

# **KINGSCLEAR FIRST NATION**

## **CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2022**

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CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2022

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KINGSCLEAR FIRST NATION

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING


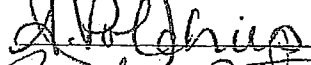
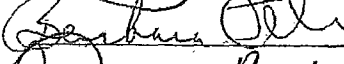
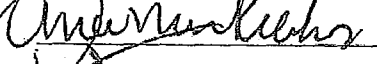

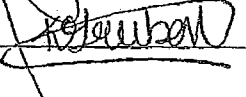
MARCH 31, 2022

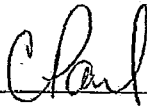
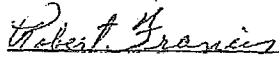
The accompanying consolidated financial statements of Kingsclear First Nation are the responsibility of Chief and Council. The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards and necessarily include estimates which are based on management's best judgments.

Management is also responsible for implementing and maintaining a system of internal controls designed to give reasonable assurance that transactions are appropriately authorized, assets are safeguarded from loss and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The consolidated financial statements have been reviewed and approved by Chief and Council.

Lenahan McCain & Associates, an independent firm of accountants, has been engaged to examine the consolidated financial statements in accordance with Canadian generally accepted auditing standards. Their report stating the scope of their examination and opinion on the consolidated financial statements, follows.

 \_\_\_\_\_, Chief  
 \_\_\_\_\_, Councillor  
 \_\_\_\_\_, Councillor  
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 \_\_\_\_\_, Councillor  
 \_\_\_\_\_, Councillor

 \_\_\_\_\_, Councillor  
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\_\_\_\_\_, Councillor  
\_\_\_\_\_, Councillor  
\_\_\_\_\_, Councillor

## **Independent Auditor's Report**

To the Chief and Council and members of  
Kingsclear First Nation

### *Opinion*

We have audited the consolidated financial statements of Kingsclear First Nation, which comprise the consolidated statement of financial position as at March 31, 2022, and the consolidated statements of operations and accumulated surplus, change in net debt, cash flows and the related schedules for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the First Nation as at March 31, 2022, and the results of its consolidated operations and its consolidated cash flows for the year then ended in accordance with PSAB.

### *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 Consolidated Financial Statements section of our report. We are independent of the First Nation in accordance with the ethical requirements that are relevant to our audit of the consolidated 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 Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PSAB, 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.

In preparing the consolidated financial statements, management is responsible for assessing the First Nation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

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

### *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated 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 judgment and maintain professional skepticism throughout the audit. We also:

- ♦ Identify and assess the risks of material misstatement of the consolidated 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 for 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 First Nation'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 First Nation'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 consolidated 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.
- ♦ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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.

*Leahen McCain + Associates*

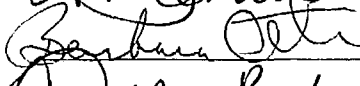

**Chartered Professional Accountants**


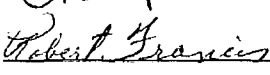
**Woodstock, New Brunswick  
September 6, 2022**

KINGSCLEAR FIRST NATION  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
MARCH 31, 2022

	2022	2021
<b>Financial Assets</b>		
Restricted cash (Note 4)	\$ 664,843	\$ 661,294
Cash	1,166,875	-
Accounts receivable (Note 4)	7,209,548	3,795,328
Funds held in trust by Federal Government (Note 17)	9,549	9,369
Inventory (Note 10)	236,737	255,317
	<u>9,287,552</u>	<u>4,721,308</u>
<b>Liabilities</b>		
Cheques written in excess of bank deposits (Note 3)	-	101,085
Accounts payable and accrued liabilities (Note 8)	1,443,540	2,223,730
Accounts payable - ISC (Note 9)	484,074	484,074
Deferred revenue (Note 5)	4,257,193	1,581,836
Long-term debt (Note 6)	8,301,883	9,196,569
	<u>14,486,690</u>	<u>13,587,294</u>
<b>Net debt</b>	<u>(5,199,138)</u>	<u>(8,865,986)</u>
<b>Non-financial Assets</b>		
Tangible capital assets (Note 7)	25,541,393	26,712,370
Prepaid expenses (Note 15)	102,740	118,236
	<u>25,644,133</u>	<u>26,830,606</u>
<b>Accumulated Surplus</b>	<u>\$ 20,444,995</u>	<u>\$ 17,964,620</u>

Approved on behalf of the Kingsclear First Nation

 \_\_\_\_\_, Chief  
 \_\_\_\_\_, Councillor  
 \_\_\_\_\_, Councillor  
 \_\_\_\_\_, Councillor  
 \_\_\_\_\_, Councillor  
 \_\_\_\_\_, Councillor

 \_\_\_\_\_, Councillor  
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\_\_\_\_\_, Councillor  
\_\_\_\_\_, Councillor  
\_\_\_\_\_, Councillor

The accompanying notes are an integral part of the financial statements

KINGSCLEAR FIRST NATION  
CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT  
FOR THE YEAR ENDED MARCH 31, 2022

	<u>2022</u>	<u>2021</u>
<b>Surplus</b>	<b>\$ 2,480,375</b>	<b>\$ 1,085,657</b>
Acquisition of tangible capital assets	(538,381)	(1,621,406)
Amortization of tangible capital assets	1,630,038	1,623,491
(Gain)/Loss on disposal of tangible capital assets	(51,982)	(90,000)
Proceeds on disposal of tangible capital assets	131,303	90,000
	<u>1,170,978</u>	<u>2,085</u>
(Increase) in prepaid expenses	15,496	(33,443)
(Increase) decrease in net debt	3,666,849	1,054,299
Net debt at beginning of year	(8,865,986)	(9,920,285)
<b>Net debt at end of year</b>	<b>\$ (5,199,137)</b>	<b>\$ (8,865,986)</b>

The accompanying notes are an integral part of the financial statements



KINGSCLEAR FIRST NATION

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

FOR THE YEAR ENDED MARCH 31, 2022

	<b>2022 Budget</b>	<b>2022 Actual</b>	<b>2021 Actual</b>
<b>Revenues</b>			
Indigenous Services Canada	\$ 12,142,976	\$ 18,056,802	\$ 14,608,861
Convenience Store	16,625,000	16,969,121	13,947,388
VLT income	2,502,018	2,435,282	1,748,910
Health Canada	1,075,960	2,358,667	1,515,672
Rental income	360,000	392,130	611,505
Canada Mortgage and Housing Corporation	264,628	263,741	208,078
Wolastoqey Tribal Council Inc.	321,931	360,782	359,984
Fisheries and Oceans Canada	255,000	293,634	290,600
Other	1,990,860	4,088,612	3,937,001
	<b>35,538,373</b>	<b>45,218,771</b>	<b>37,227,999</b>
<b>Expenditures</b>			
Administration Program	1,469,951	2,380,160	2,216,766
Education Program	4,835,149	4,739,368	3,972,843
Social Program	2,942,875	2,672,242	2,412,717
Social Housing Program	414,659	291,601	277,856
Health Program	1,075,960	1,579,006	1,282,916
Fisheries Program	367,287	391,851	256,136
Employment Training Program	378,259	498,419	504,954
Forestry Program	550,000	551,505	228,970
Convenience Store	15,564,315	15,654,008	13,502,585
Capital Program	336,552	522,579	256,969
Adult Care Program	538,528	659,280	699,334
Child Maintenance Program	1,135,390	3,043,799	2,062,720
Child and Family Program	870,222	4,069,935	2,604,507
Operations and Maintenance Program	654,601	570,768	1,108,526
Economic Development Program	2,935,962	3,483,836	3,131,052
	<b>34,069,710</b>	<b>41,108,357</b>	<b>34,518,851</b>
<b>Surplus before other expense</b>	<b>1,468,663</b>	<b>4,110,414</b>	<b>2,709,148</b>
<b>Other expense</b>			
Amortization	(1,623,491)	(1,630,038)	(1,623,491)
<b>Surplus</b>	<b>(154,828)</b>	<b>2,480,375</b>	<b>1,085,657</b>
<b>Accumulated surplus at beginning of year</b>	<b>17,964,620</b>	<b>17,964,620</b>	<b>16,878,963</b>
<b>Accumulated surplus at end of year</b>	<b>\$ 17,809,792</b>	<b>\$ 20,444,995</b>	<b>\$ 17,964,620</b>

The accompanying notes are an integral part of the financial statements

KINGSCLEAR FIRST NATION  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED MARCH 31, 2022

	2022	2021
<b>Cash flows from</b>		
<b>Operating activities</b>		
Surplus	\$ 2,480,375	\$ 1,085,657
Items not affecting cash		
Amortization expense	1,630,038	1,623,491
(Gain)/Loss on disposal of tangible capital assets	(51,982)	(90,000)
	4,058,431	2,619,148
Change in non-cash operating working capital		
Accounts receivable	(3,414,220)	(607,323)
Inventory	18,580	(45,317)
Prepaid expenses	15,496	(33,443)
Funds held in trust by Federal Government	(180)	(178)
Accounts payable and accrued liabilities	(780,189)	(176,620)
Accounts payable - ISC	-	(110,540)
Deferred revenue	2,675,357	432,691
	2,573,275	2,078,418
<b>Capital activities</b>		
Proceeds on disposal of tangible capital assets	131,302	90,000
Acquisition of tangible capital assets	(538,112)	(1,621,405)
	(406,810)	(1,531,405)
<b>Financing activities</b>		
Loan and mortgage advances	-	574,904
Repayment of loans and mortgages	(894,685)	(759,585)
	(894,685)	(184,681)
<b>Increase in cash and cash equivalents</b>	<b>1,271,780</b>	<b>362,332</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>560,209</b>	<b>197,877</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,831,989</b>	<b>\$ 560,209</b>
<b>Represented by</b>		
Restricted cash	\$ 664,843	\$ 661,294
Bank indebtedness	-	(101,085)
Unrestricted cash	1,166,875	-
<b>Total cash</b>	<b>\$ 1,831,718</b>	<b>\$ 560,209</b>

The accompanying notes are an integral part of the financial statements

KINGSCLEAR FIRST NATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2022

**1. Basis of Presentation and Significant Accounting Policies**

These financial statements are prepared in accordance with Canadian public sector accounting standards for governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

**(a) Cash and cash equivalents**

Cash and cash equivalents include cash on hand, balances with banks net of bank overdrafts and term deposits having a maturity of one year or less at acquisition which are held for the purpose of meeting short-term cash commitments.

**(b) Principles of Consolidation**

All controlled entities are fully consolidated on a line-by-line basis.

**Consolidation Method**

This method combines the accounts of distinct organizations. It requires uniform accounting policies for the organizations. Inter-organizational balances and transactions are eliminated under this method. This method reports the organizations as if they were one organization.

**(c) Net Debt**

The First Nation's financial statements are presented so as to highlight net debt as the measurement of financial position. The net debt is comprised of two components, non-financial assets and accumulated surplus.

**(d) Inventory**

Inventory is recorded at the lower of cost and net realizable value. Cost is determined on the FIFO basis. Net realizable value is the estimated selling price in the normal course of business.

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KINGSCLEAR FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2022

**1. Basis of Presentation and Significant Accounting Policies (continued)**

**(e) Tangible Capital Assets**

Tangible capital assets (TCAs) are items that can be physically touched, are used to provide First Nation services, are used for First Nation administration purposes or are used for the construction and/or maintenance of other TCAs owned by the First Nation, will be useful for a period greater than one year and will be used by the First Nation on a regular basis.

There are some assets that have been owned for a significant number of years, therefore some assumptions and amortization calculations were required to determine age and historical cost.

TCAs are recorded at cost, which includes all amounts directly attributable to acquisition, construction, development or betterment of the asset, and are amortized on the straight-line basis over their estimated useful lives. The First Nation has determined a capitalization threshold of \$5,000. Any item purchased below this threshold will be recorded as an expense in the year the item is acquired. Amortization begins in the year the asset has been put to use. Assets under construction are not amortized until they are put into use.

Tangible capital assets recorded at a nominal amount of \$1 (because specific cost information could not be determined) include some roads, some of the water/sewer infrastructure, a few smaller buildings and approximately 5 hectares of land.

Buildings and housing	10-40yrs Straight line
Parking areas and pedestrian pedway	25yrs Straight line
Fire truck and buses	10yrs Straight line
Other vehicles	5yrs Straight line
Boats	10yrs Straight line
Equipment	5yrs Straight line
Gas tanks	15yrs Straight line
Roads	15yrs Straight line
Water and sewer facilities	30yrs Straight line

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**KINGSCLEAR FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2022**

**1. Basis of Presentation and Significant Accounting Policies (continued)**

**(f) 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 (both operating and capital) 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 being performed is deferred and recognized when the fee is earned or service performed.

**(g) Expense recognition**

Expenses are recorded on the accrual basis as they are incurred and measurable based on receipt of goods or services and obligation to pay.

**(h) Use of Estimates**

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. These estimates are reviewed periodically and are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

**(i) 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. 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, prepaid expenses and inventories of supplies.

**(j) Fishing licences**

Fishing licences are recorded at acquisition cost. No acquisition costs have been incurred to date.

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KINGSCLEAR FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2022

**1. Basis of Presentation and Significant Accounting Policies (continued)**

**(k) Segment Disclosure**

The financial statements of Kingsclear First Nation provide supporting schedules which are established by program based on government funding provided. The various programs have been amalgamated for the purpose of presentation in the consolidated financial statements. Details of the operations of each program are set out in the supplementary schedules for management information purposes.

**(l) Financial Instruments**

The First Nation's financial instruments consist of cash, accounts receivable, accounts payable, deferred revenue and long-term debt. Unless otherwise noted, it is management's opinion that the First Nation is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

**2. Additional Information - Restricted Amounts**

**Moveable Assets Reserve (MAR)**

Under the terms of the Health Services Transfer Agreement with Health Canada, an amount is to be maintained in a reserve for the replacement of qualifying tangible capital assets. Expenditures for replacement of qualifying tangible capital assets are charged to this reserve when incurred.

A separate bank account for this reserve is maintained by the First Nation, and is included with cash on the consolidated statement of financial position.

The moveable assets reserve is included with the accumulated surplus on the consolidated statement of financial position.

**Replacement Reserve (RR)**

Under the terms of the agreements with Canada Mortgage and Housing Corporation, an amount is to be maintained in a reserve for qualifying capital and maintenance expenditures related to the corresponding housing projects/units of the First Nation. These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments approved by CMHC from time to time. The funds in the account may only be used as approved by CMHC. Withdrawals are credited to interest first and then principal.

Separate bank accounts for this reserve are maintained by the First Nation, and are included with restricted cash on the consolidated statement of financial position.

The replacement reserve is included with accumulated surplus on the consolidated statement of financial position.

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KINGSCLEAR FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2022

**3. Cash**

	2022	2021
<b>Unrestricted accounts</b>	<b>\$ 1,166,875</b>	<b>\$ (101,085)</b>
<b>Restricted accounts:</b>		
CMHC replacement reserve post '96 projects	646,169	628,797
CMHC replacement reserve pre '97 projects	18,674	29,374
Health - Movable Asset Reserve	-	3,123
	<b>\$ 1,831,718</b>	<b>\$ 560,209</b>

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**4. Accounts Receivable**

	2022	2021
Indigenous Services Canada	\$ 6,060,066	\$ 2,232,038
Fisheries and Oceans Canada	119,500	-
Province of New Brunswick - Other	27,000	267,339
Province of New Brunswick - HST rebates	226,082	179,281
Indigenous Skills and Employment Training Program	90,195	-
Convenience Store excise tax rebates	321,516	239,039
Convenience Store trade receivables	2,479	47,098
Other	333,297	312,875
Individuals	-	630,868
Canada Mortgage and Housing Corporation	29,413	218,443
	<b>7,209,548</b>	<b>4,126,981</b>
Allowance for doubtful accounts	-	(331,653)
	<b>\$ 7,209,548</b>	<b>\$ 3,795,328</b>

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KINGSCLEAR FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2022

**5. Deferred revenue**

	<b>2022</b>	<b>2021</b>
Health Canada (various programs pg 41)	\$ <b>923,220</b>	\$ 310,127
ISC - FN School Formula	<b>1,340,994</b>	414,134
ISC - PSE	<b>21,688</b>	158,920
P&ID Government Capacity	<b>101,667</b>	-
FNFMB Assistance for Legal	<b>7,500</b>	-
Indigenous Centre for Cumulative Effect	<b>69,923</b>	-
Job Creation program	-	97,787
ISC - CFS Operations	<b>123,669</b>	-
Economic Development programs	<b>154,113</b>	-
Tribal Council (Land Acquisition)	<b>67,439</b>	-
Child & Family - Children's Aid Foundation	-	4,591
Child & Family - Aboriginal Language Program	-	18,099
Federal Economic Stimulus	<b>105,118</b>	-
ISC - Basic Needs	<b>339,518</b>	186,673
ISC - Covid-19 Response	-	36,605
ISC - Capital related programs	<b>921,029</b>	346,938
Indigenous Skills and Employment Training Program (ISETP)	<b>81,315</b>	-
Child & Family Services	-	7,962
	<b>\$ 4,257,193</b>	<b>\$ 1,581,836</b>

These amounts represent unexpended funds under contribution agreements and therefore may be subject to repayment to the funding source.



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**KINGSCLEAR FIRST NATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2022**

**6. Long-term debt**

	<b>2022</b>	<b>2021</b>
Canada Mortgage and Housing Corporation Various mortgages at interest rates from 0.96% to 2.39%, repayable in blended monthly installments ranging from \$302 to \$2,234, guaranteed by the Minister of Indigenous Services Canada. These loans are related to CMHC housing projects and have varying repayment terms and maturity dates.	<b>\$ 3,581,650</b>	<b>\$ 3,912,362</b>
Canadian Imperial Bank of Commerce Various mortgages at interest rates from 3.2% to 5%, repayable in blended monthly installments ranging from \$811 to \$5,250, guaranteed by the Minister of Indigenous Services Canada. These loans are related to CMHC housing projects and have varying repayment terms and maturity dates.	<b>3,131,066</b>	<b>3,206,786</b>
Taylor Petroleum 1985 Ltd. 0% loan, monthly loan payments are based on fuel purchases from the prior month at a rate of \$0.02 per litre, no specified security, repaid in full during the year.	<b>-</b>	<b>82,228</b>
John Deere Financial 4.5% loan, repayable in monthly installments of \$2,218 including interest, secured by a 2018 John Deere loader, due January, 2022 with a residual amount of \$121,100 owing at maturity.	<b>-</b>	<b>122,120</b>
Canadian Imperial Bank of Commerce Prime plus 1% loan, repayable in monthly installments of \$10,000 plus interest, secured by convenience store assets, due November, 2022.	<b>630,000</b>	<b>750,000</b>
Canadian Imperial Bank of Commerce Prime plus 1% demand loan, repayable in monthly installments of \$901 plus interest, secured by a 2018 Chevrolet Cargo Van, repaid in full during the year.	<b>-</b>	<b>9,906</b>
Canadian Imperial Bank of Commerce Prime plus 1.00%, repayable in monthly installments of \$5,333 plus interest, secured by band owned commercial buildings, due November, 2022.	<b>186,667</b>	<b>250,667</b>
Canadian Imperial Bank of Commerce Prime plus 1.00%, repayable in monthly installments of \$7,500 plus interest, secured by band owned commercial buildings, due November, 2022.	<b>772,500</b>	<b>862,500</b>

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KINGSCLEAR FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2022

**6. Long-term debt, continued**

	2022	2021
	8,301,883	9,196,569
Current portion	705,706	812,581
	\$ 7,596,177	\$ 8,383,988

Principal portion of long-term debt due within the next five years:

2023	\$ 705,706
2024	704,269
2025	693,614
2026	620,345
2027	604,534

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KINGSCLEAR FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2022

**7. Tangible Capital Assets**

	Cost	Additions	Disposals	Accumulated amortization	2022 Net book value
Land	\$ 25,001	\$ -	\$ -	\$ -	\$ 25,001
Buildings and housing	28,936,751	301,601	-	14,760,442	14,477,910
Fire truck and other vehicles	1,110,104	33,766	198,300	641,892	303,678
Gas tanks and equipment	5,752,322	77,105	-	2,156,207	3,673,490
Pedway	1,676,161	-	-	233,641	1,442,520
Water and sewer	6,943,022	125,640	-	2,294,821	4,773,841
Boats	144,786	-	-	140,908	3,878
Parking areas	68,154	-	-	24,880	43,274
Roads	2,345,873	-	-	1,548,072	797,801
	<b>\$ 47,002,174</b>	<b>\$ 538,112</b>	<b>\$ 198,300</b>	<b>\$ 21,800,863</b>	<b>\$ 25,541,393</b>

	Cost	Additions	Disposals	Accumulated amortization	2021 Net book value
Land	\$ 25,001	\$ -	\$ -	\$ -	\$ 25,001
Buildings and housing	27,558,243	1,492,948	-	13,770,244	15,166,507
Fire truck and other vehicles	985,964	-	256,139	652,924	457,180
Gas tanks and equipment	6,039,479	93,123	-	2,002,573	3,749,749
Pedway	1,674,311	1,850	-	166,595	1,509,567
Water and sewer	6,943,022	-	-	2,063,387	4,879,635
Boats	144,786	-	-	138,179	6,607
Parking areas	68,154	-	-	22,154	46,000
Roads	2,312,389	33,484	-	1,473,749	872,124
	<b>\$ 45,751,349</b>	<b>\$ 1,621,405</b>	<b>\$ 256,139</b>	<b>\$ 20,289,805</b>	<b>\$ 26,712,370</b>

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**KINGSCLEAR FIRST NATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2022**

**8. Accounts payable and accrued liabilities**

	<b>2022</b>	<b>2021</b>
Province of New Brunswick - tuition	\$ 328,860	\$ 354,156
Canada Revenue Agency - HST payable	34,574	56,867
Convenience store trade payables	428,976	204,777
Canada Revenue Agency - Payroll deductions	163,552	430,347
Trade payables and accrued liabilities	364,016	1,133,683
Health Canada (19/20 COHI)	6,163	-
Unclaimed royalties	117,400	43,900
	<b>\$ 1,443,541</b>	<b>\$ 2,223,730</b>

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**9. Accounts payable - Indigenous Services Canada**

	<b>2022</b>	<b>2021</b>
2009-10 Basic needs	\$ 199,949	\$ 199,949
2010-11 In-Home Care	73,137	73,137
2016-17 Basic Needs	52,697	52,697
2018-19 Tuition agreement	158,291	158,291
	<b>\$ 484,074</b>	<b>\$ 484,074</b>

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**10. Inventory**

Inventory on hand for resale purposes relates to the convenience store, and is comprised of the following:

	<b>2022</b>	<b>2021</b>
Tobacco products	\$ 128,889	\$ 151,694
Gasoline and diesel	11,200	52,250
Grocery	76,830	39,894
Lotto	17,038	6,877
Other inventory items	2,780	4,602
	<b>\$ 236,737</b>	<b>\$ 255,317</b>

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## KINGSCLEAR FIRST NATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2022

#### **11. Financial Instruments Risks and Uncertainties**

The First Nation is exposed to the following risks in respect of certain of the financial instruments held:

##### **Credit risk**

The financial instruments that potentially subject the First Nation to a significant concentration of credit risk consist primarily of cash and accounts receivable.

The First Nation maintains cash balances with Canadian chartered banks which are insured by the Canada Deposit Insurance Corporation up to CDN \$100,000. From time to time, these balances exceed the federally insured limits and expose the First Nation to credit risk from concentration of cash. The First Nation limits this risk by transacting with reputable financial institutions.

The First Nation does have credit risk in accounts receivable \$7,209,548 (2021 - \$3,795,328). Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The First Nation reduces its exposure to credit risk by performing valuations on a regular basis and creating an allowance for bad debts when applicable. The First Nation derives a significant portion of its revenues and therefore, accounts receivable, from government sources. In the opinion of management, the credit risk exposure to the First Nation is low.

##### **Liquidity risk**

The First Nation does have a liquidity risk in the accounts payable and accrued liabilities of \$1,927,615 (2021 - \$2,707,804). Liquidity risk is the risk that the First Nation cannot repay its obligations when they become due to its creditors. The First Nation reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due and maintains a responsible cash position. In the opinion of management, the liquidity risk exposure to the First Nation is moderate.

##### **Interest rate risk**

The First Nation is exposed to interest rate risk related to mortgages with floating interest rates. This exposure may have an effect on its interest expenses in future periods. The First Nation reduces its exposure to interest rate risk by regularly monitoring published bank prime interest rates. There are some loans payable that are at fixed term rates and therefore, do not affect interest rate risk. The First Nation does not use derivative instruments to reduce its exposure to interest rate risk. In the opinion of management the interest rate risk exposure to the First Nation is low.

#### **12. Economic Dependence**

Kingsclear First Nation receives a significant portion of its revenue pursuant to a funding agreement with Indigenous Services Canada.

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**KINGSCLEAR FIRST NATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2022**

**13. Contingent liabilities**

Kingsclear 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. The likelihood of compliance reviews and any potential findings are not determinable as at the date on the auditor's report.

In the normal course of its operations, the First Nation becomes involved in legal actions. Some of these potential liabilities may become actual liabilities when one or more future events occurs or fail to occur. To the extent that the future event is likely to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded on the First Nation's financial statements. When the future event and/or ability to estimate involves more uncertainty, the action or claim is considered a contingent liability.

**14. Prepaid expenses**

	2022	2021
Post secondary	\$ 59,540	\$ 38,500
Administration	43,200	79,736
	<u>\$ 102,740</u>	<u>\$ 118,236</u>

**15. Expenses by object**

	2022	2021
Wages and benefits	\$ 7,994,506	\$ 5,167,104
Cost of goods sold	13,753,298	11,818,188
Provincial tuition	1,171,058	911,821
Interest	225,696	131,121
Professional services	295,073	532,100
Royalties	551,505	227,150
Amortization	1,630,038	1,623,491
Insurance	360,343	287,682
Other	16,756,880	15,443,684
	<u>\$ 42,738,397</u>	<u>\$ 36,142,341</u>

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KINGSCLEAR FIRST NATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2022

**16. Trust funds held by Federal Government**

	March 31, 2021	Additions (interest)	Withdrawals	March 31, 2022
Revenue	\$ 4,101	\$ 180	\$ -	\$ 4,281
Capital	5,268	-	-	5,268
	<u>\$ 9,369</u>	<u>\$ 180</u>	<u>\$ -</u>	<u>\$ 9,549</u>

**17. Comparative amounts**

Certain comparative amounts have been reclassified to conform with the presentation adopted in the current period. There is no impact to the accumulated surplus balance.

**18. Annual surplus net of capital related revenues and amortization**

	2022	2021
Annual surplus (deficit)	\$ 2,480,104	\$ 1,085,657
Deduct: Federal government transfers for capital	-	(878,027)
Add: Amortization expense included in annual surplus (deficit)	1,630,038	1,623,491
Annual surplus net of capital related revenues and amortization	<u>\$ 4,110,142</u>	<u>\$ 1,831,121</u>

**19. Covid-19**

Since March 2020, the outbreak of the COVID-19 virus, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include travel bans, self-imposed quarantine periods, social and physical distancing, have caused disruptions to businesses locally, nationally and globally. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of this world economic event is unknown and therefore, the impact on the First Nation, if any, is not determinable.