

INDIAN ISLAND FIRST NATION

**AUDITOR'S REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS**

MARCH 31, 2015

INDIAN ISLAND FIRST NATION

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MANAGEMENT'S REPORT
Year ended March 31, 2015

The accompanying consolidated financial statements of Indian Island First Nation and all the information in this annual report are the responsibility of management and have been approved by Chief and Council.

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

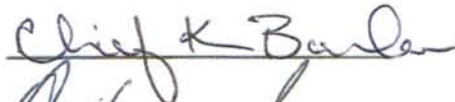
Management responsible for the accuracy, integrity and objectivity of the consolidated financial statements and supporting schedules within reasonable limits of materiality. When alternative accounting methods exist, they have chosen those they deemed most appropriate in the circumstances, in order to ensure that the consolidated financial statements are presented fairly, in all material respects.

To assist management in the discharge of these responsibilities, the Indian Island First Nation's Council have maintained a system of internal control designed to provide reasonable assurance that assets are safeguarded; that transactions are executed with their authorization and that the financial and other records form a reliable base upon which to prepare the consolidated financial statements and supporting schedules.

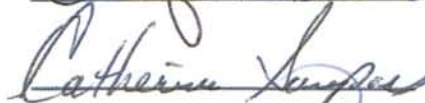
The Indian Island First Nation Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements.

The consolidated financial statements and supporting schedules have been independently examined by the First Nation's auditors. The auditor's report expresses their opinion on the consolidated financial statements.

Chief



Councillor



Councillor



Date

July 24, 2015

INDEPENDENT AUDITOR'S REPORT

To the Chief and Band Councillors of
INDIAN ISLAND FIRST NATION

We have audited the accompanying consolidated financial statements of INDIAN ISLAND FIRST NATION, which comprise the consolidated financial position as at March 31 2015, and the consolidated statements of operations and changes in accumulated surplus, changes 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 Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity'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 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 financial statements present fairly, in all material respects, the financial position of INDIAN ISLAND FIRST NATION as at March 31, 2015 and the results of its operations, changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other matters

As mentioned in note 20 of the financial statements, budget figures are unaudited.



Nadeau Picard & Associés
Chartered Professional Accountants
Grand Falls, July 24, 2015

CONSOLIDATED FINANCIAL POSITION
March 31

| | 2015 | 2014 |
|---|---------------------|---------------------|
| FINANCIAL ASSETS | | |
| Cash (note 2) | \$ 155,492 | \$ 129,555 |
| Accounts receivable (note 3) | <u>634,686</u> | <u>329,629</u> |
| | <u>790,178</u> | <u>459,184</u> |
| LIABILITIES | | |
| Bank loan (note 6) | 239,000 | 159,000 |
| Demand loans (note 7) | 41,037 | 157,710 |
| Accounts payable and accrued liabilities (note 8) | 681,265 | 329,012 |
| Due to Government/other Government Organizations (note 9) | 335,172 | 182,020 |
| Trust funds held by AANDC (note 4) | 686 | 660 |
| Deferred revenue (note 10) | 23,625 | - |
| Long-term debt (note 11) | <u>1,498,750</u> | <u>1,493,963</u> |
| | <u>2,819,535</u> | <u>2,322,365</u> |
| NET DEBT | <u>(2,029,357)</u> | <u>(1,863,181)</u> |
| NON FINANCIAL ASSETS | | |
| Prepaid expenses | 7,375 | 1,000 |
| Tangible capital assets (note 12) | 3,862,407 | 3,836,136 |
| Construction in progress (note 13) | <u>806,951</u> | <u>789,951</u> |
| | <u>4,676,733</u> | <u>4,627,087</u> |
| ACCUMULATED SURPLUS | <u>\$ 2,647,376</u> | <u>\$ 2,763,906</u> |

APPROVED BY THE FIRST NATION

 Chief


 Councillor


 Councillor

CONSOLIDATED OPERATIONS AND CHANGES IN ACCUMULATED SURPLUS

| Year ended March 31 | 2015 Budget (Unaudited) | 2015 Actual | 2014 Actual |
|--|-------------------------------|---------------------|---------------------|
| REVENUE | | | |
| Federal Government: | | | |
| Aboriginal Affairs and Northern Development Canada | \$ 2,040,242 | \$ 2,040,242 | \$ 1,256,848 |
| Aboriginal Affairs and Northern Development Canada - Clawback | - | (42,416) | (10,660) |
| Health Canada | 260,038 | 260,038 | 307,029 |
| Health Canada - prior year clawback | - | (8,542) | - |
| Fisheries and Oceans Canada | 90,800 | 90,800 | 108,873 |
| Canada Mortgage and Housing Corporation | 75,465 | 75,464 | 144,935 |
| Atlantic Canada Opportunities Agency | 12,750 | 12,750 | 28,652 |
| Aboriginal Business Development Program | 23,443 | 23,443 | 99,568 |
| Provincial government | 108,000 | 110,194 | 148,375 |
| Other | <u>1,147,301</u> | <u>1,309,181</u> | <u>1,169,360</u> |
| | <u>3,758,039</u> | <u>3,871,154</u> | <u>3,252,980</u> |
| EXPENSES | | | |
| Economic Development | 45,750 | 34,111 | 37,253 |
| Education | 547,036 | 476,543 | 502,205 |
| Income Assistance | 414,472 | 293,725 | 273,497 |
| Assisted Living | 30,260 | 47,360 | 34,024 |
| Facilities - Operations and maintenance | 40,635 | 51,049 | 77,709 |
| Other - Capital | 182,597 | 362,634 | 260,205 |
| Indian Government Support | 1,093,008 | 1,288,401 | 361,599 |
| Health | 260,038 | 264,353 | 361,257 |
| Aquaculture | 193,243 | 240,876 | 211,358 |
| Fisheries | 801,000 | 857,473 | 923,583 |
| Natural Resources | <u>70,000</u> | <u>71,160</u> | <u>64,514</u> |
| | <u>3,678,039</u> | <u>3,987,685</u> | <u>3,107,204</u> |
| ANNUAL (DEFICIT) SURPLUS | 80,000 | (116,531) | 145,776 |
| ACCUMULATED SURPLUS, BEGINNING OF PERIOD | <u>2,763,906</u> | <u>2,763,906</u> | <u>2,618,130</u> |
| ACCUMULATED SURPLUS, END OF PERIOD | <u>\$ 2,843,906</u> | <u>\$ 2,647,375</u> | <u>\$ 2,763,906</u> |

CONSOLIDATED CHANGES IN NET DEBT
March 31

| | 2015 Budget (Unaudited) | 2015 Actual | 2014 Actual |
|--|-------------------------------|-----------------------|-----------------------|
| ANNUAL SURPLUS (DEFICIT) | \$ <u>80,000</u> | \$ <u>(116,531)</u> | \$ <u>145,776</u> |
| Tangible capital assets | | | |
| Acquisition of tangible capital assets | (345,000) | (346,699) | (371,980) |
| Amortization of tangible capital assets | 265,000 | 320,428 | 288,426 |
| Disposal of tangible capital assets | - | - | 65,000 |
| Accumulated amortization on disposal of tangible capital assets | <u>-</u> | <u>-</u> | <u>(27,307)</u> |
| | <u>(80,000)</u> | <u>(26,271)</u> | <u>(45,861)</u> |
| Other non-financial assets | | | |
| Additions of construction in progress | - | (17,000) | (45,930) |
| Consumption of prepaid expense | <u>-</u> | <u>(6,375)</u> | <u>2,000</u> |
| | <u>-</u> | <u>(23,375)</u> | <u>(43,930)</u> |
| CHANGE IN NET FINANCIAL ASSETS (NET DEBT) | - | (166,177) | 55,985 |
| NET DEBT, BEGINNING OF YEAR | <u>(1,863,181)</u> | <u>(1,863,181)</u> | <u>(1,919,166)</u> |
| NET DEBT, END OF YEAR | \$ <u>(1,863,181)</u> | \$ <u>(2,029,358)</u> | \$ <u>(1,863,181)</u> |

CONSOLIDATED CASH FLOWS

Year ended March 31

2015

2014

OPERATING ACTIVITIES

| | | |
|--|----------------|----------------|
| Annual (deficit) surplus | \$ (116,528) | \$ 145,775 |
| Add (deduct) non-cash items : | | |
| Amortization | 320,428 | 288,426 |
| Gain on disposal of capital assets | - | (66,282) |
| | <u>203,900</u> | <u>367,919</u> |
| Net change in non-cash working capital items | | |
| Accounts receivable | (305,057) | (112,779) |
| Prepaid | (6,375) | 2,000 |
| Accounts payable and accrued liabilities | 352,256 | 30,786 |
| Due to Government and other Government organizations | 153,152 | 162,432 |
| Deferred revenue | <u>23,625</u> | <u>-</u> |
| | <u>421,501</u> | <u>450,358</u> |

FINANCING ACTIVITIES

| | | |
|---|-----------------|-----------------|
| Increase of long-term debt | 88,237 | 102,143 |
| Repayment of long-term debt | (83,453) | (78,166) |
| Increase in bank loan | 80,000 | 39,000 |
| Repayment of demand loans | (116,675) | (104,624) |
| Advance from (transfer to) the replacement reserve fund | <u>(54,206)</u> | <u>(37,000)</u> |
| | <u>(86,097)</u> | <u>(78,647)</u> |

CAPITAL ACTIVITIES

| | | |
|--|------------------|------------------|
| Addition to capital assets | (346,699) | (371,980) |
| Proceeds from disposal of capital assets | - | 103,975 |
| Net increase in construction in progress | <u>(17,000)</u> | <u>(45,930)</u> |
| | <u>(363,699)</u> | <u>(313,935)</u> |

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

(28,295) 57,776

CASH AND CASH EQUIVALENTS (BANK OVERDRAFT), BEGINNING38,796 (18,980)**CASH AND CASH EQUIVALENTS (BANK OVERDRAFT), ENDING**\$ 10,501 \$ 38,796

Cash and cash equivalents consist of the cash in operating accounts.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2015

1. SIGNIFICANT ACCOUNTING POLICIES**Basic of Accounting**

These consolidated financial statements have been prepared by Band management in accordance with the First Nation Reporting Handbook, which states that you follow the Canadian public sector accounting standards for government entities, as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants, which encompasses the following principles:

a) Accrual Accounting

Expenses are recorded for all goods and services received or consumed during this fiscal year.

Amounts received or recorded as receivable but not earned by the end of the fiscal year are recorded as deferred revenue.

b) Reporting Entity and Principles of Financial Reporting

The Indian Island First Nation reporting entity includes the Indian Island First Nation Government and all related entities which are accountable to the First Nation and are either owned or controlled by it.

These consolidated financial statements consolidate the assets, liabilities and results of operations for the following entities which use accounting principles that lend themselves to consolidation:

- Indian Island First Nation Government Administration
- Indian Island First Nation Trust Funds
- Indian Island Acquaculture Development Corporation
- Indian Island Economic Development Corporation

All inter-entity balances have been eliminated on consolidation.

c) 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 and are not to be consumed in the normal course of 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, construction in progress and prepaid expenses.

d) Tangible capital assets

Tangible capital assets include acquired, built, developed and improved tangible capital assets, whose useful life extends beyond one year and which are intended to be used on an ongoing basis for producing goods or delivering services.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2015

1. SIGNIFICANT ACCOUNTING POLICIES (continued)**d) Tangible capital assets (continued)**

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset.

Amortization is provided for on a straight line basis over their useful lives as follows:

| | | |
|------------------|---------------|-------------|
| Buildings | straight line | 10-40 years |
| Roads and paving | straight line | 20 years |
| Equipment | straight line | 2-6 years |
| Vehicule | straight line | 5 years |
| Windtower | straight line | 20-40 years |

Tangible capital assets are written down when conditions indicate that they no longer contribute to Indian Island First Nation's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the consolidated statement of operations.

Certain assets which have historical or cultural value, including works of art, historical documents and historical and cultural artifacts, are not recognized as tangible capital assets. Assets under construction are not amortized until the asset is available to be put into service.

e) Deferred Revenue

Deferred revenue represents unspent Government transfers for programs, where the eligibility criteria has not been met at year end. The unspent revenue is carried forward to be recognized as eligibility criteria is met or until the funder deems the surpluses to be repayable at which time an amount payable is recognized.

f) Net Debt

The First Nation's consolidated 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.

g) Cash and Cash Equivalents

The First Nation's policy is to disclose bank balances under cash and cash equivalents, including bank overdrafts with balances that fluctuate frequently from being positive to overdrawn and term deposits with a maturity period of three months or less from the date of acquisition. Cash and cash equivalents that the First Nation cannot use for current transactions because they are pledged as security are also excluded from cash and cash equivalents.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2015

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 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.

i) Financial Instruments

The First Nation's financial instruments consist of cash, accounts receivable, bank loans, demand loans, accounts payable, accrued liabilities and long term debt. The fair value of these financial instruments approximate their carrying values unless otherwise noted.

j) Use of estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting periods presented. Actual results could differ from these estimates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2015

1. SIGNIFICANT ACCOUNTING POLICIES (continued)**k) Segmented Information**

The First Nation discloses segmented results of operations for the year in note 19 to the consolidated financial statements. The First Nation has segregated its activities into the following segments based on distinguishable groups of activities:

Economic Development

Contains activities of the economic development program. The First Nation is currently working on a windtower project.

Education

Provides elementary, secondary and post-secondary tuition for qualifying members along with related programs and support.

Social

Provides social assistance to qualifying members. It also includes the section 95 housing and related expenditures.

Health

Contains activities that provide medical services to band members.

Public Works

Contains all activities that relate to the maintenance of buildings and land of the First Nation.

Band Government

Includes all other activities not described in another fund. Mainly centralized and shared activities.

Other

Includes the forestry, aquaculture and the fisheries activities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2015

2. CASH

| | | | | |
|---------------------------------------|----|----------------|----|----------------|
| Cash in operating accounts | \$ | 10,501 | \$ | 38,796 |
| Cash in Ottawa Trusts | | 686 | | 660 |
| Replacement reserve fund - restricted | | <u>144,305</u> | | <u>90,099</u> |
| | \$ | <u>155,492</u> | \$ | <u>129,555</u> |

Under the terms of an agreement with Canada Mortgage and Housing Corporation, Indian Island First Nation must set aside funds annually for the repair, maintenance and replacement of worn out assets. These funds are to be held in a separate bank account and invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or otherwise approved by the Canada Mortgage and Housing Corporation. Under CMHC requirements the amount of cash which should be held in a separate account for Replacement and Operating reserves should total \$206,191. The actual balance in the account is \$188,205. The First Nation has met with CMHC representatives and has agreed to arrange a funding schedule to eventually fund the discrepancy. Non compliance with this required funding could cause that further CMHC subsidy housing projects be terminated until the situation is resolved.

3. ACCOUNTS RECEIVABLE

| | | | | |
|--|----|----------------|----|----------------|
| Fisheries and Oceans Canada | \$ | 7,318 | \$ | 36,473 |
| Aboriginal Affairs and Northern Development Canada | | 560,429 | | - |
| Canada Mortgage and Housing Corporation | | 10,615 | | 3,000 |
| Atlantic Canada Opportunities Agency | | - | | 28,663 |
| Aboriginal Business Development Program | | - | | 99,568 |
| Provincial Government | | 12,982 | | 16,730 |
| School District #16 | | 19,418 | | 37,904 |
| Other receivables | | <u>23,924</u> | | <u>107,291</u> |
| | \$ | <u>634,686</u> | \$ | <u>329,629</u> |

4. OTTAWA TRUST MONEYS

The Ottawa Trust accounts arise from monies derived from capital or revenue sources as outlined in Section 62 of the Indian Act. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada and are subject to audit by the Office of the Auditor General of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act.

| | Beginning balance | Additions | Withdrawals | Ending balance |
|-----------------|----------------------|--------------|-------------|-------------------|
| Trust - capital | \$ 142 | \$ - | \$ - | \$ 142 |
| Trust - revenue | <u>518</u> | <u>16</u> | <u>-</u> | <u>544</u> |
| Total | <u>\$ 660</u> | <u>\$ 16</u> | <u>\$ -</u> | <u>\$ 686</u> |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31
2015 **2014**

5. LIVESTOCK

The livestock inventory costs such as purchases, salaries and others are expensed in the year incurred.

6. BANK LOAN

The First Nation has an authorized line of credit of \$250,000, bearing interest at prime rate plus 2.50%. The line of credit is secured by an assignment on accounts receivable that have a net carrying value of \$634,686 (2014 - \$329,629)

7. DEMAND LOANS

| | | |
|---|------------------|-------------------|
| Demand loans repaid during the year | \$ - | \$ 76,384 |
| Loan, repayable by monthly instalments of \$2,218 including capital and interest at the rate of 4.11%, maturing in January 2016 | 26,037 | 51,026 |
| Loan, without interest or fixed repayment terms | <u>15,000</u> | <u>30,300</u> |
| | <u>\$ 41,037</u> | <u>\$ 157,710</u> |

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | | |
|--------------------|-------------------|-------------------|
| Suppliers | 349,185 | 265,364 |
| Payroll deductions | 2,560 | 2,239 |
| Sales tax | 24,128 | 24,128 |
| Accrued expenses | <u>305,392</u> | <u>37,281</u> |
| | <u>\$ 681,265</u> | <u>\$ 329,012</u> |

A separate bank account is not used for the purpose of payroll deductions. All payroll deductions were remitted before year-end except for those above remitted in April 2015.

9. DUE TO GOVERNMENT AND OTHER GOVERNMENT ORGANIZATIONS

| | | |
|-----------------------|-------------------|-------------------|
| Federal government | 57,346 | 10,660 |
| Provincial government | <u>277,826</u> | <u>171,360</u> |
| | <u>\$ 335,172</u> | <u>\$ 182,020</u> |

10. DEFERRED REVENUE

| | | |
|--------------|------------------|-------------|
| New Horizons | <u>\$ 23,625</u> | <u>\$ -</u> |
|--------------|------------------|-------------|

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31

2015

2014

11. LONG-TERM DEBT

Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$659 including capital and interest at the rate of 2.76%, maturing in 2020, renewable in June 2015, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on two housing units

\$ 35,776 \$ 42,604

Loan, secured by a first mortgage on buildings, repayable by monthly instalments of \$306 including capital and interest at the rate of 2.76%, maturing in 2030, renewable in June 2015, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on one housing unit

45,494 47,881

Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$520 including capital and interest at the rate of 3.13%, maturing in 2035, renewable in June 2015, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on one housing unit

93,409 96,691

Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$289 including capital and interest at the rate of 2.75%, maturing in 2020, renewable in February 2016, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on one housing unit

18,211 21,143

Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$279 including capital and interest at the rate of 2.65%, maturing in 2026, renewable in April 2016, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on one housing unit

31,499 33,979

Subtotal carried forward

\$ 224,389 \$ 242,298

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31

| | 2015 | 2014 |
|---|----------------|----------------|
| 11. LONG-TERM DEBT (continued) | | |
| Subtotal from previous page | \$ 224,389 | \$ 242,298 |
| Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$326 including capital and interest at the rate of 2.65%, maturing in 2031, renewable in April 2016, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on one housing unit | 51,296 | 53,825 |
| Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$479 including capital and interest at the rate of 2.37%, maturing in 2036, renewable in June 2016, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on one housing unit | 96,198 | 99,628 |
| Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$264 including capital and interest at the rate of 1.80%, maturing in 2021, renewable in October 2016, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on one housing unit | 19,205 | 22,004 |
| Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$282 including capital and interest at the rate of 1.64%, maturing in 2021, renewable in December 2016, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on one housing unit | 21,352 | 24,359 |
| Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$455 including capital and interest at the rate of 1.49%, maturing in 2037, renewable in January 2017, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on one housing unit | <u>101,707</u> | <u>105,624</u> |
| Subtotal carried forward | \$ 514,147 | \$ 547,738 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31

| | 2015 | 2014 |
|--|---------------|---------------|
| 11. LONG-TERM DEBT (continued) | | |
| Subtotal from previous page | \$ 514,147 | \$ 547,738 |
| Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$319 including capital and interest at the rate of 1.64%, maturing in 2032, renewable in February 2017, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on one housing unit | 56,373 | 59,259 |
| Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$465 including capital and interest at the rate of 1.67%, maturing in 2037, renewable in April 2017, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on one housing unit | 102,618 | 106,451 |
| Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$321 including capital and interest at the rate of 1.65%, maturing in 2032, renewable in June 2017, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on one housing unit | 57,314 | 60,196 |
| Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$266 including capital and interest at the rate of 1.71%, maturing in 2022, renewable in September 2017, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on one housing unit | 22,437 | 25,218 |
| Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$299 including capital and interest at the rate of 1.71%, maturing in 2027, renewable in September 2017, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on one housing unit | <u>40,350</u> | <u>43,223</u> |
| Subtotal carried forward | \$ 793,239 | \$ 842,085 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31

2015

2014

11. LONG-TERM DEBT (continued)

| | | | | |
|--|----|---------------|----|---------------|
| Subtotal from previous page | \$ | 793,239 | \$ | 842,085 |
| Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$320 including capital and interest at the rate of 1.62%, maturing in 2033, renewable in March 2018, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on one housing unit | | 59,537 | | 62,395 |
| Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$537 including capital and interest at the rate of 1.52%, maturing in 2038, renewable in May 2018, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on on housing unit. | | 125,713 | | 130,211 |
| Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$300 including capital and interest at the rate of 2.35%, maturing in 2028, renewable in September 2018, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on one housing unit | | 41,457 | | 44,057 |
| Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$685 including capital and interest at the rate of 2.08%, maturing in October 2018, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on two housing units | | 28,354 | | 35,900 |
| Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$411 including capital and interest at the rate of 2.11%, maturing in 2033, renewable in January 2019, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on one housing unit | | <u>75,812</u> | | <u>79,113</u> |
| Subtotal carried forward | \$ | 1,124,112 | \$ | 1,193,761 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31

| | 2015 | 2014 |
|---|---------------|---------------|
| 11. LONG-TERM DEBT (continued) | | |
| Subtotal from previous page | \$ 1,124,112 | \$ 1,193,761 |
| Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$252 including capital and interest at the rate of 1.92%, maturing in 2024, renewable in April 2019, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on one housing unit | 24,997 | 27,519 |
| Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$283 including capital and interest at the rate of 1.92%, maturing in 2029, renewable in April 2019, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on one housing unit | 41,517 | 44,098 |
| Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$432 including capital and interest at the rate of 1.98%, maturing in 2039, renewable in May 2019, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on one housing unit | 99,486 | 102,143 |
| Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$427 including capital and interest at the rate of 1.12%, maturing in 2035, renewable in February 2020, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on one housing unit | 91,032 | 94,518 |
| Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$262 including capital and interest at the rate of 1.05%, maturing in 2025, renewable in April 2020, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on one housing unit | <u>29,369</u> | <u>31,924</u> |
| Subtotal carried forward | \$ 1,410,513 | \$ 1,493,963 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31
2015**2014**

11. LONG-TERM DEBT (continued)

| | | |
|--|---------------------|---------------------|
| Subtotal from previous page | 1,410,513 | 1,493,963 |
| Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$411 including capital and interest at the rate of 1.23%, maturing in 2040, renewable in May 2020, secured by a ministerial guarantee from Aboriginal Affairs and Northern Development Canada and a first mortgage on one housing unit | <u>88,237</u> | <u>-</u> |
| | <u>\$ 1,498,750</u> | <u>\$ 1,493,963</u> |

Estimated long-term debt principal repayments to be made or refinanced during the next five years are :

2016 : \$267,138
 2017 : \$409,925
 2018 : \$289,707
 2019 : \$235,296
 2020 : \$212,319

NOTES TO FINANCIAL STATEMENTS
March 31, 2015

12. TANGIBLE CAPITAL ASSETS

| Cost | Buildings | Roads and Paving | Equipment | Vehicle | Total 2015 | Total 2014 |
|--|-------------------|--------------------|--------------------|-----------------|------------------|------------------|
| Opening balance | \$ 4,709,762 | \$ 712,487 | \$ 775,231 | \$ 24,165 | \$ 6,221,645 | \$ 5,914,665 |
| Additions | 296,909 | - | 44,790 | 5,000 | 346,699 | 371,980 |
| Disposals | - | - | - | - | - | (65,000) |
| Closing balance | <u>5,006,671</u> | <u>712,487</u> | <u>820,021</u> | <u>29,165</u> | <u>6,568,344</u> | <u>6,221,645</u> |
| Accumulated Amortization | | | | | | |
| Opening balance | 1,934,308 | 117,348 | 329,861 | 3,992 | 2,385,509 | 2,124,390 |
| Amortization | 176,577 | 20,562 | 117,873 | 5,416 | 320,428 | 288,426 |
| Accumulated amortization on disposals | - | - | - | - | - | (27,307) |
| Closing balance | <u>2,110,885</u> | <u>137,910</u> | <u>447,734</u> | <u>9,408</u> | <u>2,705,937</u> | <u>2,385,509</u> |
| Net book value | <u>2,895,786</u> | <u>574,577</u> | <u>372,287</u> | <u>19,757</u> | <u>3,862,407</u> | <u>3,836,136</u> |
| Opening net book value | 2,775,454 | 595,139 | 445,370 | 20,173 | 3,836,136 | 3,790,275 |
| Closing net book value | <u>2,895,786</u> | <u>574,577</u> | <u>372,287</u> | <u>19,757</u> | <u>3,862,407</u> | <u>3,836,136</u> |
| Increase (decrease) in net book value | \$ <u>120,332</u> | \$ <u>(20,562)</u> | \$ <u>(73,083)</u> | \$ <u>(416)</u> | \$ <u>26,271</u> | \$ <u>45,861</u> |

13. CONSTRUCTION IN PROGRESS

Construction in progress consists of the development costs for the windtower project.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2015

14. ECONOMIC DEPENDENCE

The Indian Island First Nation receives a major portion of its revenues pursuant to a funding arrangement with Aboriginal Affairs and Northern Development Canada. The nature and extent of this revenue is of such significance that the First Nation is economically dependent on this source of revenue.

15. PENSION AGREEMENT

The First Nation provides defined contribution plan for eligible members of its staff. Members are required to contribute 9% of their salary. The First Nation contributes 9% which contributions are directed to the member's contribution account. The amount of retirement benefit to be received by the employees will be the amount of retirement annuity that could be purchased based on the member's share of the pension plan at the time of the member's withdrawal from the plan. The Indian Island First Nation contributed during the year \$18,988 (2014 - \$17,716) for retirement benefits.

16. FAIR VALUE AND RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES**a) Fair value of Financial Assets and Liabilities**

The carrying value of cash, accounts receivable, bank overdraft, bank loan, demand loans, accounts payable and accrued liabilities approximates fair market value due to their short-term nature.

The carrying value of the long-term debt at the balance sheet date is a fair representation of the present value of future cash flows given that the interest rate risk is protected by an agreement with CMHC for the majority of the long-term debt.

b) Credit Risk

Credit risk is the risk that a counterparty will default on its financial liabilities.

Financial assets which potentially subject the First Nation to credit risk and concentrations of credit risk consist principally of cash and accounts receivable.

Management manages credit risk associated with accounts receivable by pursuing collections when they are due.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2015

16. FAIR VALUE AND RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES
(continued)

c) Interest Rate Risk

The First Nation is exposed to interest rate risk on its fixed and variable interest rate financial instruments. Fixed-interest instruments subject the First Nation to a fair value risk while the variable-rate instruments subject it to a cash flow risk.

d) Liquidity Risk

Liquidity risk is the risk that the First Nation will not be able to meet its financial obligations related to financial liabilities as they come due. Financial liabilities consist of accounts payable and accrued liabilities and deferred revenue. Accounts payable and accrued liabilities are paid in the normal course of operations and except under certain exceptions, no later than three months.

The First Nation's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient assets to meet liabilities when due. As at March 31, 2015, the First Nation has a cash balance of \$155,492 and current accounts receivable of \$652,599 which does not cover the bank loan of \$239,000 and the total current accounts payable and accrued liabilities of \$973,735. The First Nation is working on rectifying the situation.

17. CONTINGENT LIABILITIES

Indian Island 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..

18. EXPENSES BY OBJECT

The following is a summary of expenses by object:

| | | | | |
|-------------------------------|----|------------------|----|------------------|
| Wages & employee benefits | \$ | 811,875 | \$ | 804,600 |
| Fees and contract services | | 955,755 | | 29,640 |
| Insurance | | 22,499 | | 20,006 |
| Interest | | 51,755 | | 53,188 |
| Office supplies and equipment | | 73,382 | | 26,596 |
| Professional services | | 61,164 | | 95,589 |
| Repairs & maintenance | | 95,271 | | 67,573 |
| Supplies & services | | 50,669 | | 83,049 |
| Telephone | | 7,980 | | 9,161 |
| Travel | | 28,020 | | 22,383 |
| Tuition | | 315,009 | | 348,772 |
| Utilities | | 240,732 | | 234,959 |
| Other | | 953,146 | | 1,023,262 |
| Amortization | | 320,428 | | 288,426 |
| | \$ | <u>3,987,685</u> | \$ | <u>3,107,204</u> |

NOTES TO FINANCIAL STATEMENTS
March 31, 2015

19. SEGMENT DISCLOSURE

Indian Island First Nation provides a range of services to its members. For each segment separately reported, the segment revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The presentation by segment is based on the same accounting policies as described in the summary of significant accounting policies in Note 1. The segment results for the period are as follows :

| | Economic Development | | Education | | Social Assistance | | Health | |
|---------------------------------|----------------------|------------------|------------------|------------------|-------------------|-------------------|--------------------|--------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Revenues | | | | | | | | |
| Federal Government | \$ - | \$ - | \$ 426,620 | \$ 456,954 | \$ 489,936 | \$ 559,407 | \$ 251,496 | \$ 307,029 |
| Provincial Government | - | - | 79,856 | 76,802 | - | - | - | - |
| Other revenue | 45,750 | 61,652 | 12,430 | 15,606 | 44,956 | 49,836 | - | - |
| Total revenue | 45,750 | 61,652 | 518,906 | 549,362 | 534,892 | 609,243 | 251,496 | 307,029 |
| Expenses | | | | | | | | |
| Salaries and benefits | 33,000 | 34,085 | 42,196 | 37,334 | 9,907 | - | 205,992 | 240,269 |
| Amortization | - | - | - | - | 43,600 | 40,366 | - | - |
| Debt servicing | - | - | - | - | 30,004 | 30,163 | - | - |
| Other expenses | 1,111 | 3,168 | 434,347 | 464,871 | 398,054 | 304,296 | 58,361 | 120,988 |
| Total expenses | 34,111 | 37,253 | 476,543 | 502,205 | 481,565 | 374,825 | 264,353 | 361,257 |
| Annual surplus (deficit) | \$ 11,639 | \$ 24,399 | \$ 42,363 | \$ 47,157 | \$ 53,327 | \$ 234,418 | \$ (12,857) | \$ (54,228) |

NOTES TO FINANCIAL STATEMENTS
March 31, 2015

19. SEGMENT DISCLOSURE (continued)

| | Public Works | | Band Government | | Other | | Total | |
|---------------------------------|---------------|---------------|------------------|----------------|------------------|------------------|------------------|------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Revenues | | | | | | | | |
| Federal Government | \$ 40,635 | \$ 64,206 | \$ 1,116,099 | \$ 274,515 | \$ 114,243 | \$ 209,481 | \$ 2,439,029 | \$ 1,871,592 |
| Provincial Government | - | - | - | 46,500 | - | - | 79,856 | 123,302 |
| Other revenue | - | - | 95,928 | 102,986 | 1,153,204 | 1,028,007 | 1,352,268 | 1,258,087 |
| Total revenue | <u>40,635</u> | <u>64,206</u> | <u>1,212,027</u> | <u>424,001</u> | <u>1,267,447</u> | <u>1,237,488</u> | <u>3,871,153</u> | <u>3,252,981</u> |
| Expenses | | | | | | | | |
| Salaries and benefits | 16,453 | 15,717 | 193,392 | 128,269 | 141,166 | 163,560 | 642,106 | 619,234 |
| Amortization | - | - | 159,863 | 150,072 | 116,965 | 97,988 | 320,428 | 288,426 |
| Debt servicing | - | - | 1,628 | 6,062 | - | - | 31,632 | 36,225 |
| Other expenses | 34,596 | 61,992 | 1,155,672 | 270,096 | 911,377 | 937,907 | 2,993,518 | 2,163,318 |
| Total expenses | <u>51,049</u> | <u>77,709</u> | <u>1,510,555</u> | <u>554,499</u> | <u>1,169,508</u> | <u>1,199,455</u> | <u>3,987,684</u> | <u>3,107,203</u> |
| Annual surplus (deficit) | \$ (10,414) | \$ (13,503) | \$ (298,528) | \$ (130,498) | \$ 97,939 | \$ 38,033 | \$ (116,531) | \$ 145,778 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2015

20. BUDGETED FIGURES

Unaudited budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the Chief and Council.

21. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the presentation used in the current year.