

NOTES TO FINANCIAL STATEMENTS

10. DEFERRED REVENUE

Federal Government

	Balance March 31, 2017	Funding received 2018	Revenue recognized 2018	Balance March 31, 2018
INAC - Ec Dev. Planning	\$ 38,136	\$ -	\$ 38,136	\$ -
INAC - Mitigation	202,500	-	38,732	163,768
INAC - Recovery	211,994	329,919	242,024	299,889
INAC - Capacity Development	10,000	-	10,000	-
INAC - Renovations and additions	-	85,000	-	85,000
INAC - Mjr Renos, Extensn & Repair	-	59,228	-	59,228
Health Canada - Medical Service - Capital Investments	10,800	50,000	60,800	-
Total Federal Government	473,430	524,147	389,692	607,885

Other

North Shore Micmac District	-	124,588	119,629	4,959
Other	-	7,000	550	6,450
Total Other	-	131,588	120,179	11,409
Total	\$ 473,430	\$ 655,735	\$ 509,871	\$ 619,294

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
March 31

2018

2017

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11. LONG-TERM DEBT

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

\$ 33,280 \$ 36,070

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

4,758 12,787

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

65,484 68,999

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

17,138 19,808

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

33,476 36,208

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

89,554 92,930

Subtotal carried forward

\$ 243,690 \$ 266,802

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31

2018

2017

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

Subtotal from previous page	\$	243,690	\$	266,802
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		13,876		21,298
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		78,522		82,739
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		20,742		23,655
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		95,688		99,422
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		37,295		40,090
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		<u>81,261</u>		<u>85,425</u>
Subtotal carried forward	\$	571,074	\$	619,431



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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
March 31

2018

2017

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11. LONG-TERM DEBT (continued)

Subtotal from previous page	\$ 571,074	\$ 619,431
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	8,767	11,994
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	118,298	122,865
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	23,332	26,168
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 Northern Affairs Canada and a first mortgage on one housing unit	42,728	45,747
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	84,607	88,734
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>10,445</u>	<u>13,434</u>
Subtotal carried forward	\$ 859,251	\$ 928,373

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31

2018

2017

## 11. LONG-TERM DEBT (continued)

Subtotal from previous page	\$	859,251	\$	928,373
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		12,006		15,182
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		125,888		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		89,599		93,697
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		115,320		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		47,379		50,454
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		<u>90,645</u>		<u>94,761</u>
Subtotal carried forward	\$	1,340,088	\$	1,432,176



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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
March 31

2018

2017

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

Subtotal from previous page	\$ 1,340,088	\$ 1,432,176
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	116,311	108,146
Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$313 including capital and interest at the rate of 1.30%, maturing in 2032, renewable in June 2022, secured by a ministerial guarantee from Indigenous and Northern Affairs Canada and a first mortgage on one housing unit	48,319	51,405
Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$267 including capital and interest at the rate of 1.84%, maturing in September 2022, secured by a ministerial guarantee from Indigenous and Northern Affairs Canada and a first mortgage on one housing unit	13,808	16,731
Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$301 including capital and interest at the rate of 1.84%, maturing in 2027, renewable in September 2022, secured by a ministerial guarantee from Indigenous and Northern Affairs Canada and a first mortgage on one housing unit	31,443	34,457
Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$591 including capital and interest at the rate of 1.97%, maturing in 2042, renewable in December 2022, secured by a ministerial guarantee from Indigenous and Northern Affairs Canada and a first mortgage on one housing unit	138,904	-
Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$338 including capital and interest at the rate of 2.39%, maturing in 2033, renewable in March 2023, secured by a ministerial guarantee from Indigenous and Northern Affairs Canada and a first mortgage on one housing unit	<u>50,681</u>	<u>53,681</u>
Subtotal carried forward	\$ 1,739,554	\$ 1,696,596

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31**
**2018****2017****11. LONG-TERM DEBT (continued)**

Subtotal from previous page \$ 1,739,554      \$ 1,696,596

Loan secured by a first mortgage on buildings, repayable by monthly instalments of \$587 including capital and interest at the rate of 2.49%, maturing in 2038, renewable in May 2023, secured by a ministerial guarantee from Indigenous and Northern Affairs Canada and a first mortgage on on housing unit.

<u>111,803</u>	<u>116,510</u>
<u>\$ 1,851,357</u>	<u>\$ 1,813,106</u>

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

2019 : \$114,864  
 2020 : \$110,434  
 2021 : \$104,561  
 2022 : \$101,008  
 2023 : \$97,403

The interest expense for the year on long-term debt was \$26,464 (2017 - \$23,957)

**12. PREPAID EXPENSES**

Tuition fees	\$ 129,566	\$ 116,224
Lease	18,500	-
Other	<u>6,152</u>	<u>16,804</u>
	<u>\$ 154,218</u>	<u>\$ 133,028</u>

## NOTES TO FINANCIAL STATEMENTS

## 13. TANGIBLE CAPITAL ASSETS

	Land and Buildings	Roads and Paving	Equipment and boat	Vehicle	Total 2018	Total 2017
<b>Cost</b>						
Opening balance	\$ 5,951,719	\$ 730,061	\$ 1,407,541	\$ 62,165	\$ 8,151,486	\$ 6,943,344
Additions	476,800	10,625	159,779	118,628	765,832	1,218,142
Disposals	-	-	(145,210)	(11,975)	(157,185)	(10,000)
Closing balance	<u>6,428,519</u>	<u>740,686</u>	<u>1,422,110</u>	<u>168,818</u>	<u>8,760,133</u>	<u>8,151,486</u>
<b>Accumulated Amortization</b>						
Opening balance	2,481,036	179,529	657,388	28,259	3,346,212	3,012,724
Amortization	234,812	19,195	164,595	24,607	443,209	340,988
Accumulated amortization on disposals	-	-	(145,210)	(11,184)	(156,394)	(7,500)
Closing balance	<u>2,715,848</u>	<u>198,724</u>	<u>676,773</u>	<u>41,682</u>	<u>3,633,027</u>	<u>3,346,212</u>
Net book value	\$ <u>3,712,671</u>	\$ <u>541,962</u>	\$ <u>745,337</u>	\$ <u>127,136</u>	\$ <u>5,127,106</u>	\$ <u>4,805,274</u>
Opening net book value	3,470,683	550,532	750,153	33,906	4,805,274	3,930,620
Closing net book value	<u>3,712,671</u>	<u>541,962</u>	<u>745,337</u>	<u>127,136</u>	<u>5,127,106</u>	<u>4,805,274</u>
Increase (decrease) in net book value	\$ <u>241,988</u>	\$ <u>(8,570)</u>	\$ <u>(4,816)</u>	\$ <u>93,230</u>	\$ <u>321,832</u>	\$ <u>874,654</u>

## 14. CONSTRUCTION IN PROGRESS

Construction in progress consists of the development costs for a windtower project, an oyster holding facility and a fisherie compound facility. These projects are still on-going as of March 31, 2018.



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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**15. ECONOMIC DEPENDENCE**

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.

**16. 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. Indian Island First Nation contributed during the year \$24,758 (2017 - \$25,760) for retirement benefits.

**17. 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, term deposit, 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

17. 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.

## 18. 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. No amount has been recorded as being payable as of March 31, 2018.

## 19. EXPENSES BY OBJECT

The following is a summary of expenses by object:

Wages & employee benefits	\$ 996,657	\$ 1,081,377
Fees and contract services	478,083	753,299
Insurance	37,725	43,529
Interest	35,261	32,881
Office supplies and equipment	49,799	53,216
Professional services	30,140	47,398
Repairs & maintenance	170,656	166,214
Supplies & services	93,641	105,895
Telephone	8,351	8,596
Travel	33,770	25,977
Tuition	418,544	415,251
Utilities	267,560	262,101
Other	1,694,064	1,342,029
Amortization	443,209	340,988
	<u>\$ 4,757,460</u>	<u>\$ 4,678,751</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	<b>2018</b>
INAC funding per consolidated financial statements	\$ 1,807,489
Less: Deferred revenue - Ec. Dev. Planning 2016-2017	38,136
Deferred revenue - Mitigation 2016-2017	202,500
Deferred revenue - Capacity Development 2016-2017	10,000
Deferred revenue - Recovery 2016-2017	<u>211,994</u>
	462,630
Plus: Deferred revenue - Renovations and additions	85,000
Deferred revenue - Mjr Renos, Extensns & Repair	59,228
Deferred revenue - Mitigation	163,768
Deferred revenue - Recovery	<u>299,889</u>
	607,885
Funding per INAC revenue confirmation	<u>\$ 1,952,744</u>

## 21. GOVERNMENT TRANSFERS

	<u>Operating</u>	<u>Capital</u>	<b>2018</b> <u>Total</u>
<b>Federal government transfers</b>			
Indigenous and Northern Affairs Canada	\$ 1,786,289	\$ 21,200	\$ 1,807,489
Health Canada	303,910	33,940	337,850
Canada Mortgage and Housing Corporation	88,395	270,000	358,395
Department of Fisheries and Oceans	117,253	14,548	131,801
Canadian Heritage	<u>7,500</u>	<u>-</u>	<u>7,500</u>
	<u>2,303,347</u>	<u>339,688</u>	<u>2,643,035</u>
<b>Provincial government transfers</b>	<u>78,798</u>	<u>-</u>	<u>78,798</u>
	<u>\$ 2,382,145</u>	<u>\$ 339,688</u>	<u>\$ 2,721,833</u>
	<u>Operating</u>	<u>Capital</u>	<b>2017</b> <u>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>-</u>	<u>81,848</u>
	<u>\$ 2,761,657</u>	<u>\$ 748,141</u>	<u>\$ 3,509,798</u>



## NOTES TO FINANCIAL STATEMENTS

## 22. 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	
	2018	2017	2018	2017	2018	2017	2018	2017
<b>Revenues</b>								
Federal Government	\$ -	\$ 95,154	\$ 535,940	\$ 591,211	\$ 775,789	\$ 582,504	\$ 337,850	\$ 294,687
Provincial Government	-	-	25,078	32,545	-	-	-	-
Other revenue	43,411	37,000	55,870	100,571	103,614	115,249	-	-
<b>Total revenue</b>	<b>43,411</b>	<b>132,154</b>	<b>616,888</b>	<b>724,327</b>	<b>879,403</b>	<b>697,753</b>	<b>337,850</b>	<b>294,687</b>
<b>Expenses</b>								
Salaries and benefits	37,000	37,000	101,099	147,299	31,585	19,840	210,766	222,047
Amortization	-	-	-	-	72,181	63,766	-	-
Debt servicing	-	-	-	-	26,464	23,957	-	-
Other expenses	5,694	40	466,184	473,755	518,943	578,698	104,739	81,749
<b>Total expenses</b>	<b>42,694</b>	<b>37,040</b>	<b>567,283</b>	<b>621,054</b>	<b>649,173</b>	<b>686,261</b>	<b>315,505</b>	<b>303,796</b>
<b>Annual surplus (deficit)</b>	<b>\$ 717</b>	<b>\$ 95,114</b>	<b>\$ 49,605</b>	<b>\$ 103,273</b>	<b>\$ 230,230</b>	<b>\$ 11,492</b>	<b>\$ 22,345</b>	<b>\$ (9,109)</b>

## NOTES TO FINANCIAL STATEMENTS

## 22. SEGMENT DISCLOSURE (continued)

	Public Works		Band Government		Other		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
<b>Revenues</b>								
Federal Government	\$ 35,727	\$ 35,635	\$ 768,343	\$ 1,424,690	\$ 131,801	\$ 343,162	\$ 2,585,450	\$ 3,367,043
Provincial Government	-	-	1,000	-	52,720	49,303	78,798	81,848
Other revenue	-	-	148,741	231,298	3,951,486	1,685,310	4,303,122	2,169,428
<b>Total revenue</b>	<u>35,727</u>	<u>35,635</u>	<u>918,084</u>	<u>1,655,988</u>	<u>4,136,007</u>	<u>2,077,775</u>	<u>6,967,370</u>	<u>5,618,319</u>
<b>Expenses</b>								
Salaries and benefits	20,588	17,292	257,212	349,288	338,407	288,611	996,657	1,081,377
Amortization	-	-	220,350	160,975	150,678	116,247	443,209	340,988
Debt servicing	-	-	-	-	-	-	26,464	23,957
Other expenses	44,428	55,118	624,850	971,040	1,526,292	1,072,029	3,291,130	3,232,429
<b>Total expenses</b>	<u>65,016</u>	<u>72,410</u>	<u>1,102,412</u>	<u>1,481,303</u>	<u>2,015,377</u>	<u>1,476,887</u>	<u>4,757,460</u>	<u>4,678,751</u>
<b>Annual surplus (deficit)</b>	\$ (29,289)	\$ (36,775)	\$ (184,328)	\$ 174,685	\$ 2,120,630	\$ 600,888	\$ 2,209,910	\$ 939,568

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**23. BUDGETED FIGURES**

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

**24. COMPARATIVE FIGURES**

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