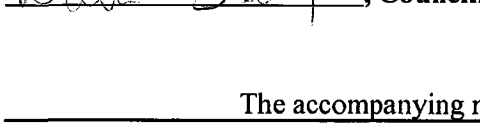

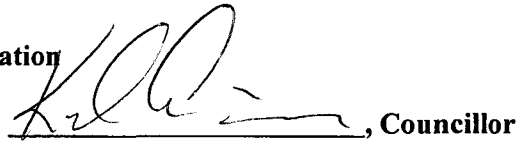
**Woodstock, New Brunswick
November 27, 2019**

EEL GROUND (NATOAGANEG) FIRST NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MARCH 31, 2019

	<u>2019</u>	<u>2018</u>
Financial Assets		
Restricted cash (Note 2)	\$ 265,596	\$ 265,330
Accounts receivable (Note 3)	3,699,775	4,904,362
Trust funds held by Federal Government (Note 4)	97,673	95,456
Investment in Natuaqanek Commercial Fishery Coop Ltd. (Note 6)	99,981	119,568
	4,163,025	5,384,716
Liabilities		
Bank indebtedness (Note 5)	623,775	323,228
Accounts payable (Note 7)	2,230,265	2,037,723
Deferred revenue (Note 8)	1,915,073	3,568,478
Long-term debt (Note 9)	6,246,334	6,072,158
	11,015,447	12,001,587
Net debt	(6,852,422)	(6,616,871)
Non-financial Assets		
Tangible capital assets (Note 12)	34,410,858	32,255,655
Prepaid expenses (Note 14)	215,690	236,871
	34,626,548	32,492,526
Accumulated Surplus	\$ 27,774,126	\$ 25,875,655

Approved on behalf of the Eel Ground (Natoaganeg) First Nation

<p> _____, Chief</p> <p> _____, Councillor</p> <p> _____, Councillor</p> <p> _____, Councillor</p> <p> _____, Councillor</p>	<p> _____, Councillor</p> <p>_____, Councillor</p> <p>_____, Councillor</p> <p>_____, Councillor</p> <p>_____, Councillor</p>
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The accompanying notes are an integral part of the financial statements

EEL GROUND (NATOAGANEG) FIRST NATION

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

FOR THE YEAR ENDED MARCH 31, 2019

	2019 Budget	2019 Actual	2018 Actual
Surplus	\$ (810,823)	\$ 2,621,521	\$ 4,512,791
Acquisition of tangible capital assets	-	(4,294,000)	(5,293,902)
Disposal of tangible capital assets	-	-	-
Amortization of tangible capital assets	1,330,160	1,415,746	1,330,160
	1,330,160	(2,878,254)	(3,963,742)
Acquisition of prepaid asset	-	21,182	(3,941)
(Decrease) increase in net financial assets	519,337	(235,551)	545,108
Net debt, beginning of year	(6,616,871)	(6,616,871)	(7,161,979)
Net debt, end of year	\$ (6,097,534)	\$ (6,852,422)	\$ (6,616,871)

The accompanying notes are an integral part of the financial statements

EEL GROUND (NATOAGANEG) FIRST NATION

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

FOR THE YEAR ENDED MARCH 31, 2019

	2019 Budget	2019 Actual	2018 Actual
Revenue			
Indigenous Services Canada	\$ 5,421,888	\$ 6,659,544	\$ 10,149,348
Other	2,230,647	2,976,840	2,988,478
Deferred revenue, opening	-	3,468,953	3,381,790
Health Canada	1,321,255	1,814,555	1,228,089
Rental	1,058,400	1,171,662	1,109,929
Crown land forestry operations	740,000	1,198,574	997,329
Fisheries operations	522,000	598,696	1,758,376
Canada Mortgage and Housing Corporation	185,000	451,601	469,615
Deferred revenue, closing	-	(1,820,079)	(3,568,478)
	11,479,190	16,520,346	18,514,476
Expenditures			
Social Development	2,057,485	1,957,804	2,047,035
Child Maintenance	-	-	271,173
Community Development	2,322,690	3,254,218	3,305,578
Community Infrastructure	569,000	1,075,910	524,552
Housing and Capital Projects	923,700	922,806	839,861
Band Administration	846,550	943,468	865,503
Education	2,433,200	2,556,597	2,434,984
Child and Family Services	35,000	56,622	755,569
Public Safety	97,900	101,879	77,561
Community Health	1,488,322	1,408,138	1,337,999
Assisted Living	186,006	186,050	185,244
	10,959,853	12,463,492	12,645,059
Surplus before other items	519,337	4,056,854	5,869,417
Other items			
Amortization	(1,330,160)	(1,415,746)	(1,330,160)
Equity of Natuaqanek Commercial Fishery Coop	-	(19,587)	(26,466)
	(1,330,160)	(1,435,333)	(1,356,626)
Surplus	(810,823)	2,621,521	4,512,791
Accumulated surplus at beginning of year	25,875,655	25,875,655	21,362,864
Intangible asset adjustment (Note 11)	-	(723,050)	-
Accumulated surplus at end of year	\$ 25,064,832	\$ 27,774,126	\$ 25,875,655

The accompanying notes are an integral part of the financial statements

EEL GROUND (NATOAGANEG) FIRST NATION
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2019

	2019 Actual	2018 Actual
Cash flows from		
Operating activities		
Surplus	\$ 2,621,521	\$ 4,512,791
Items not affecting cash		
Amortization expense	1,415,746	1,330,160
	4,037,267	5,842,951
Change in non-cash operating working capital		
Accounts receivable	1,204,587	(2,331,517)
Prepaid expenses	21,181	(3,940)
Trust funds held by Federal Government	(2,217)	(1,983)
Accounts payable	192,542	337,842
Deferred revenue	(1,653,405)	186,688
Investment in Natuaganek Commercial Fishery Cooperative Ltd.	19,587	26,466
	3,819,542	4,056,507
Capital activities		
Acquisition of tangible capital assets	(4,294,000)	(5,293,902)
Financing activities		
Repayment of long-term debt	(513,403)	(1,418,673)
Proceeds of long-term debt	687,580	749,420
	174,177	(669,253)
Decrease in cash and cash equivalents	(300,281)	(1,906,648)
Cash and cash equivalents, beginning of year	(57,898)	1,848,750
Cash and cash equivalents, end of year	\$ (358,179)	\$ (57,898)
Represented by		
Cash	\$ (623,775)	\$ (323,228)
Restricted cash	265,596	265,330
	\$ (358,179)	\$ (57,898)

The accompanying notes are an integral part of the financial statements

EEL GROUND (NATOAGANEG) FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

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 principles of financial reporting

The consolidated financial statements of Eel Ground (Natoaganeg) 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.

(c) Use of estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards 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.

(d) 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.

EEL GROUND (NATOAGANEG) FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

1. Basis of Presentation and Significant Accounting Policies, continued

(e) 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.

(f) 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 (NATOAGANEG) FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

1. Basis of Presentation and Significant Accounting Policies, continued

(g) 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 1993 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 %

(h) 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 (NATOAGANEG) FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

1. Basis of Presentation and Significant Accounting Policies, continued

(i) 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.

(j) 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.

(k) Segment disclosure

The financial statements of Eel Ground (Natoaganeg) 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.

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.

	2019	2018
Balance, beginning of year	\$ 265,330	\$ 265,065
Deposits	266	265
Balance, end of year	\$ 265,596	\$ 265,330

EEL GROUND (NATOAGANEG) FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

3. Accounts receivable

	2019	2018
Indigenous Services Canada (ISC)	\$ 637,648	\$ 2,567,628
Department of Fisheries and Oceans	764,506	610,443
Other	406,096	1,037,773
North Shore Micmac District Council	146,478	-
Advances to Members	249,902	315,468
Eel Ground Community Development	118,488	213,388
Natuaqanek Commercial Fishery Cooperative Inc.	117,366	108,224
Health Canada	778,108	3,095
Canada Mortgage and Housing Corporation	472,568	-
HST Recoverable	8,615	48,343
	\$ 3,699,775	\$ 4,904,362

4. Trust funds held by federal government

	March 31, 2018	Additions (Interest)	March 31, 2019
Revenue	\$ 68,279	\$ 2,217	\$ 70,496
Capital	27,177	-	27,177
Total	\$ 95,456	\$ 2,217	\$ 97,673

5. Bank indebtedness

	2019	2018
Cheques written in excess of bank balances	\$ 623,775	\$ 323,228

The First Nation has an approved operating line of credit at Canadian Imperial Bank of Commerce to a maximum of \$750,000, secured by a general security agreement and a band council resolution, bearing an interest rate at prime plus 1.25%.

EEL GROUND (NATOAGANEG) FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

6. Investment in Government Business Enterprises

- ♦ Natuaqanek Commercial Fishery Cooperative Ltd.

	2019 Total	2018 Total
Accounts receivable	\$ 33,464	\$ 18,830
Tangible capital assets	435,965	464,324
Total assets	\$ 469,429	\$ 483,154
Accounts payable	\$ 118,937	\$ 112,362
Long-term debt	22,967	22,967
Callable debt	159,722	175,055
Other liabilities	67,822	53,202
Total liabilities	369,448	363,586
Equity	99,981	119,568
Total liabilities and equity	\$ 469,429	\$ 483,154
	2019 Total	2018 Total
Revenue	\$ 332,750	\$ 402,264
Expenses	51,038	60,174
Debt servicing	9,563	9,305
Wages and benefits	263,377	330,667
Amortization	28,359	28,584
Total expenses	352,337	428,730
Net income (loss)	\$ (19,587)	\$ (26,466)

EEL GROUND (NATOAGANEG) FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

7. Accounts payable

Remittances for band employee benefits are current as of March 31, 2019.

	2019	2018
Trade	\$ 1,512,729	\$ 1,632,553
Pension plan	46,741	39,912
Wages and payroll deductions	36,501	28,479
Minister of Finance	616,882	305,651
Accrued interest	12,882	12,227
Indigenous Services Canada	-	11,623
Department of Fisheries and Oceans	-	7,278
Health Canada	4,530	-
	\$ 2,230,265	\$ 2,037,723

8. Deferred revenue

	2019	2018
ISC - water & sewer project	\$ 587,440	\$ 3,101,031
ISC - minor renovations	-	83,897
ISC - community buildings	-	54,525
ISC - special initiatives	86,512	-
ISC - housing projects	186,716	-
ISC - housing capacity & training	16,850	-
Health Canada - HSIF project	-	54,332
FNEII Special Education and New Paths	164,215	152,858
North Shore Micmac District Council	32,448	-
Community development	29,685	-
Health Canada	699,196	-
Canada Feed the Children	-	69,673
RDC	-	45,000
NACEC	-	4,032
Church donations	4,166	3,130
Canada Mortgage and Housing Corporation	99,645	-
UNBI - Suicide prevention	8,200	-
	\$ 1,915,073	\$ 3,568,478

EEL GROUND (NATOAGANEG) FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

9. Long-term debt

	2019	2018
Canada Mortgage and Housing Corporation Various mortgages at interest rates from 1.04% to 2.49%, payable to CMHC guaranteed by the Minister of Indigenous Services Canada. These loans are related to CMHC housing projects and have varying repayment terms and maturity dates.	\$ 4,749,081	\$ 4,649,203
Royal Bank of Canada 5.47% loan, payable \$528 monthly including interest, due February 2023	85,764	-
Royal Bank of Canada 3.44% loan, payable \$316 monthly including interest, due February 2023	12,750	16,305
CIBC Prime plus 1.25% loan, payable \$727 monthly plus interest, due January 2023, secured by school bus	33,419	42,137
CIBC Prime plus 1.25% loan payable \$1,667 monthly plus interest, due July 2020, secured by school bus	26,667	46,667
CIBC Prime plus 1.25% loan payable \$16,981 monthly plus interest, due July 2022, unsecured	679,220	882,987
CIBC Prime plus 1.50% loan payable \$3,051 monthly including interest, due August 2034, secured by 12 unit apartment building at 55 Riverside East	420,497	434,859
CIBC Prime plus 0.50% loan payable \$700 monthly plus interest, due March 2044, secured by a general security agreement	210,000	-
CIBC Prime plus 0.50% loan payable \$616 monthly plus interest, due February 2023, secured by a 2017 Dodge Grand Caravan	28,936	-
	6,246,334	6,072,158
Current portion	527,418	492,761
	\$ 5,718,916	\$ 5,579,397

EEL GROUND (NATOAGANEG) FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

9. Long-term debt, continued

Each Section 95 housing loan has been guaranteed by Indigenous Services Canada.

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

2020	\$ 527,418
2021	510,071
2022	499,462
2023	356,005
2024 and thereafter	4,353,378
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	\$ 6,246,334

10. Contingent Liabilities

Eel Ground (Natoaganeg) 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.

In the normal course of operations, the First Nation becomes involved in legal actions. Some of these potential liabilities may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded on First Nation's financial statements. When the future event and/or ability to estimate involves more uncertainty, the action or claim is considered a contingent liability.

11. De-recognition of intangible asset

In order to be compliant with Public Sector Accounting Board (PSAB) standards, the First Nation has de-recognized fisheries licenses in the amount of \$723,050 (\$1,081,467 cost less \$358,417 accumulated amortization) from the statement of financial position. In previous years, this intangible asset was included in Note 12 (Tangible Capital Assets). Accordingly, the accumulated surplus has also been decreased by \$723,050.

EEL GROUND (NATOAGANEG) FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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12. Tangible Capital Assets

	Cost	Additions	Adjustment	Accumulated amortization	2019 Net book value
Community buildings	\$ 15,979,416	\$ (46,695)	\$ -	\$ 3,729,160	\$ 12,203,561
Vehicles	660,909	161,369	-	583,299	238,979
Computers	256,217	-	-	256,217	-
Furniture and equipment	526,148	119,679	-	322,867	322,961
Paving	225,500	-	-	152,165	73,335
Water and sewer	12,549,669	2,609,590	-	2,970,798	12,188,460
Subdivision	881,740	-	-	432,096	449,644
Vessels	653,486	138,977	-	423,799	368,664
Fisheries licenses - intangible assets (Note 11)	1,081,467	-	1,081,467	-	-
Housing	12,594,229	1,311,079	-	5,340,053	8,565,255
	\$ 45,408,781	\$ 4,293,999	\$ 1,081,467	\$ 14,210,454	\$ 34,410,859

	Cost	Additions	Adjustment	Accumulated amortization	2018 Net book value
Community buildings	\$ 14,737,332	\$ 1,242,084	\$ -	\$ 3,219,706	\$ 12,759,710
Vehicles	573,099	87,810	-	515,024	145,885
Computers	256,217	-	-	256,217	-
Furniture and equipment	366,242	159,906	-	256,148	270,001
Paving	195,800	29,700	-	145,788	79,712
Water and sewer	9,932,399	2,617,270	-	2,693,709	9,855,960
Subdivision	872,774	8,966	-	413,361	468,379
Vessels	610,010	43,476	-	371,004	282,482
Fisheries licenses - intangible assets	1,081,467	-	-	358,417	723,050
Housing	11,489,538	1,104,691	-	4,923,752	7,670,477
	\$ 40,114,878	\$ 5,293,903	\$ -	\$ 13,153,126	\$ 32,255,656

EEL GROUND (NATOAGANEG) FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

13. 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 of \$3,699,775 (2018 - \$4,904,362). 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 accounts payable and accrued liabilities of \$2,854,040 (2018 - \$2,360,951). 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 (NATOAGANEG) FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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14. Prepaid expenses

	2019	2018
Social assistance and rent	\$ 19,040	\$ 26,427
Insurance	15,154	13,116
Other	5,419	21,251
Minister of Finance - tuition	176,077	176,077
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Total	\$ 215,690	\$ 236,871

15. Economic Dependence

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

16. Comparative Amounts

Certain comparative amounts have been reclassified to conform with the presentation adopted in the current period. There is no impact to the accumulated surplus balance.

17. Expenses by object

	2019	2018
Wages and benefits	\$ 4,852,284	\$ 4,671,917
Child welfare programs	-	546,126
Social program payments	1,951,329	1,908,060
Travel and training	50,805	59,295
Programs and activities	3,256,293	3,261,584
Tuition costs	598,206	612,392
Repairs, supplies and services	1,330,771	1,061,691
Interest and bank charges	202,211	143,037
Professional services	68,502	272,693
Other	153,091	108,264
Amortization	1,415,746	1,330,160
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	\$ 13,879,238	\$ 13,975,219

EEL GROUND (NATOAGANEG) FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019

18. Annual surplus net of capital related revenues and amortization

	2019	2018
Annual surplus (deficit)	\$ 2,621,521	\$ 4,512,791
Deduct: Federal government transfers for capital (Page 30)	(1,025,169)	(4,022,864)
Deduct: Other transfer for capital	(179,119)	(486,108)
Add: Amortization expense included in annual surplus (deficit)	<u>1,415,746</u>	<u>1,330,160</u>
Annual surplus net of capital related revenues and amortization	\$ 2,832,979	\$ 1,333,979
