PASSAMAQUODDY RECOGNITION GROUP INC.

FINANCIAL STATEMENTS

MARCH 31, 2019

ANR

ARCHAMBAULT,
NEATHWAY
& RIDEOUT

PASSAMAQUODDY RECOGNITION GROUP INC.

MARCH 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of:
Passamaquoddy Recognition Group Inc.

Opinion

We have audited the accompanying financial statements of Passamaquoddy Recognition Group Inc., which comprise the statement of financial position as at March 31, 2019, and the statement of operations, statement of changes in Net Assets, and statement of cash flows for the period then ended, and notes to the financial statements, including a summary of significant accounting polices.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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.

In preparing the financial statements, management is responsible for assessing the organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management intends to liquidate the organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organization's financial reporting process.

ANR ARCHAMBAULT, NEATHWAY & RIDEOUT

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatements of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis of our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Archambault, Neathway & Rideout

September 17, 2019
St. Stephen, NB

Archambault, Neathway & Rideout
Chartered Professional Accountants

PASSAMAQUODDY RECOGNITION GROUP INC.

BALANCE SHEET

As at March 31, 2019

	2019	2018
ASSETS		
CURRENT		
Cash	$ 688,026	$ 393,653
Accounts receivable, net of allowances (Note 7)	54,382	356,982
HST Receivable	44,905	33,139
Prepaid	5,093	6,764
	792,406	790,538
LONG TERM		
Capital assets (Note 8)	1,242,770	1,159,972
	$ 2,035,176	$ 1,950,510
LIABILITIES & SHAREHOLDER'S EQUITY		
CURRENT		
Accounts payable and accrued liabilities (Note 9)	$ 674,161	$ 730,563
Deferred revenue	79,979	30,000
	754,140	760,563
LONG TERM		
Deferred contributions related to capital assets (Note 10)	331,298	246,838
	1,085,438	1,007,401
NET ASSETS		
Operating fund	38,268	29,975
Capital asset fund	911,470	913,134
	949,738	943,109
	$ 2,035,176	$ 1,950,510

Approved on Behalf of the Board

Margaret Nelson Director

Rita Fraser Director

See the accompanying notes to the audited statement of revenues and expenditures

PASSAMAQUODDY RECOGNITION GROUP INC.

STATEMENT OF CHANGES IN NET ASSETS

For the year ended March 31, 2019

	Operating Fund	Capital Asset Fund	2019 Total	2018 Total
BALANCE, BEGINNING OF YEAR	$ 29,975	$ 913,134	$ 943,109	$ 923,240
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	8,293	(1,664)	6,629	19,870
BALANCE, END OF YEAR	$ 38,268	$ 911,470	$ 949,738	$ 943,110

See the accompanying notes to the audited statement of revenues and expenditures

PASSAMAQUODDY RECOGNITION GROUP INC.

STATEMENT OF REVENUES AND EXPENDITURES

For the year ended March 31, 2019

	2019	2018
REVENUES		
Research Funding - DIAND (Note 3)	$ 1,156,809	$ 1,633,626
Project administration	11,968	10,000
Federal funding (Note 4)	374,555	399,807
Provincial funding (Note 5)	6,135	31,325
Other funding (Note 6)	14,650	3,506
Deferral of contributions related to capital	(129,720)	(1,173,221)
Amortization of deferred revenues	45,259	21,564
Interest income	-	66
	1,479,656	926,673
EXPENDITURES		
Advertising	10,704	-
Depreciation	46,922	23,642
Insurance	10,315	9,343
Interest & bank charges	1,038	530
Office expenses	27,499	34,703
Operating expenses	26,077	-
Payroll and benefits	567,940	258,582
Professional fees	488,404	258,358
Project expenses	94,324	120,851
Property taxes	4,814	840
Rent	20,538	17,206
Repairs & maintenance	5,471	94,747
Training	17,232	3,037
Travel	130,416	73,525
Utilities	21,333	11,439
	1,473,027	906,803
SURPLUS / (DEFICIT)	$ 6,629	$ 19,870
SURPLUS, BEGINNING OF YEAR	943,110	923,240
SURPLUS EARNINGS, END OF YEAR	$ 949,739	$ 943,110

See the accompanying notes to the audited statement of revenues and expenditures

PASSAMAQUODDY RECOGNITION GROUP INC.

Statement of Cash Flows

March 31, 2019

	2019	2018
CASH PROVIDED BY OPERATING ACTIVITIES		
Surplus/(deficit) for the year	$ 6,629	$ 19,870
Items not requiring an outlay of cash:		
Depreciation	46,922	23,642
Deferral of contributions related to capital	129,720	1,173,221
Realization of deferred revenues	(45,259)	(21,564)
	138,012	1,195,169
CHANGES IN NON-CASH WORKING CAPITAL		
Accounts receivable	302,600	(329,672)
Prepaid expenses	1,671	(6,764)
HST receivable	(11,765)	(6,629)
Accounts payable and accrued charges	(56,404)	652,209
Deferred revenue	49,979	30,000
	286,081	339,144
NET CASH PROVIDED BY OPERATING ACTIVITIES	424,093	1,534,313
CASH FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(129,720)	(1,173,221)
CASH USED IN INVESTING ACTIVITIES	(129,720)	(1,173,221)
NET INCREASE IN CASH AND CASH EQUIVALENTS	294,373	361,092
NET CASH AND CASH EQUIVALENTS, beginning of year	393,653	32,561
NET CASH AND CASH EQUIVALENTS, end of year	$ 688,026	$ 393,653

See the accompanying notes to the audited statement of revenues and expenditures

PASSAMAQUODDY RECOGNITION GROUP INC.

Notes to the Financial Statements

March 31, 2019

Nature of Operations:

With funding through a Comprehensive Funding Arrangement with the Department of Indian Affairs and Northern Development, the Passamaquoddy Recognition Group Inc., has undertaken preparatory work in anticipation of a federal mandate to negotiate and define the treaty relations between the Crown and the Peskotomuhkati at Skutik. The Passamaquoddy Recognition Group Inc. is a non-profit organization therefore is tax exempt under the Income Tax Act.

1. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles in compliance with Account Standards for Not for Profits and include the following significant accounting policies:

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair market value at the date of contribution. Amortization, based on the estimated useful life of the asset, is calcluated as follows:

Computer equipment is amortized using the declining balance method at the annual rate of 30%. Other assets are amortized using a 20% declining balance.

Revenue recognition

The Passamaquoddy Recognition Group Inc. follows the restricted method of accounting. Annual budget allocations are recorded in year received and any expenses related to the projects are recorded for that budget year. The Passamaquoddy Recognition Group Inc. also recognizes funding revenue when it is reasonable to assume that funding will be paid.

1. Summary of Significant Accounting Policies (continued)

Contributed services

Volunteers contribute an indeterminate number of hours per year. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenditures during the reporting period. Estimates are used for, but not limited to, determination of fair values and depreciation. Actual results could differ from those estimates.

Cash and cash equivalents

For the purpose of the statement of cash flows, the Passamaquoddy Recognition Group Inc. considers cash on hand to be balances with banks, net overdrafts, and highly liquid temporary money market instruments with original maturities of three months or less as cash or cash equivalents. Bank borrowings are considered to be financing activities.

2. Financial Risk

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Passamaquoddy Recognition Group Inc. conducts a thorough assessment of debtors prior to granting credit and actively monitors the financial health of its debtors on an on-going basis. The accounts receivable, net of applicable reserves, approximates fair market value.

Interest rate risk

The Passamaquoddy Recognition Group Inc. minimizes its risk to unfavourable interest rate changes by ensuring that if any long-term debt is incurred it would have varying maturity dates.

2. Financial Risk (continued)

Fair value

The Passamaquoddy Recognition Group Inc.'s financial instruments consist of cash, receivables and payables. It is management's opinion that the Company is not exposed to significant currency risks arising from these financial instruments.

The fair values of the The Passamaquoddy Recognition Group Inc.'s cash, term deposits, receivables, and payables are estimated to approximate their carrying value due to their immediate or short-term maturity.

3. Research Funding - DIAND

The Department of Indian Affairs and Northern Development approved funding in the amount of $1,156,809 for this project, with 100% of the funding provided prior to the completion of the project. Funding was used for the furtherance of the Passamaquoddy Recognition Group Inc.'s goal of recognition with the Government of Canada providing treaty rights and negotiation privileges. The details of the project revenues and expenditures are included in Appendix A.

4. Federal funding

The funding of $374,555 is provided by Department of Fisheries and Oceans for specific projects.

5. Provincial funding

The Passamaquoddy Recognition Group Inc. received provincial funding in the year of $6,135 for employment grants.

6. Other funding

Other funding received in the year was from a Canadian Museum grant of $6,000 and other federal funding of $8,650.

7. Accounts receivable

Accounts receivable at year end represents balance of funding for projects to be paid by Department of Fisheries and the Province of New Brunswick.

Notes to the Financial Statements

March 31, 2019

8. Capital Assets

	Cost	Amortization	Net 2019	Net 2018
Land	$ 904,820	$ -	$ 904,820	$ 904,820
Fixtures, furniture & equipment	69,344	27,379	41,965	52,456
Marine Equipment	292,162	30,040	262,122	154,321
Motor vehicles	56,912	23,049	33,863	48,375
	$ 1,323,238	$ 80,468	$ 1,242,770	$ 1,159,972

9. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are regular trade payables incurred during the normal course of business and amounts owing to staff and Council.

10. Deferred Contributions related to capital assets

	2019	2018
Beginning Balance	246,837	-
Contribution	129,720	268,401
Amortization	(45,259)	(21,564)
Total	331,298	246,837

11. Commitments

The minimum future lease payments to the end of the lease term which includes basic annual rent and estimated operating costs of equipment are as follows:

2020	19,744
2021	15,874
2022	4,264
2023	4,264
2024	1,777

12. Economic dependance

The Passamaquoddy Recognition Group Inc. has a funding arrangement with Department of Indian Affairs. Grants received from the department represent 74% (79% in 2018) of the organization's total revenues. Federal government funding represents 24% (20% in 2018) of revenue.

13. Departmental Income Statement

The Passamaquoddy Recognition Group Inc. reports information by department internally and identifies specific projects to budget funding from various government departments per attached appendix A.

14. Subsequent Event

On March 25, 2019 Passamaquoddy Recognition Group Inc. entered into an agreement to establish a trust with David R Ames P.C. Inc/ David R Ames QC with funding from Her Majesty the Queen In Right of Canada as represented by the Minister of Fisheries and Oceans(DFO). The purpose of the trust is to assist the Group in obtaining fishing access, fishing vessels and fishing gear. Disbursements from the fund are controlled by the escrow agent and can only be disbursed in order to enable the Group to complete planned expenditures, and joint direction in writing from the Group and DFO as determined by the trust agreement.

A deposit of $3,000,000 was made to the trust account on April 4, 2019. No funds had been disbursed to the Group as of March 31, 2019.

Passamaquoddy Recognition Group **Appendix A**

Departmental Income Statement 04/01/2018 to 03/31/2019

	Administration	CRF 20182019	GCD/NPI 20182019	DFO SEP 20182019	CONSULTATION 201820192020	DFO OMCP 20182019	Total
REVENUE							
Government Operating Grants							
Deferred Consultation Protocol Fund	0	0	0	0	-79,979	0	-79,979
DIAND - Consultation Protocol	0	0	0	0	90,000	0	90,000
DIAND - NPI 201820192020	0	0	1,146,788	0	0	0	1,146,788
DFO - SEP 201820192020	0	0	0	121,000	0	0	121,000
DFO - CRF 201820192020	0	235,555	0	0	0	0	235,555
DFO - OMCP 201820192020	0	0	0	0	0	18,000	18,000
Other Federal	6,650	0	0	0	0	0	6,650
Total Grants	6,650	235,555	1,146,788	121,000	10,021	18,000	1,538,014
Other Funding							
Student Funding- Provincial SEED	6,135	0	0	0	0	0	6,135
Canadian Museum	6,000	0	0	0	0	0	6,000
Total Other Funding	12,135	0	0	0	0	0	12,135
Other Income							
Miscellaneous Revenue	1,968	0	0	0	0	0	1,968
Overhead Project Administration SEP	10,000	0	0	0	0	0	10,000
Overhead Project Administration OMC	2,000	0	0	0	0	0	2,000
Total Other Income	13,968	0	0	0	0	0	13,968
TOTAL REVENUE	32,753	235,555	1,146,788	121,000	10,021	18,000	1,564,117
EXPENSE							
Payroll Expenses							
Contracted Personal Services	0	3,652	135,908	28,300	0	0	167,860
Wages & Salaries	6,552	14,000	301,102	52,383	0	0	374,036
EI Expense	152	320	6,900	1,210	0	0	8,582
CPP Expense	276	630	14,149	2,405	0	0	17,462
Health Benefits Chamber	0	0	13,369	0	0	0	13,369
WCB Expense	0	0	3,462	0	0	0	3,462
Total Payroll Expense	6,982	18,602	474,890	84,298	0	0	584,771
General & Administrative Expenses							
Accounting & Audit	0	2,500	19,000	0	0	0	21,500
Advert, Promo, and Public Relations	1,440	0	163	0	0	0	1,602
Interest and Bank Service Charges	155	0	882	0	0	0	1,038
CRA late Fees and Interest	206	0	0	0	0	0	206
Computer Software	0	1,649	4,945	0	0	0	6,594
Contracted Consulting Fees	5,320	114,088	10,025	0	9,250	12,254	150,936
Consulting Fees - Legal	0	0	313,416	0	0	0	313,416
Legal Fees - Other	0	0	2,551	0	0	0	2,551
Courier & Postage	0	0	315	0	0	0	315
Honourariums	0	0	92,319	0	0	0	92,319
Insurance	0	1,178	8,697	440	0	0	10,315
Memberships and Subscriptions	0	0	387	0	0	0	387
Miscellaneous	1,689	315	0	0	0	0	2,005
Office Supplies	0	0	15,389	0	0	0	15,389
Operating Equipment (SEP)	0	0	0	5,637	0	0	5,637
Printing and Publishing	0	0	9,102	0	0	0	9,102
Rent/Coop Fees	0	4,800	0	0	0	0	4,800
Rent - New Office	0	0	15,738	0	0	0	15,738
Photocopier Rental	0	0	4,299	0	0	0	4,299
Property Tax	4,814	0	0	0	0	0	4,814
Repair & Maintenance	0	0	5,055	319	0	0	5,374
Repairs and Maintenance - Computers	0	0	97	0	0	0	97
Signage (CRF)	0	2,016	0	0	0	0	2,016
Supplies - Operating	0	0	0	1,387	0	0	1,387
Telephone - St. Andrews	0	750	239	0	0	0	989
Telephone - St. Stephen	0	0	2,477	0	0	0	2,477
Telephone - Cell Phones	374	0	9,778	0	0	0	10,152
Telephone - Conference Calls	0	0	637	0	0	0	637
Travel, Meetings and Meals	6,596	6,888	111,925	4,199	771	37	130,416
Training and Development	0	4,150	13,082	0	0	0	17,232
Utilities - Heat, Lights and Water	0	2,000	5,077	0	0	0	7,077
Website	0	0	515	0	0	0	515
Total General & Admin. Expenses	20,595	140,334	646,111	11,981	10,021	12,291	841,333
TOTAL EXPENSE	27,577	158,936	1,121,000	96,279	10,021	12,291	1,426,104
Revenue over expense	**5,176**	**76,619**	**25,788**	**24,721**	**-0**	**5,709**	**138,013**
Capital Acquisitions	**0**	**76,619**	**25,790**	**24,896**	**0**	**2,415**	**129,720**
Total project expense	**5,176**	**153,238**	**51,578**	**49,617**	**-0**	**8,124**	**267,733**