



Grant Thornton

Consolidated financial statements

Fort Folly First Nation

March 31, 2016



## Independent auditor's report

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To the Chief and Council of Fort Folly First Nation

We have audited the accompanying consolidated financial statements of Fort Folly First Nation, which comprise the consolidated statement of financial position as at March 31, 2016, the consolidated statements of operations, surplus, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's responsibility for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the First Nation's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the First Nation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the



reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Fort Folly First Nation as at March 31, 2016, and the results of its consolidated operations and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

**Other matter**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The schedules included on Pages 18 to 21 are presented for purposes of additional information and are not a required part of the consolidated financial statements. Such supplementary information has been subjected to the auditing procedures applied, only to the extent necessary to express an opinion, in the audit of the consolidated financial statements taken as a whole.

Turco, Canada  
July 19, 2016

*Grant Thornton LLP*

Chartered Accountants




**Fort Folly First Nation  
Consolidated statement of financial position**

March 31 2016 2015

<b>Financial assets</b>			
Cash and cash equivalents	\$	167,678	\$ -
Restricted cash			
Trust fund		8,107	8,107
Replacement reserve fund (Note 11)		88,000	14,397
Receivables (Note 3)		297,742	594,129
		<u>561,527</u>	<u>616,633</u>
<b>Financial liabilities</b>			
Bank overdraft		-	766
Payables and accruals (Note 4)		44,964	258,508
Short term debt – capital (Note 5)		634	242,328
Deferred revenue (Note 6)		10,000	-
Long term debt – capital (Note 7)		348,589	583,557
		<u>404,187</u>	<u>1,085,159</u>
<b>Net financial assets (liabilities) (Page 6)</b>		<u>157,340</u>	<u>(468,526)</u>
<b>Non-financial assets</b>			
Tangible capital assets (Note 8)		1,445,903	1,509,520
Prepays (Note 9)		9,399	17,518
		<u>1,455,302</u>	<u>1,527,038</u>
<b>Surplus (Note 10)</b>	\$	<u>1,612,642</u>	\$ <u>1,058,512</u>

Contingencies (Note 12)

On behalf of the Band

 Chief  
 Councillor  
 Councillor

## Fort Folly First Nation Consolidated statement of operations and surplus

Year ended March 31	(Unaudited) Budget 2016	Actual 2016	Actual 2015
<b>Revenues</b>			
Government transfers (Note 2)	\$ 1,200,000	\$ 1,215,876	\$ 1,624,354
Other revenues (Note 2)	614,130	1,415,446	658,225
<b>Total revenues</b>	<u>1,814,130</u>	<u>2,631,322</u>	<u>2,282,579</u>
<b>Expenditures</b>			
Amortization	150,000	167,388	124,644
Bad debts	-	9,406	-
Bait and other	50,000	22,169	21,591
Basic needs	30,000	25,802	22,254
Brighter futures	7,000	9,164	6,330
Community health program	21,000	19,939	7,197
Cultural education	4,630	28,185	12,759
Diesel fuel - vessels	35,000	30,727	43,320
Economic grants and other	10,000	24,655	34,253
Equipment lease	10,000	8,856	9,351
Fishing supplies and quotas	10,000	73,527	79,301
Forestry contracts	36,000	36,765	20,418
Honorariums	36,000	36,000	36,000
In-home care	7,500	9,094	7,470
Insurance	60,000	57,026	54,362
Interest and bank charges	5,000	5,646	6,103
Interest on long term debt	10,000	19,655	10,731
Office supplies	10,000	15,394	9,475
Professional fees	70,000	90,174	91,233
Repairs and maintenance			
Buildings and other	50,000	194,922	119,545
Vessels	40,000	41,109	115,425
Salmon recovery -- supplies and training	55,000	57,390	57,759
Special needs	10,000	11,058	12,673
Sundry	20,000	18,882	6,237
Travel and vehicle operating	100,000	89,543	94,469
Tuition	70,000	77,582	66,547
Tutoring and allowances	10,000	6,939	4,807
Utilities	60,000	50,088	50,751
Wages and benefits	830,000	836,467	764,292
Water testing	7,000	3,640	6,200
<b>Total expenditures</b>	<u>1,814,130</u>	<u>2,077,192</u>	<u>1,896,497</u>
<b>Annual surplus</b>	\$ -	\$ 554,130	\$ 387,082
<b>Accumulated surplus, beginning of year</b>		<u>1,058,512</u>	<u>671,430</u>
<b>Accumulated surplus, end of year</b>		\$ <u>1,612,642</u>	\$ <u>1,058,512</u>

See accompanying notes to the consolidated financial statements

**Fort Folly First Nation**  
**Consolidated statement of changes in**  
**net financial assets (liabilities)**

Year ended March 31	(Unaudited) Budget 2016	Actual 2016	Actual 2015
Annual surplus (deficit)	\$ -	\$ 554,130	\$ 387,082
Acquisition of tangible capital assets	(100,000)	(103,771)	(503,900)
Depreciation of tangible capital assets	150,000	167,388	124,644
	50,000	63,617	(379,256)
Use of prepaid expenses, net	-	8,119	(7,609)
Change in net financial liabilities	50,000	625,866	217
Net financial liabilities, beginning of year	(468,526)	(468,526)	(468,743)
Net financial assets (liabilities), end of year	\$ (418,526)	\$ 157,340	\$ (468,526)

See accompanying notes to the consolidated financial statements

**Fort Folly First Nation**  
**Consolidated statement of cash flows**

	2016	2015
Year ended March 31		
<b>Operating activities</b>		
Annual surplus	\$ 554,130	\$ 387,082
Depreciation	167,388	124,644
Gain on sale of tangible capital assets	(481,206)	-
	<u>240,312</u>	<u>511,726</u>
<b>Change in non-cash working capital</b>		
Receivables	296,387	(298,948)
Payables and accruals	(213,544)	(72,599)
Deferred revenue	10,000	(48,179)
Prepays	8,119	(7,609)
	<u>341,274</u>	<u>84,391</u>
<b>Investing</b>		
Acquisition of tangible capital assets	(103,771)	(503,900)
Proceeds on disposal of tangible capital assets	481,206	-
Restricted cash and deposits	(73,603)	(6,397)
	<u>303,832</u>	<u>(510,297)</u>
<b>Financing</b>		
Proceeds from:		
Short term debt - capital	-	234,386
Long term debt - capital	44,770	233,514
Repayment of:		
Long term debt - capital	(279,738)	(38,316)
Short term debt - capital	(241,694)	(6,847)
	<u>(476,662)</u>	<u>422,737</u>
<b>Change in net cash and cash equivalents</b>	168,444	(3,169)
<b>Opening, net cash and cash equivalents</b>	<u>(766)</u>	<u>2,403</u>
<b>Closing, net (bank overdraft) cash and cash equivalents</b>	\$ <u>167,678</u>	\$ <u>(766)</u>

See accompanying notes to the consolidated financial statements

# Fort Folly First Nation

## Notes to the consolidated financial statements

March 31, 2016

### 1. Summary of significant accounting policies

#### Principles and basis of consolidation

The consolidated financial statements of Fort Folly First Nation (the "First Nation") are the representations of management prepared in accordance with Canadian accounting standards for local governments as established by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the First Nation are as follows:

#### Consolidation

These consolidated financial statements consolidate the assets, liabilities and results of operations of the First Nation's reporting entity.

The various operations of the First Nation have been amalgamated for the purpose of presentation in the consolidated financial statements. Fort Folly First Nation maintains the following operations:

- General operations which reports the general activities of the First Nation administration including Band support, social services, education, operations capital, operating and maintenance, economic development, community health and welfare, employment training, and miscellaneous.
- The Band housing projects which report the social housing assets of the First Nation, together with related activities.
- The Trust Fund which reports on trust funds owned and controlled by Fort Folly First Nation and held by third parties.
- Fort Folly Fisheries which reports the First Nation's commercial fishing operation.

#### Revenue recognition

Unconditional and conditional transfers from other governments for operating and capital purposes are recognized as revenue in the period in which all eligibility criteria and/or stipulations have been met and the amounts are authorized. Any funding received prior to satisfying these conditions is deferred until the conditions have been met. When revenue is received without eligibility criteria or stipulations, it is recognized when the transfer is authorized.

All non-government contributions or grant revenues that are externally restricted for a specified purpose are recognized as revenue in the period in which the resources are used for the purpose or purposes specified. Any externally restricted revenues not yet used for the purpose or purposes specified are reported as deferred revenues.

Fishing and forestry revenues are recognized as revenues when product is sold and when services are provided if the amounts can be reasonably estimated and collection is reasonably assured.

#### Use of estimates

The preparation of the consolidated financial statements in conformity with Canadian public sector accounting standards requires the First Nation's management to make estimates and assumptions that affect the amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the consolidated financial statements and reported amounts of revenue and expenses during the year. Actual results could differ from those reported. Estimates include depreciation of tangible capital assets and allowances on receivables.



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# Fort Folly First Nation

## Notes to the consolidated financial statements

March 31, 2016

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**1. Summary of significant accounting policies (continued)**

**Cash and cash equivalents and restricted cash balances**

Cash and cash equivalents include cash on hand, balances with banks and term deposits, net of any bank overdraft. Bank borrowings are considered to be financing activities.

Restricted cash balances include separate restricted cash balances for the Trust Fund and the Replacement Reserve Fund (See Note 11).

**Non financial assets**

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated change in net financial liabilities for the year.

**Tangible capital assets**

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the assets. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

Housing	4%, straight-line
Water system	4%, straight-line
Housing – CMHC Section 95 Building	Debt reduction
Office equipment	4%, straight-line
Vehicles	30% & 55%, straight-line
Fishing boats	30%, straight-line
	15%, straight-line

A half year of depreciation is charged in the year of acquisition. Assets under construction are not amortized until the asset is available for productive use.

**Contributions of tangible capital assets**

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and are also recorded as revenue.

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**Fort Folly First Nation**  
**Notes to the consolidated financial statements**  
 March 31, 2016

	<u>2016</u>	<u>2015</u>
<b>2. Revenues</b>		
Government transfers		
Indigenous and Northern Affairs Canada	\$ 537,855	\$ 507,214
Atlantic Salmon Recovery Foundation	30,000	20,000
Canadian Environmental Assessment Agency	27,001	22,916
Canada Mortgage and Housing Corporation	18,000	31,268
Canada Wildlife	100,000	20,000
Environment Canada	214,248	141,779
Fisheries and Oceans Canada	255,332	591,398
Health Canada	-	250,492
Human Resources Canada	26,240	34,687
Parks Canada	7,200	4,600
Province of New Brunswick	<u>1,215,876</u>	<u>1,624,354</u>
Other revenues		
AMEC	60,000	55,155
HST rebates - Gitpo Tobacco & Gasoline Inc. (net)	73,307	9,758
First Nation Education Initiative	8,093	2,898
Fishing	660,788	507,357
Gain on sale of tangible capital assets	481,206	-
Forestry	26,409	-
North Shore Micmac District Council	64,842	62,842
Rent	15,879	13,160
Sundry	24,922	7,055
	<u>1,415,446</u>	<u>658,225</u>
	<u>\$ 2,631,322</u>	<u>\$ 2,282,679</u>
<b>3. Receivables</b>		
Indigenous and Northern Affairs Canada	<u>2016</u>	<u>2015</u>
Canada Mortgage and Housing Corporation	\$ 3,254	\$ 22,796
Environment Canada	12,000	-
Fisheries and Oceans Canada	10,000	89,200
HST	4,350	351,610
JD Irving	96,859	101,092
New Brunswick Wildlife Trust	25,515	1,500
Other	1,380	1,800
	<u>144,384</u>	<u>26,131</u>
	<u>\$ 297,742</u>	<u>\$ 594,129</u>

**Fort Folly First Nation**  
**Notes to the consolidated financial statements**

March 31, 2016

4. Payables and accruals	<u>2016</u>	<u>2015</u>
Trade payables	\$ 22,526	\$ 140,563
Accruals	15,039	21,581
Pension payable	7,399	96,364
	<u>44,964</u>	<u>258,508</u>

5. Short term debt – capital	<u>2016</u>	<u>2015</u>
RBC demand loan, payable in monthly instalments of \$634 including principal and interest at 6.49%, secured by a vehicle with a net book value of \$1,417	\$ 634	7,942
Chrysler vehicle loan, repaid in April 2015	-	34,136
10.75% Ulnooweg bridge loan, repaid during the year	<u>634</u>	<u>200,250</u>
	<u>\$ 634</u>	<u>\$ 242,328</u>

6. Deferred revenue	<u>2016</u>	<u>2015</u>
Fisheries and Oceans Canada		
Beginning of year	-	43,552
Funding received	214,248	547,876
Revenue recognized	<u>(204,248)</u>	<u>(591,428)</u>
	<u>10,000</u>	<u>-</u>
Total deferred revenue	\$ 10,000	\$ -

**Fort Folly First Nation**  
**Notes to the consolidated financial statements**  
 March 31, 2016

	<u>2016</u>	<u>2015</u>
<b>7. Long term debt - capital</b>		
C.M.H.C. loan, payable in monthly instalments of \$280 including principal and interest at 1.11%, secured by a Band Council resolution and guarantee from Indigenous and Northern Affairs Canada, matures April 2021 and amortized to January 2026.	\$ 31,286	\$ 34,035
C.M.H.C. loan, payable in monthly instalments of \$347 including principal and interest at 1.67%, secured by a Band Council resolution and guarantee from Indigenous and Northern Affairs Canada, matures April 2017 and amortized to April 2027.	42,110	45,540
C.M.H.C. loan, payable in monthly instalments of \$304 including principal and interest at 1.92%, secured by a Band Council resolution and guarantee from Indigenous and Northern Affairs Canada, matures April 2019 and amortized to March 2029.	41,998	44,816
C.M.H.C. loan, payable in monthly instalments of \$391 including principal and interest at 2.35%, secured by a Band Council resolution and a guarantee from Indigenous and Northern Affairs Canada, matures September 2018 and amortized to September 2033.	67,330	70,405
C.M.H.C. loan, payable in monthly instalments of \$301 including principal and interest at 1.83%, secured by a Band Council resolution and a guarantee from Indigenous and Northern Affairs Canada matures December 2019 and amortized to November 2034.	57,117	59,661
C.M.H.C. loan, payable in monthly instalments of \$360 including principal and interest at 1.62%, secured by a Band Council resolution and guarantee from Indigenous and Northern Affairs Canada, matures March 2018 and amortized to February 2033.	63,978	67,238
Prime plus 2.5% term loan, repaid during the year.	-	4,824
10.75 % Ulnooweg unsecured loan, repaid during the year.	-	23,524
8% Ulnooweg term loan, repaid during the year.	-	233,514

**Fort Folly First Nation**  
**Notes to the consolidated financial statements**  
 March 31, 2016

	<u>2016</u>	<u>2015</u>
7. Long term debt – capital (continued)		

3.49% Chrysler vehicle loan, payable in monthly instalments of \$690 including principal and interest.	<u>44,770</u>	
	\$ <u>348,589</u>	\$ <u>583,557</u>

Principal repayments in each of the next five years are due as follows:

2017	\$ 24,161	
2018	\$ 24,858	
2019	\$ 25,583	
2020	\$ 26,328	
2021	\$ 56,410	

8. Tangible capital assets

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>2016</u>	<u>2015</u>
			<u>Book Value</u>	<u>Net Book Value</u>
Infrastructure and social				
Water system	\$ 247,736	\$ 172,259	\$ 75,477	\$ 85,386
Land improvements	7,269	4,219	3,050	3,341
CMHC houses section 95	557,175	142,598	414,577	432,452
Houses	126,958	41,582	85,376	90,455
Building salmon recovery program	134,548	73,331	61,217	68,599
Main office	291,539	148,074	143,465	155,128
Operational equipment	222,265	217,171	5,084	1,799
Office equipment	<u>117,685</u>	<u>117,685</u>	-	<u>1,406</u>
	<u>1,705,155</u>	<u>916,919</u>	<u>788,246</u>	<u>836,566</u>
Fisheries				
Land	41,439	-	41,439	41,439
Building	181,540	32,757	148,783	156,046
Boats and gear	526,395	165,413	360,982	439,938
Vehicles	283,756	177,303	106,453	35,531
	<u>1,033,130</u>	<u>375,473</u>	<u>657,657</u>	<u>672,954</u>
	<u>\$ 2,738,295</u>	<u>\$ 1,292,392</u>	<u>\$ 1,445,903</u>	<u>\$ 1,509,520</u>

**Fort Folly First Nation**  
**Notes to the consolidated financial statements**  
 March 31, 2016

9. Prepaids	<u>2016</u>	<u>2015</u>
Prepaid insurance	\$ 5,003	\$ 5,757
Prepaid employee compensation	<u>4,396</u>	<u>11,761</u>
	\$ <u>9,399</u>	\$ <u>17,518</u>

Prepaid employee compensation relates to the last payroll period in March deducted from the First Nation's bank account. The prepaid represents the dollar amount of payroll for this payroll period that relates to the salaries and wages beyond the year end date of March 31.

**10. Surplus**

The surplus balance is comprised of the following:

	<u>2016</u>	<u>2015</u>
Operating surplus (Page 18)	\$ 431,855	\$ 297,770
Replacement Reserve Fund (Page 19)	76,000	69,000
Equity in Trust Fund (Page 20)	<u>8,107</u>	<u>8,107</u>
	\$ <u>515,962</u>	\$ <u>374,877</u>
Investment in tangible capital assets (Page 21)	<u>1,096,650</u>	<u>683,635</u>
	\$ <u>1,612,642</u>	\$ <u>1,058,512</u>

**11. Replacement reserve fund**

Under the terms of the agreement with the C.M.H.C., the replacement reserve account is to be credited in the amount of \$7,000 annually. These funds along with accumulated interest must be held in a separate interest bearing bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by the C.M.H.C. from time to time. No interest was earned on the reserve balance during the year. The funds in the account may only be used as approved by the C.M.H.C. Withdrawals are credited to principal first and then interest. At year end, the funds in reserve consisted of the following:

Cash	\$ <u>88,000</u>	\$ <u>14,397</u>
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As at March 31, 2016, there was a surplus of \$12,000 (2015 – deficit of \$54,603) in this account.

**12. Contingencies**

- (a) The Band has entered into contribution agreements with various funding agencies, which are subject to repayment if the Band fails to comply with the terms and conditions of these agreements.
- (b) As at March 31, 2016, the Fort Folly First Nation is contingently liable to Canada Mortgage and Housing Corporation in the amount of \$12,750 (2015 - \$19,667) for four loans to Band members, under the Residential Rehabilitation Assistance Program (RRAP).

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## **Fort Folly First Nation Notes to the consolidated financial statements**

March 31, 2016

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### **12. Contingencies (continued)**

- (c) The housing projects do not calculate their rental income in accordance with sub-paragraph 2(5) of the operating agreement with C.M.H.C. In addition, C.M.H.C. may determine certain expenditures to be not eligible in determining the accumulated surplus/deficit of the housing projects, if such expenditures are not in accordance with the agreement. Failure to comply with the terms and conditions of the agreement could result in repayment of excess subsidies as well as discontinuance of all Federal assistance.
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### **13. Economic dependence**

The Fort Folly First Nation receives a major portion of its revenues pursuant to funding agreements with various government departments.

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### **14. Employee benefits**

- (a) The First Nation contributes to a defined contribution plan on behalf of its employees. The assets of the plan are held separately from those of the First Nation in independently administered funds.  
Contributions paid and expensed by the First Nation in the current year amounted to \$20,062 (2015 - \$21,184).
- (b) The First Nation remits Band Employee Benefits on behalf of employees and as of March 31, 2016, the First Nation is up to date on all remittances except for pension contributions of which \$7,399 (2015 - \$96,364) is outstanding as at March 31, 2016. Management intends to make all required payments in the upcoming year.
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### **15. Related party transaction**

During the year, the First Nation received a net of \$73,307 (2015 - \$9,758) in HST rebates from Gifpo Tobacco & Gasoline Inc., a company owned by Chief and a Councillor, under a business arrangement to share in HST rebates from the operations of the gas bar.