

**INDIAN ISLAND FIRST NATION**

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

**MARCH 31, 2017**

# INDIAN ISLAND FIRST NATION

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**MANAGEMENT'S REPORT**  
Year ended March 31, 2017

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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 CPA Canada and as such amounts that are the best estimates and judgments of management.

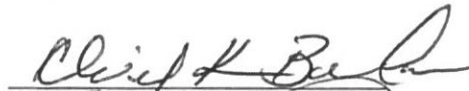
Management responsible for the accuracy, integrity and objectivity of the consolidated financial statements and supporting schedules within reasonable limits of materiality. When alternative accounting methods exist, they have chosen those they deemed most appropriate in the circumstances, in order to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

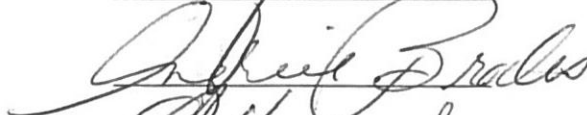
The Indian Island First Nation Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements.

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.

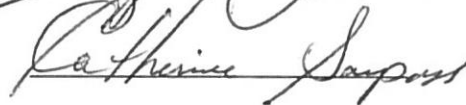
Chief



Councillor



Councillor



Date

July 24, 2017



## INDEPENDENT AUDITOR'S REPORT

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To the Chief and Band Councillors of

We have audited the accompanying consolidated financial statements of, which comprise the consolidated financial position as at July 24 2017, 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 as at July 24, 2017 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 22 of the financial statements, budget figures are unaudited.


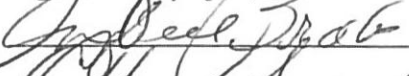



Nadeau Picard & Associés  
Chartered Professional Accountants  
Grand Falls, July 24, 2017

**CONSOLIDATED FINANCIAL POSITION**  
**March 31**

	2017	2016
<b>FINANCIAL ASSETS</b>		
Cash (note 2)	\$ 654,854	\$ 210,326
Accounts receivable (note 3)	<u>360,448</u>	<u>313,513</u>
	<u>1,015,302</u>	<u>523,839</u>
<b>LIABILITIES</b>		
Bank overdraft	-	63,029
Bank loan (note 6)	-	250,000
Demand loan	-	10,000
Accounts payable and accrued liabilities (note 7)	555,165	261,283
Due to Government/other Government Organizations (note 8)	280,607	253,202
Trust funds held by INAC (note 4)	706	693
Deferred revenue (note 9)	473,430	17,492
Long-term debt (note 10)	<u>1,813,106</u>	<u>1,553,710</u>
	<u>3,123,014</u>	<u>2,409,409</u>
<b>NET DEBT</b>	<u>(2,107,712)</u>	<u>(1,885,570)</u>
<b>NON FINANCIAL ASSETS</b>		
Prepaid expenses (note 11)	133,028	131,781
Tangible capital assets (note 12)	4,805,274	3,930,620
Construction in progress (note 13)	<u>1,098,131</u>	<u>812,322</u>
	<u>6,036,433</u>	<u>4,874,723</u>
<b>ACCUMULATED SURPLUS</b>	<u>\$ 3,928,721</u>	<u>\$ 2,989,153</u>

**APPROVED BY THE FIRST NATION**

 , Chief  
 , Councillor  
 , Councillor

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**CONSOLIDATED OPERATIONS AND CHANGES IN ACCUMULATED SURPLUS**

Year ended March 31	2017 Budget (Unaudited)	2017 Actual	2016 Actual
<b>REVENUE</b>			
Federal Government:			
Indigenous and Northern Affairs Canada	\$ 3,086,556	\$ 2,623,921	\$ 1,646,715
Indigenous and Northern Affairs Canada - Clawback	-	(60,907)	-
Health Canada	305,487	294,687	262,168
Fisheries and Oceans Canada	343,163	343,163	285,794
Canada Mortgage and Housing Corporation	166,179	166,179	77,292
Provincial government	79,304	81,848	137,997
Other	<u>1,828,137</u>	<u>2,169,428</u>	<u>1,692,415</u>
	<u>5,808,826</u>	<u>5,618,319</u>	<u>4,102,381</u>
<b>EXPENSES</b>			
Economic Development	37,000	37,040	37,040
Education	723,224	621,054	715,574
Income Assistance	416,325	414,569	396,062
Assisted Living	30,395	58,385	57,841
Facilities - Operations and maintenance	35,635	72,410	57,147
Other - Capital	462,741	456,595	357,186
Indian Government Support	1,636,218	1,238,013	605,847
Health	269,587	303,796	278,087
Aquaculture	180,155	198,304	187,251
Fisheries	1,069,491	1,191,963	956,787
Natural Resources	<u>105,000</u>	<u>86,622</u>	<u>111,781</u>
	<u>4,965,771</u>	<u>4,678,751</u>	<u>3,760,603</u>
<b>ANNUAL SURPLUS</b>	843,055	939,568	341,778
<b>ACCUMULATED SURPLUS, BEGINNING OF PERIOD</b>	<u>2,989,153</u>	<u>2,989,153</u>	<u>2,647,375</u>
<b>ACCUMULATED SURPLUS, END OF PERIOD</b>	<u>\$ 3,832,208</u>	<u>\$ 3,928,721</u>	<u>\$ 2,989,153</u>

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**CONSOLIDATED CHANGES IN NET DEBT**  
**March 31**

	<b>2017</b>	<b>2016</b>
<b>ANNUAL SURPLUS</b>	\$ <u>939,568</u>	\$ <u>341,778</u>
<b>Tangible capital assets</b>		
Acquisition of tangible capital assets	(1,218,142)	(375,000)
Amortization of tangible capital assets	340,988	306,787
Disposal of tangible capital assets	10,000	-
Accumulated amortization on disposal of tangible capital assets	<u>(7,500)</u>	<u>-</u>
	<u>(874,654)</u>	<u>(68,213)</u>
<b>Other non-financial assets</b>		
Additions of construction in progress	(285,809)	(5,371)
Increase of prepaid expense	<u>(1,247)</u>	<u>(124,406)</u>
	<u>(287,056)</u>	<u>(129,777)</u>
<b>CHANGE IN NET DEBT</b>	(222,142)	143,788
<b>NET DEBT, BEGINNING OF YEAR</b>	<u>(1,885,570)</u>	<u>(2,029,358)</u>
<b>NET DEBT, END OF YEAR</b>	\$ <u>(2,107,712)</u>	\$ <u>(1,885,570)</u>

**CONSOLIDATED CASH FLOWS**

Year ended March 31

2017

2016

**OPERATING ACTIVITIES**

Annual surplus	\$ 939,568	\$ 341,778
Add (deduct) non-cash items :		
Amortization	340,988	306,787
Gain on disposal of capital assets	<u>(7,500)</u>	<u>-</u>
	1,273,056	648,565
Net change in non-cash working capital items		
Accounts receivable	(46,935)	321,174
Prepaid	(1,247)	(124,406)
Accounts payable and accrued liabilities	293,882	(419,981)
Due to Government and other Government organizations	27,405	(81,970)
Deferred revenue	<u>455,938</u>	<u>(6,133)</u>
	<u>2,002,099</u>	<u>337,249</u>

**FINANCING ACTIVITIES**

Increase of long-term debt	359,186	145,482
Repayment of long-term debt	(99,790)	(90,525)
Increase (decrease) in bank loan	(250,000)	11,000
Repayment of demand loans	(10,000)	(31,037)
Transfer to the replacement reserve fund	<u>(38,106)</u>	<u>(33,735)</u>
	<u>(38,710)</u>	<u>1,185</u>

**CAPITAL ACTIVITIES**

Addition to capital assets	(1,218,142)	(375,000)
Proceeds from disposal of capital assets	10,000	-
Net increase in construction in progress	<u>(285,809)</u>	<u>(5,371)</u>
	<u>(1,493,951)</u>	<u>(380,371)</u>

**INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

469,438 (41,937)

**CASH AND CASH EQUIVALENTS (BANK OVERDRAFT), BEGINNING**

(31,436) 10,501

**CASH AND CASH EQUIVALENTS (BANK OVERDRAFT), ENDING**\$ 438,002 \$ (31,436)

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

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**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 CPA Canada, 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 Aquaculture 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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**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 and boat	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.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**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.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

The First Nation discloses segmented results of operations for the year in note 21 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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**2. CASH**

Cash in operating accounts	\$ 438,002	\$ 31,593
Cash in Ottawa Trusts	706	693
Replacement reserve fund - restricted	<u>216,146</u>	<u>178,040</u>
	<u>\$ 654,854</u>	<u>\$ 210,326</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 \$213,563. The actual balance in the account is \$216,146.

**3. ACCOUNTS RECEIVABLE**

Fisheries and Oceans Canada	\$ 59,595	\$ 160,507
Indigenous and Northern Affairs Canada	104,645	68,224
Aboriginal Aquaculture in Canada Initiative	-	12,697
Provincial Government	49,304	27,825
School District #16	167	23,395
Other receivables	<u>146,737</u>	<u>20,865</u>
	<u>\$ 360,448</u>	<u>\$ 313,513</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>551</u>	<u>12</u>	<u>-</u>	<u>564</u>
<b>Total</b>	<u>\$ 693</u>	<u>\$ 12</u>	<u>\$ -</u>	<u>\$ 706</u>

**5. LIVESTOCK**

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

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31**
**2017****2016****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 \$360,448 (2016 - \$313,513)

**7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Suppliers	512,824	201,570
Payroll deductions	7,864	7,357
Sales tax	5,305	25,195
Accrued expenses	<u>29,172</u>	<u>27,161</u>
	<u>\$ 555,165</u>	<u>\$ 261,283</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 2017.

**8. DUE TO GOVERNMENT AND OTHER GOVERNMENT ORGANIZATIONS**

Federal government	60,907	29,299
Provincial government	<u>219,700</u>	<u>223,903</u>
	<u>\$ 280,607</u>	<u>\$ 253,202</u>

**9. DEFERRED REVENUE**

INAC - Ec Dev. Planning	\$ 38,136	\$ 17,492
INAC - Mitigation	202,500	-
INAC - Recovery	211,994	-
INAC - Capacity Development	10,000	-
Health Canada - Medical Service - Capital Investments	<u>10,800</u>	<u>-</u>
	<u>\$ 473,430</u>	<u>\$ 17,492</u>

**10. LONG-TERM DEBT**

Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$259 including capital and interest at the rate of 1.03%, maturing in August 2021, secured by a ministerial guarantee from Indigenous and Northern Affairs Canada and a first mortgage on one housing unit

	<u>\$ 13,434</u>	<u>\$ 16,356</u>
Subtotal carried forward	\$ 13,434	\$ 16,356

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31

2017

2016

**10. LONG-TERM DEBT (continued)**

Subtotal from previous page	\$	13,434	\$	16,356
Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$280 including capital and interest at the rate of 1.31%, maturing in November 2021, secured by a ministerial guarantee from Indigenous and Northern Affairs Canada and a first mortgage on one housing unit		15,182		18,296
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 Indigenous and Northern Affairs Canada and a first mortgage on one housing unit		51,405		54,386
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 Indigenous and Northern Affairs Canada and a first mortgage on one housing unit		16,731		19,609
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 Indigenous and Northern Affairs Canada and a first mortgage on one housing unit		34,457		37,430
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 Indigenous and Northern Affairs Canada and a first mortgage on one housing unit		<u>53,681</u>		<u>56,634</u>
Subtotal carried forward	\$	184,890	\$	202,711

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31

2017

2016

**10. LONG-TERM DEBT (continued)**

Subtotal from previous page	\$	184,890	\$	202,711
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 Indigenous and Northern Affairs Canada and a first mortgage on on housing unit.		116,510		121,150
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 Indigenous and Northern Affairs Canada and a first mortgage on one housing unit		36,070		38,797
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 Indigenous and Northern Affairs Canada and a first mortgage on two housing units		12,787		20,652
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 Indigenous and Northern Affairs Canada and a first mortgage on one housing unit		68,999		72,445
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 Indigenous and Northern Affairs Canada and a first mortgage on one housing unit		<u>19,808</u>		<u>22,428</u>
Subtotal carried forward	\$	439,064	\$	478,183

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31

2017

2016

**10. LONG-TERM DEBT (continued)**

Subtotal from previous page	\$	439,064	\$	478,183
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 Indigenous and Northern Affairs Canada and a first mortgage on one housing unit		36,208		38,889
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 Indigenous and Northern Affairs Canada and a first mortgage on one housing unit		92,930		96,244
Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$639 including capital and interest at the rate of 1.39%, maturing in January 2020, secured by a ministerial guarantee from Indigenous and Northern Affairs Canada and a first mortgage on two housing units		21,298		28,618
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 Indigenous and Northern Affairs Canada and a first mortgage on one housing unit		82,739		86,911
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 Indigenous and Northern Affairs Canada and a first mortgage on one housing unit		<u>23,655</u>		<u>26,538</u>
Subtotal carried forward	\$	695,894	\$	755,383

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31

2017

2016

**10. LONG-TERM DEBT (continued)**

Subtotal from previous page	\$	695,894	\$	755,383
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 Indigenous and Northern Affairs Canada and a first mortgage on one housing unit		99,422		103,113
Loan, secured by a first mortgage on buildings, repayable by monthly instalments of \$278 including capital and interest at the rate of 1.39%, maturing in 2030, renewable in June 2020, secured by a ministerial guarantee from Indigenous and Northern Affairs Canada and a first mortgage on one housing unit		40,090		42,848
Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$444 including capital and interest at the rate of 1.39%, maturing in 2035, renewable in June 2020, secured by a ministerial guarantee from Indigenous and Northern Affairs Canada and a first mortgage on one housing unit		85,425		89,535
Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$278 including capital and interest at the rate of 1.01%, maturing in November 2020, secured by a ministerial guarantee from Indigenous and Northern Affairs Canada and a first mortgage on one housing unit		11,994		15,190
Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$482 including capital and interest at the rate of 1.01%, maturing in 2041, renewable in February 2021, secured by a ministerial guarantee from Indigenous and Northern Affairs Canada and a first mortgage on one housing unit		<u>122,865</u>		<u>127,388</u>
Subtotal carried forward	\$	1,055,690	\$	1,133,457

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31**
**2017****2016****10. LONG-TERM DEBT (continued)**

Subtotal from previous page	\$ 1,055,690	\$ 1,133,457
Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$259 including capital and interest at the rate of 1.11%, maturing in 2026, renewable in April 2021, secured by a ministerial guarantee from Indigenous and Northern Affairs Canada and a first mortgage on one housing unit	26,168	28,955
Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$292 including capital and interest at the rate of 1.11%, maturing in 2031, renewable in April 2021, secured by a ministerial guarantee from Indigenous and Northern Affairs Canada and a first mortgage on one housing unit	45,747	48,704
Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$426 including capital and interest at the rate of 1.14%, maturing in 2036, renewable in June 2021, secured by a ministerial guarantee from Indigenous and Northern Affairs Canada and a first mortgage on one housing unit	88,734	92,691
Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$514 including capital and interest at the rate of 1.31%, maturing in 2041, renewable in December 2021, secured by a ministerial guarantee from Indigenous and Northern Affairs Canada and a first mortgage on one housing unit	130,380	-
Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$445 including capital and interest at the rate of 1.48%, maturing in 2037, renewable in January 2022, secured by a ministerial guarantee from Indigenous and Northern Affairs Canada and a first mortgage on one housing unit	<u>93,697</u>	<u>97,735</u>
Subtotal carried forward	\$ 1,440,416	\$ 1,401,542

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31**
**2017****2016****10. LONG-TERM DEBT (continued)**

Subtotal from previous page \$ 1,440,416      \$ 1,401,542

Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$479 including capital and interest at the rate of 1.48%, maturing in 2042, renewable in January 2022, secured by a ministerial guarantee from Indigenous and Northern Affairs Canada and a first mortgage on one housing unit

119,329                      -

Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$315 including capital and interest at the rate of 1.44%, maturing in 2032, renewable in February 2022, secured by a ministerial guarantee from Indigenous and Northern Affairs Canada and a first mortgage on one housing unit

50,454                      53,441

Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$454 including capital and interest at the rate of 1.43%, maturing in 2037, renewable in April 2022, secured by a ministerial guarantee from Indigenous and Northern Affairs Canada and a first mortgage on one housing unit

94,761                      98,727

Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$476 including capital and interest at the rate of 1.43%, maturing in 2042, renewable in April 2022, secured by a ministerial guarantee from Indigenous and Northern Affairs Canada and a first mortgage on one housing unit

108,146                      -  
**\$ 1,813,106                      \$ 1,553,710**

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

2018 : \$112,464  
 2019 : \$110,748  
 2020 : \$106,290  
 2021 : \$100,312  
 2022 : \$96,659

**11. PREPAID EXPENSES**

Tuition fees  
 Other

**\$ 116,224                      \$ 129,566**  
16,804                      2,215  
**\$ 133,028                      \$ 131,781**

## NOTES TO FINANCIAL STATEMENTS

## 12. TANGIBLE CAPITAL ASSETS

	<b>Land and Buildings</b>	<b>Roads and Paving</b>	<b>Equipment And boat</b>	<b>Vehicle</b>	<b>Total 2017</b>	<b>Total 2016</b>
<b>Cost</b>						
Opening balance	\$ 5,164,611	\$ 712,487	\$ 1,004,081	\$ 62,165	\$ 6,943,344	\$ 6,568,344
Additions	787,108	17,574	413,460	-	1,218,142	375,000
Disposals	-	-	(10,000)	-	(10,000)	-
Closing balance	<u>5,951,719</u>	<u>730,061</u>	<u>1,427,541</u>	<u>62,165</u>	<u>8,151,486</u>	<u>6,943,344</u>
<b>Accumulated Amortization</b>						
Opening balance	2,288,312	158,528	550,058	15,826	3,012,724	2,705,937
Amortization	192,724	21,001	114,830	12,433	340,988	306,787
Accumulated amortization on disposals	-	-	(7,500)	-	(7,500)	-
Closing balance	<u>2,481,036</u>	<u>179,529</u>	<u>672,388</u>	<u>28,259</u>	<u>3,346,212</u>	<u>3,012,724</u>
<b>Net book value</b>	<u>\$ 3,470,683</u>	<u>\$ 550,532</u>	<u>\$ 755,153</u>	<u>\$ 33,906</u>	<u>\$ 4,805,274</u>	<u>\$ 3,930,620</u>
<b>Opening net book value</b>	2,876,299	553,959	454,023	46,339	3,930,620	3,862,407
<b>Closing net book value</b>	<u>3,470,683</u>	<u>550,532</u>	<u>755,153</u>	<u>33,906</u>	<u>4,805,274</u>	<u>3,930,620</u>
<b>Increase (decrease) in net book value</b>	<u>\$ 594,384</u>	<u>\$ (3,427)</u>	<u>\$ 301,130</u>	<u>\$ (12,433)</u>	<u>\$ 874,654</u>	<u>\$ 68,213</u>

## 13. CONSTRUCTION IN PROGRESS

Construction in progress consists of the development costs for the windtower project. The project is still on-going as of March 31, 2017.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**14. ECONOMIC DEPENDENCE**

The Indian Island First Nation receives a major portion of its revenues pursuant to a funding arrangement with Indigenous and Northern Affairs 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 \$25,760 (2016 - \$21,260) 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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**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, 2017, the First Nation has a cash balance of \$654,854 and current accounts receivable of \$360,448 which does not cover the total current accounts payable and accrued liabilities of \$835,772 and the deferred revenue of \$473,430. 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	\$ 1,081,377	\$ 953,922
Fees and contract services	753,299	304,251
Insurance	43,529	30,044
Interest	32,881	37,666
Office supplies and equipment	53,216	33,010
Professional services	47,398	59,208
Repairs & maintenance	166,214	93,838
Supplies & services	105,895	71,869
Telephone	8,596	6,868
Travel	25,977	32,627
Tuition	415,251	523,796
Utilities	262,101	239,499
Other	1,342,029	1,067,218
Amortization	340,988	306,787
	<u>\$ 4,678,751</u>	<u>\$ 3,760,603</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 19. RECONCILIATION OF INDIGENOUS AND NORTHERN AFFAIRS CANADA (INAC) FUNDING

	<b>2017</b>
INAC funding per consolidated financial statements	\$ 2,623,921
Less: Amount received for 2015-2016 Education	58,893
Deferred revenue - Ec. Dev. Planning 2015-2016	<u>17,492</u>
	76,385
Plus: Deferred revenue - Ec. Dev. Planning	38,136
Deferred revenue - Mitigation	202,500
Deferred revenue - Capacity Development	10,000
Deferred revenue - Recovery	<u>211,994</u>
	462,630
Funding per INAC revenue confirmation	\$ <u>3,010,166</u>

## 20. GOVERNMENT TRANSFERS

	<u>Operating</u>	<u>Capital</u>	<u>2017 Total</u>
<b>Federal government transfers</b>			
Indigenous and Northern Affairs Canada	\$ 2,168,367	\$ 455,554	\$ 2,623,921
Health Canada	294,687	-	294,687
Canada Mortgage and Housing Corporation	105,549	60,630	166,179
Department of Fisheries and Oceans	<u>111,206</u>	<u>231,957</u>	<u>343,163</u>
	<u>2,679,809</u>	<u>748,141</u>	<u>3,427,950</u>
<b>Provincial government transfers</b>	<u>81,848</u>	-	<u>81,848</u>
	<u>\$ 2,761,657</u>	<u>\$ 748,141</u>	<u>\$ 3,509,798</u>

	<u>Operating</u>	<u>Capital</u>	<u>2016 Total</u>
<b>Federal government transfers</b>			
Indigenous and Northern Affairs Canada	\$ 1,646,715	\$ -	\$ 1,646,715
Health Canada	262,168	-	262,168
Canada Mortgage and Housing Corporation	77,292	-	77,292
Department of Fisheries and Oceans	<u>126,366</u>	<u>159,428</u>	<u>285,794</u>
	<u>2,112,541</u>	<u>159,428</u>	<u>2,271,969</u>
<b>Provincial government transfers</b>	<u>137,997</u>	-	<u>137,997</u>
	<u>\$ 2,250,538</u>	<u>\$ 159,428</u>	<u>\$ 2,409,966</u>

## NOTES TO FINANCIAL STATEMENTS

## 21. 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	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>Revenues</b>								
Federal Government	\$ 95,154	\$ -	\$ 591,211	\$ 573,927	\$ 582,504	\$ 492,675	\$ 294,687	\$ 262,168
Provincial Government	-	-	32,545	93,551	-	-	-	-
Other revenue	<u>37,000</u>	<u>37,000</u>	<u>100,571</u>	<u>31,596</u>	<u>115,249</u>	<u>112,712</u>	<u>-</u>	<u>-</u>
<b>Total revenue</b>	<b><u>132,154</u></b>	<b><u>37,000</u></b>	<b><u>724,327</u></b>	<b><u>699,074</u></b>	<b><u>697,753</u></b>	<b><u>605,387</u></b>	<b><u>294,687</u></b>	<b><u>262,168</u></b>
<b>Expenses</b>								
Salaries and benefits	37,000	37,000	147,299	60,809	19,840	21,098	222,047	210,471
Amortization	-	-	-	-	63,766	60,079	-	-
Debt servicing	-	-	-	-	23,957	25,996	-	-
Other expenses	<u>40</u>	<u>40</u>	<u>473,755</u>	<u>654,765</u>	<u>578,698</u>	<u>496,767</u>	<u>81,749</u>	<u>67,616</u>
<b>Total expenses</b>	<b><u>37,040</u></b>	<b><u>37,040</u></b>	<b><u>621,054</u></b>	<b><u>715,574</u></b>	<b><u>686,261</u></b>	<b><u>603,940</u></b>	<b><u>303,796</u></b>	<b><u>278,087</u></b>
<b>Annual surplus (deficit)</b>	<b><u>\$ 95,114</u></b>	<b><u>\$ (40)</u></b>	<b><u>\$ 103,273</u></b>	<b><u>\$ (16,500)</u></b>	<b><u>\$ 11,492</u></b>	<b><u>\$ 1,447</u></b>	<b><u>\$ (9,109)</u></b>	<b><u>\$ (15,919)</u></b>

NOTES TO FINANCIAL STATEMENTS

21. SEGMENT DISCLOSURE (continued)

	Public Works		Band Government		Other		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>Revenues</b>								
Federal Government	\$ 35,635	\$ 35,554	\$ 1,424,690	\$ 614,099	\$ 343,162	\$ 285,794	\$ 3,367,043	\$ 2,264,217
Provincial Government	-	-	-	-	49,303	44,446	81,848	137,997
Other revenue	-	-	231,298	106,748	1,685,310	1,412,111	2,169,428	1,700,167
<b>Total revenue</b>	<u>35,635</u>	<u>35,554</u>	<u>1,655,988</u>	<u>720,847</u>	<u>2,077,775</u>	<u>1,742,351</u>	<u>5,618,319</u>	<u>4,102,381</u>
<b>Expenses</b>								
Salaries and benefits	17,292	18,736	349,288	187,109	288,611	143,142	1,081,377	678,365
Amortization	-	-	160,975	140,438	116,247	106,270	340,988	306,787
Debt servicing	-	-	-	567	-	-	23,957	26,563
Other expenses	55,118	38,411	971,040	484,883	1,072,029	1,006,406	3,232,429	2,748,888
<b>Total expenses</b>	<u>72,410</u>	<u>57,147</u>	<u>1,481,303</u>	<u>812,997</u>	<u>1,476,887</u>	<u>1,255,818</u>	<u>4,678,751</u>	<u>3,760,603</u>
<b>Annual surplus (deficit)</b>	<u>\$ (36,775)</u>	<u>\$ (21,593)</u>	<u>\$ 174,685</u>	<u>\$ (92,150)</u>	<u>\$ 600,888</u>	<u>\$ 486,533</u>	<u>\$ 939,568</u>	<u>\$ 341,778</u>

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**22. BUDGETED FIGURES**

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

**23. COMPARATIVE FIGURES**

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