



Consolidated financial statements

Fort Folly First Nation

March 31, 2015

## Management's responsibility for financial reporting

The accompanying consolidated financial statements and schedules of the Fort Folly First Nation and all the information in this annual report are the responsibility of management and have been approved by the Chief and Council. For a small entity such as Fort Folly First Nation, there is not a clear line of distinction between management and Chief and Council as Chief and Council act in the capacity of managing the First Nation. As a result, management and Chief and Council can be considered the same.

The consolidated financial statements and schedules have been prepared by management in accordance with Canadian public sector accounting standards. Consolidated financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the consolidated financial statements are presented fairly, in all material respects.

The Band maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Band's assets are appropriately accounted for and adequately safeguarded.

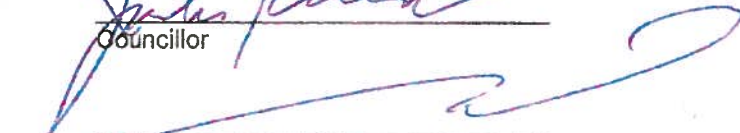
The Band Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements.

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

The consolidated financial statements and schedules have been audited by Grant Thornton LLP in accordance with Canadian generally accepted auditing standards on behalf of the members. Grant Thornton LLP has full and free access to the Council.

  
\_\_\_\_\_  
Chief

  
\_\_\_\_\_  
Councillor

  
\_\_\_\_\_  
Councillor

July 29, 2015

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

March 31


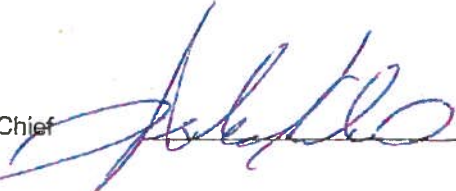

2015

2014

<b>Financial assets</b>		
Cash and cash equivalents	\$	- \$ 2,403
Restricted cash		
Trust fund	8,107	8,107
Replacement reserve fund (Note 11)	14,397	8,000
Receivables (Note 3)	<u>594,129</u>	<u>295,181</u>
	<u>616,633</u>	<u>313,691</u>
<b>Financial liabilities</b>		
Bank overdraft	766	-
Payables and accruals (Note 4)	258,508	331,107
Short term debt – capital (Note 5)	242,328	14,789
Deferred revenue (Note 6)	-	48,179
Long term debt – capital (Note 7)	<u>583,557</u>	<u>388,359</u>
	<u>1,085,159</u>	<u>782,434</u>
<b>Net financial liabilities (Page 6)</b>	<u>(468,526)</u>	<u>(468,743)</u>
<b>Non-financial assets</b>		
Tangible capital assets (Note 8)	1,509,520	1,130,264
Prepays (Note 9)	<u>17,518</u>	<u>9,909</u>
	<u>1,527,038</u>	<u>1,140,173</u>
<b>Surplus (Note 10)</b>	<u>\$ 1,058,512</u>	<u>\$ 671,430</u>

Contingencies (Note 12)

On behalf of the Band

 Chief  Councillor  
 Councillor

See accompanying notes to the consolidated financial statements

# Fort Folly First Nation

## Consolidated statement of operations and surplus

	(Unaudited)		
Year ended March 31	Budget 2015	Actual 2015	Actual 2014
<b>Revenues</b>			
Government transfers (Note 2)	\$ 1,157,630	\$ 1,624,354	\$ 1,079,182
Other revenues (Note 2)	<u>570,000</u>	<u>658,225</u>	<u>571,688</u>
<b>Total revenues</b>	<u>1,727,630</u>	<u>2,282,579</u>	<u>1,650,870</u>
<b>Expenditures</b>			
Amortization	130,000	124,644	125,482
Bad debts	-	-	3,112
Bait and other	15,000	21,591	8,174
Basic needs	30,000	22,254	21,410
Brighter futures	7,000	6,330	4,591
Community health program	21,000	7,197	4,319
Cultural education	4,630	12,759	11,803
Diesel fuel - vessels	35,000	43,320	34,474
Economic grants and other	10,000	34,253	29,338
Equipment lease	10,000	9,351	11,105
Fishing supplies	20,000	79,301	52,218
Forestry contracts	27,000	20,418	26,244
Honorariums	36,000	36,000	36,000
In-home care	5,000	7,470	6,570
Insurance	60,000	54,362	55,910
Interest and bank charges	5,000	6,103	6,319
Interest on long term debt	10,000	10,731	9,197
Office supplies	10,000	9,475	10,544
Professional fees	60,000	91,233	65,231
Repairs and maintenance			
Buildings and other	50,000	119,545	81,859
Vessels	40,000	115,425	105,667
Salmon recovery – supplies and training	50,000	57,759	43,765
Special needs	10,000	12,673	13,813
Sundry	20,000	6,237	16,678
Travel and vehicle operating	100,000	94,469	90,404
Tuition	65,000	66,547	59,819
Tutoring and allowances	10,000	4,807	6,876
Utilities	60,000	50,751	52,681
Wages and benefits	820,000	764,292	817,841
Water testing	7,000	6,200	10,169
<b>Total expenditures</b>	<u>1,727,630</u>	<u>1,895,497</u>	<u>1,821,613</u>
<b>Annual surplus (deficit)</b>	\$ <u>-</u>	387,082	(170,743)
<b>Accumulated surplus, beginning of year</b>		<u>671,430</u>	<u>842,173</u>
<b>Accumulated surplus, end of year</b>		\$ <u>1,058,512</u>	\$ <u>671,430</u>

See accompanying notes to the consolidated financial statements

---

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

Year ended March 31	(Unaudited) Budget 2015	Actual 2015	Actual 2014
Annual surplus (deficit)	\$ _____ -	\$ <u>387,082</u>	\$ (170,743)
Acquisition of tangible capital assets	(500,000)	(503,900)	(113,257)
Depreciation of tangible capital assets	<u>130,000</u>	<u>124,644</u>	<u>125,482</u>
	<u>(370,000)</u>	<u>(379,256)</u>	<u>12,225</u>
Use of prepaid expenses, net	_____ -	<u>(7,609)</u>	<u>13,701</u>
Change in net financial liabilities	(370,000)	217	(144,817)
Net financial liabilities, beginning of year	<u>(468,743)</u>	<u>(468,743)</u>	<u>(323,926)</u>
Net financial liabilities, end of year	\$ <u>(838,743)</u>	\$ <u>(468,526)</u>	\$ <u>(468,743)</u>

---

See accompanying notes to the consolidated financial statements

## Fort Folly First Nation

### Consolidated statement of cash flows

Year ended March 31	2015	2014
<b>Operating activities</b>		
Annual surplus (deficit)	\$ 387,082	\$ (170,743)
Depreciation	<u>124,644</u>	<u>125,482</u>
	<b>511,726</b>	<b>(45,261)</b>
<b>Change in non-cash working capital</b>		
Receivables	(298,948)	(63,327)
Payables and accruals	(72,599)	177,595
Deferred revenue	(48,179)	-
Prepays	<u>(7,609)</u>	<u>13,701</u>
	<b>84,391</b>	<b>82,708</b>
<b>Capital</b>		
Acquisition of tangible capital assets	<u>(503,900)</u>	<u>(113,257)</u>
<b>Financing</b>		
Proceeds from:		
Short term debt - capital	234,386	14,789
Long term debt - capital	233,514	36,200
Repayment of:		
Long term debt - capital	(38,316)	(25,123)
Short term debt - capital	<u>(6,847)</u>	<u>-</u>
	<b>422,737</b>	<b>25,866</b>
<b>Investing</b>		
Restricted cash and deposits	<u>(6,397)</u>	<u>(200)</u>
<b>Change in net cash and cash equivalents</b>	<b>(3,169)</b>	<b>(4,883)</b>
<b>Opening, net cash and cash equivalents</b>	<u><b>2,403</b></u>	<u><b>7,286</b></u>
<b>Closing, net (bank overdraft)</b>		
<b>cash and cash equivalents</b>	<b>\$ (766)</b>	<b>\$ 2,403</b>

See accompanying notes to the consolidated financial statements

---

# Fort Folly First Nation

## Notes to the consolidated financial statements

March 31, 2015

---

### 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.

---

# Fort Folly First Nation

## Notes to the consolidated financial statements

March 31, 2015

---

### 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	Debt reduction
Building	4%, straight-line
Office equipment	30% & 55%, straight-line
Vehicles	30%, straight-line
Fishing boats	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.



# Fort Folly First Nation

## Notes to the consolidated financial statements

March 31, 2015

2. Revenues	<u>2015</u>	<u>2014</u>
Government transfers		
Aboriginal Affairs and Northern Development Canada \$	507,214	\$ 436,680
Atlantic Salmon Recovery Foundation	20,000	20,000
Canadian Environmental Assessment Agency	22,916	-
Canada Mortgage and Housing Corporation	31,268	19,496
Canada Wildlife	20,000	20,000
Environment Canada	141,779	105,000
Fisheries and Oceans Canada	591,398	180,180
Health Canada	250,492	247,774
Human Resources Canada	-	3,429
Parks Canada	34,687	24,747
Province of New Brunswick	4,600	21,876
	<u>1,624,354</u>	<u>1,079,182</u>
Other revenue		
AMEC	55,155	55,153
HST rebates - Gitpo Tobacco & Gasoline Inc. (net)	9,758	-
First Nation Education Initiative	2,898	17,000
Fishing	507,357	326,679
Forestry	-	30,387
North Shore Micmac District Council	62,842	62,842
Rent	13,160	14,756
Sundry	7,055	64,871
	<u>658,225</u>	<u>571,688</u>
	<u>\$ 2,282,579</u>	<u>\$ 1,650,870</u>

3. Receivables	<u>2015</u>	<u>2014</u>
Aboriginal Affairs and Northern Development Canada \$	22,796	\$ -
Canada Mortgage and Housing Corporation	-	4,000
Environment Canada	89,200	21,210
Fisheries and Oceans Canada	351,610	129,210
HST	101,092	107,884
JD Irving	1,500	1,500
New Brunswick Wildlife Trust	1,800	-
Other	26,131	31,377
	<u>\$ 594,129</u>	<u>\$ 295,181</u>

# Fort Folly First Nation

## Notes to the consolidated financial statements

March 31, 2015

4. Payables and accruals	<u>2015</u>	<u>2014</u>
Trade payables	\$ 140,563	\$ 218,740
Accruals	21,581	16,003
Pension payable	<u>96,364</u>	<u>96,364</u>
	<u>\$ 258,508</u>	<u>\$ 331,107</u>

5. Short term debt – capital	<u>2015</u>	<u>2014</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	\$ 7,942	\$ 14,789
Chrysler vehicle loan, obtained March 2015 and repaid in April 2015	34,136	-
Ulnooweg bridge loan, payable in one lump sum payment of \$202,929 in May 2015 including principal and interest at 10.75%	<u>200,250</u>	<u>-</u>
	<u>\$ 242,328</u>	<u>\$ 14,789</u>

As security for the Ulnooweg bridge loan and the Ulnooweg term loan (Note 7), the First Nation has provided a promissory note in the amount of \$200,250 and \$233,514, a ship's mortgage over a fishing vessel with a net book value of \$428,982, and a general security agreement with a specific charge over vessel, gear, equipment and revenue generated by the fishing vessel and a secured interest in a receivable due from the Department of Fisheries and Oceans Canada in the amount of \$200,000.

6. Deferred revenue	<u>2015</u>	<u>2014</u>
AANDC		
Beginning of year	\$ 4,627	\$ 4,627
Funding received	-	-
Revenue recognized	<u>(4,627)</u>	<u>-</u>
	<u>-</u>	<u>4,627</u>
Fisheries and Oceans Canada		
Beginning of year	43,552	43,552
Funding received	-	-
Revenue recognized	<u>(43,552)</u>	<u>-</u>
	<u>-</u>	<u>43,552</u>
Total deferred revenue	<u>\$ -</u>	<u>\$ 48,179</u>

## Fort Folly First Nation

### Notes to the consolidated financial statements

March 31, 2015

7. Long term debt - capital	<u>2015</u>	<u>2014</u>
C.M.H.C. loan, payable in monthly instalments of \$301 including principal and interest at 2.65%, secured by a Band Council resolution and guarantee from Aboriginal Affairs and Northern Development Canada, matures April 2016 and amortized to January 2026.	\$ 34,035	\$ 36,715
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 Aboriginal Affairs and Northern Development Canada, matures April 2017 and amortized to April 2027.	45,540	48,915
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 Aboriginal Affairs and Northern Development Canada, matures April 2019 and amortized to March 2029.	44,816	47,583
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 Aboriginal Affairs and Northern Development Canada, matures September 2018 and amortized to September 2033.	70,405	73,412
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 Aboriginal Affairs and Northern Development Canada, matures December 2019 and amortized to November 2034.	59,661	61,957
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 Aboriginal Affairs and Northern Development Canada, matures March 2018 and amortized to February 2033.	67,238	70,449
Prime plus 2.5% term loan, payable in monthly principal instalments of \$692 plus interest, maturing October 2015. As security, the Band Council has pledged specific equipment having a net book value of \$nil.	4,824	13,128
Ulnooweg unsecured loan, payable in monthly instalments of \$1,683 including principal and interest at 10.75% amortized to June 2016.	23,524	36,200

# Fort Folly First Nation

## Notes to the consolidated financial statements

March 31, 2015

### 7. Long term debt – capital (continued) 2015 2014

Ulnooweg term loan, payable in monthly instalments of \$2,855 including principal and interest at 8.0% starting June 2015, amortized to May 2025. See security outlined in Note 5.

	<u>233,514</u>	-
\$	<u>583,557</u>	\$ <u>388,359</u>

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

2016	\$	51,730
2017	\$	39,404
2018	\$	36,324
2019	\$	38,336
2020	\$	41,113

### 8. Tangible capital assets 2015 2014

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
<b>Infrastructure and social</b>				
Water system	\$ 247,736	\$ 162,350	\$ 85,386	\$ 95,295
Land improvements	7,269	3,928	3,341	3,633
CMHC houses section 95	557,175	124,723	432,452	449,788
Houses	126,958	36,503	90,455	95,535
Building salmon recovery program	134,548	67,949	66,599	71,981
Main office	291,539	136,411	155,128	166,790
Operational equipment	253,644	251,845	1,799	12,036
Office equipment	142,281	140,875	1,406	2,008
Fence	9,700	9,700	-	-
Vehicles	53,473	53,473	-	-
	<u>1,824,323</u>	<u>987,757</u>	<u>836,566</u>	<u>897,066</u>
<b>Fisheries</b>				
Land	41,439	-	41,439	41,439
Building	181,540	25,494	156,046	163,307
Boats and gear	1,927,934	1,487,996	439,938	20,350
Vehicles	218,085	182,554	35,531	8,102
	<u>2,368,998</u>	<u>1,696,044</u>	<u>672,954</u>	<u>233,198</u>
	<u>\$ 4,193,321</u>	<u>\$ 2,683,801</u>	<u>\$ 1,509,520</u>	<u>\$ 1,130,264</u>

# Fort Folly First Nation

## Notes to the consolidated financial statements

March 31, 2015

9. Prepaids	<u>2015</u>	<u>2014</u>
Prepaid insurance	\$ 5,757	\$ 1,873
Prepaid employee compensation	<u>11,761</u>	<u>8,036</u>
	<u>\$ 17,518</u>	<u>\$ 9,909</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>2015</u>	<u>2014</u>
Operating surplus (deficit) (Page 18)	\$ 297,770	\$ (125,793)
Replacement Reserve Fund (Page 19)	69,000	62,000
Equity in Trust Fund (Page 20)	<u>8,107</u>	<u>8,107</u>
	374,877	(55,686)
Investment in tangible capital assets (Page 21)	<u>683,635</u>	<u>727,116</u>
	<u>\$ 1,058,512</u>	<u>\$ 671,430</u>

### 11. Replacement reserve fund

2015

2014

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>14,397</u>	\$ <u>8,000</u>
------	------------------	-----------------

As at March 31, 2015, there was a deficit of \$54,603 (2014 - \$54,000) 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, 2015, the Fort Folly First Nation is contingently liable to Canada Mortgage and Housing Corporation in the amount of \$19,667 (2014 - \$17,667) for four loans to Band members, under the Residential Rehabilitation Assistance Program (RRAP).

---

## **Fort Folly First Nation**

### **Notes to the consolidated financial statements**

March 31, 2015

---

#### **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.
- 

#### **13. Economic dependence**

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

---

#### **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 \$21,184 (2014 - \$19,663).

- (b) The First Nation remits Band Employee Benefits on behalf of employees and as of March 31, 2015, the First Nation is up to date on all remittances except for pension contributions of which \$96,364 (2014 - \$96,364) is outstanding as at March 31, 2015. Management intends to make all required payments in the upcoming year.
- 

#### **15. Related party transaction**

During the year, the First Nation received a net of \$9,758 in HST rebates from Gitpo 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.

---

#### **16. Comparative figures**

Certain of the 2014 comparative figures have been reclassified to conform to the financial statement presentation adopted for 2015.