

KINGSCLEAR FIRST NATION  
CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2023

Management's Responsibility for Financial Reporting

Independent Auditor's Report

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KINGSCLEAR FIRST NATION  
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING  
MARCH 31, 2023

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	Date
Councillor	Councillor
Councillor	Councillor
Councillor	Councillor
Councillor	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, 2023, 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, 2023, 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.

*Leah McCain + Associates*  
Chartered Professional Accountants

Woodstock, New Brunswick  
August 22, 2023

## KINGSCLEAR FIRST NATION CONSOLIDATED STATEMENT OF FINANCIAL POSITION MARCH 31, 2023

	2023	2022
<b>Financial Assets</b>		
Restricted cash (Note 4)	\$ 664,843	\$ 664,843
Cash	4,204,862	1,166,875
Accounts receivable (Note 4)	5,334,932	7,209,548
Funds held in trust by Federal Government (Note 17)	9,844	9,549
Inventory (Note 10)	396,618	236,737
	<b>10,611,099</b>	<b>9,287,552</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (Note 8)	2,004,041	1,443,540
Accounts payable - ISC (Note 9)	484,074	484,074
Deferred revenue (Note 5)	5,007,069	4,257,193
Long-term debt (Note 6)	7,580,610	8,301,883
	<b>15,075,794</b>	<b>14,486,690</b>
<b>Net debt</b>	<b>(4,464,695)</b>	<b>(5,199,138)</b>
<b>Non-financial Assets</b>		
Tangible capital assets (Note 7)	26,496,107	25,541,393
Prepaid expenses (Note 15)	77,038	102,740
	<b>26,573,145</b>	<b>25,644,133</b>
<b>Accumulated Surplus</b>	<b>\$ 22,108,450</b>	<b>\$ 20,444,995</b>

Approved on behalf of the Kingsclear First Nation

*[Signature]*, Chief  
*[Signature]*, Councillor  
*[Signature]*, Councillor  
*[Signature]*, Councillor  
*[Signature]*, Councillor  
*[Signature]*, Councillor  
*[Signature]*, 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, 2023

	2023	2022
<b>Surplus</b>	<b>\$ 1,663,457</b>	<b>\$ 2,480,375</b>
Acquisition of tangible capital assets	(2,615,804)	(538,381)
Amortization of tangible capital assets	1,660,551	1,630,038
(Gain)/Loss on disposal of tangible capital assets	-	(51,982)
Proceeds on disposal of tangible capital assets	-	131,303
	<b>(954,716)</b>	<b>1,170,978</b>
(Increase) in prepaid expenses	25,702	15,496
(Increase) decrease in net debt	734,443	3,666,849
<b>Net debt at beginning of year</b>	<b>(5,199,138)</b>	<b>(8,865,987)</b>
<b>Net debt at end of year</b>	<b>\$ (4,464,695)</b>	<b>\$ (5,199,138)</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, 2023**

	2023 Budget	2023 Actual	2022 Actual
<b>Revenues</b>			
Indigenous Services Canada	\$ 18,629,671	\$ 21,775,430	\$ 18,056,802
Convenience Store	16,412,589	17,751,119	16,969,121
VLT and casino income	2,435,281	2,608,241	2,435,282
Health Canada and opening def.rev.	2,476,876	2,670,866	2,358,667
Rental income	611,505	611,505	392,130
Canada Mortgage and Housing Corporation	227,528	250,360	263,741
Wolastoey Tribal Council Inc.	408,268	403,624	360,782
Fisheries and Oceans Canada	305,000	349,166	293,634
Other	5,414,872	4,147,476	4,088,612
	<b>46,921,590</b>	<b>50,567,787</b>	<b>45,218,771</b>
<b>Expenditures</b>			
Administration Program	2,481,611	2,523,090	2,369,430
Education Program	5,286,457	5,634,908	4,739,368
Social Program	2,882,321	3,329,498	2,672,242
Social Housing Program	1,114,461	887,866	661,732
Health Program	1,780,856	1,737,827	1,579,006
Fisheries Program	506,444	485,896	402,581
Employment Training Program	691,250	663,882	498,419
Forestry Program	500,000	438,710	551,505
Convenience Store	15,099,338	17,007,538	15,654,008
Capital Program	184,664	225,799	190,349
Adult Care Program	753,493	684,147	659,280
Child Maintenance Program	5,106,243	5,314,259	3,043,799
Child and Family Program	4,609,249	4,309,307	4,069,934
Operations and Maintenance Program	621,409	682,462	532,868
Economic Development Program	3,407,893	3,318,592	3,483,836
	<b>45,025,689</b>	<b>47,243,781</b>	<b>41,108,357</b>
<b>Surplus before other expense</b>	<b>1,895,901</b>	<b>3,324,006</b>	<b>4,110,414</b>
<b>Other expense</b>			
Amortization	(1,630,038)	(1,660,551)	(1,630,038)
<b>Surplus</b>	<b>265,863</b>	<b>1,663,457</b>	<b>2,480,375</b>
<b>Accumulated surplus at beginning of year</b>	<b>20,444,995</b>	<b>20,444,995</b>	<b>17,964,620</b>
<b>Accumulated surplus at end of year</b>	<b>\$ 20,710,858</b>	<b>\$ 22,108,452</b>	<b>\$ 20,444,995</b>

The accompanying notes are an integral part of the financial statements.

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**KINGSCLEAR FIRST NATION**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED MARCH 31, 2023**

	2023	2022
<b>Cash flows from</b>		
<b>Operating activities</b>		
Surplus	\$ 1,663,457	\$ 2,480,375
Items not affecting cash		
Amortization expense	1,660,551	1,630,038
(Gain)/Loss on disposal of tangible capital assets		(51,982)
	<b>3,324,008</b>	<b>4,038,431</b>
Change in non cash operating working capital		
Accounts receivable	1,874,616	(3,414,770)
Inventory	(159,881)	18,580
Prepaid expenses	25,702	15,496
Funds held in trust by Federal Government	(295)	(180)
Accounts payable and accrued liabilities	560,500	(780,189)
Deferred revenue	749,876	2,673,357
	<b>6,374,526</b>	<b>2,573,275</b>
<b>Capital activities</b>		
Proceeds on disposal of tangible capital assets	-	131,302
Acquisition of tangible capital assets	(2,615,265)	(538,382)
	<b>(7,615,765)</b>	<b>(407,081)</b>
<b>Financing activities</b>		
Repayment of loans and mortgages	(721,273)	(894,685)
<b>Increase in cash and cash equivalents</b>	<b>3,037,988</b>	<b>1,271,509</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>1,831,718</b>	<b>560,209</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 4,869,706</b>	<b>\$ 1,831,718</b>
<b>Represented by</b>		
Restricted cash	\$ 664,843	\$ 664,843
Unrestricted cash	4,204,863	1,166,875
Total cash	<b>\$ 4,869,706</b>	<b>\$ 1,831,718</b>

The accompanying notes are an integral part of the financial statements.

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**KINGSCLEAR FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2023**

**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.

**KINGSCLEAR FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2023**

**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, 2023

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.

KINGSCLEAR FIRST NATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2023

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.

KINGSCLEAR FIRST NATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2023

3. Cash

	2023	2022
Unrestricted accounts	\$ 4,204,862	\$ 1,166,875
Restricted accounts:		
CMHC replacement reserve post '96 projects	646,169	646,169
CMHC replacement reserve pre '97 projects	18,674	18,674
	<u>\$ 4,869,705</u>	<u>\$ 1,831,718</u>

4. Accounts Receivable

	2023	2022
Indigenous Services Canada	\$ 3,957,690	\$ 2,232,038
Fisheries and Oceans Canada	-	119,500
Province of New Brunswick - Other	-	27,000
Province of New Brunswick - HST rebates	66,867	226,082
Indigenous Skills and Employment Training Program	-	90,195
Convenience Store excise tax rebates	140,067	321,516
Convenience Store trade receivables	17,561	2,479
Other	1,152,747	333,297
Canada Mortgage and Housing Corporation	-	29,413
	<u>\$ 5,334,932</u>	<u>\$ 7,209,548</u>

KINGSCLEAR FIRST NATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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5. Deferred revenue

	2023	2022
ISC - Capital program	\$ 32,000	\$ -
Fundraising and donations	34,760	-
Health Canada (various programs pg 41)	1,091,828	923,220
ISC - FN School Formula	922,952	1,340,994
ISC - PSE	-	21,688
P&ID Government Capacity	57,874	101,667
FNFMH Assistance for Legal	7,500	7,500
Indigenous Centre for Cumulative Effect	69,923	69,923
ISC - Estates	20,000	-
ISC - CFS Operations	415,363	123,669
Economic Development programs	146,694	154,113
Tribal Council (Land Acquisition)	67,439	67,439
ISC - Maintenance	431,683	-
ISC - Representative services	152,982	-
Federal Economic Stimulus	-	105,118
ISC - Basic Needs	-	339,518
Department of Fisheries and Oceans	63,093	-
ISC - Capital related programs	1,084,515	921,029
Indigenous Skills and Employment Training Program (ISETP)	38,397	81,315
Other capital deferrals	325,050	-
Other deferrals	45,016	-
	<u>\$ 5,007,069</u>	<u>\$ 4,257,193</u>

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

KINGSCLEAR FIRST NATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2023

6. Long-term debt

	2023	2022
Canada Mortgage and Housing Corporation Various mortgages at interest rates from 0.96% to 3.98%, repayable in blended monthly installments ranging from \$302 to \$2,033, guaranteed by the Minister of Indigenous Services Canada. These loans are related to CMHC housing projects and have varying repayment terms and maturity dates.	\$ 3,320,602	\$ 3,581,650
Canadian Imperial Bank of Commerce Various mortgages at interest rates from 4.64% to 7.70%, 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.	2,944,841	3,131,066
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.	510,000	630,000
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.	122,667	186,667
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.	682,500	772,500
	<u>7,580,610</u>	<u>8,301,883</u>
Current portion	704,269	705,706
	<u>\$ 6,876,341</u>	<u>\$ 7,596,177</u>

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KINGSCLEAR FIRST NATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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6. Long-term debt, continued

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

2024	\$ 704,269
2025	693,614
2026	620,345
2027	604,534
2028	<u>\$ 506,500</u>

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KINGSCLEAR FIRST NATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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7. Tangible Capital Assets

	Cost	Additions	Disposals	Accumulated amortization	2023 Net book value
Land	\$ 25,001	\$ 10,500	\$ -	\$ -	\$ 35,501
Buildings and housing	29,238,352	1,840,446	-	15,756,944	15,010,461
Fire truck and other vehicles	945,570	76,526	-	734,079	288,017
Gas tanks and equipment	5,829,698	313,752	-	2,340,318	4,113,985
Pedway	1,676,161	-	-	300,688	1,375,474
Water and sewer	7,068,662	236,580	-	2,534,389	4,770,854
Boats	144,786	-	-	142,236	2,550
Parking areas	68,154	138,000	-	30,367	175,787
Roads	2,345,873	-	-	1,622,395	723,478
	<u>\$ 47,342,257</u>	<u>\$ 2,615,804</u>	<u>\$ -</u>	<u>\$ 23,461,416</u>	<u>\$ 26,496,107</u>
	Cost	Additions	Disposals	Accumulated amortization	2022 Net book value
Land	\$ 25,001	\$ -	\$ -	\$ -	\$ 25,001
Buildings and housing	28,936,751	1,492,948	-	14,760,442	14,477,910
Fire truck and other vehicles	1,110,104	-	256,139	641,892	303,678
Gas tanks and equipment	5,752,322	93,123	-	2,156,207	3,673,490
Pedway	1,676,161	-	-	233,641	1,442,520
Water and sewer	6,943,022	-	-	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
	<u>\$ 47,002,174</u>	<u>\$ 1,586,071</u>	<u>\$ 256,139</u>	<u>\$ 21,800,863</u>	<u>\$ 25,541,393</u>

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KINGSCLEAR FIRST NATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2023

8. Accounts payable and accrued liabilities

	2023	2022
Province of New Brunswick - tuition	\$ 303,563	\$ 328,860
Canada Revenue Agency - HST payable	13,170	34,574
Convenience store trade payables	87,658	428,976
Canada Revenue Agency - Payroll deductions	40,242	163,552
Trade payables and accrued liabilities	1,012,850	364,016
Health Canada	6,163	6,163
Employee benefits accrual	457,893	-
Unclaimed royalties	82,500	117,400
	<u>\$ 2,004,039</u>	<u>\$ 1,443,541</u>

9. Accounts payable - Indigenous Services Canada

	2023	2022
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
	<u>\$ 484,074</u>	<u>\$ 484,074</u>

10. Inventory

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

	2023	2022
Tobacco products	\$ 291,283	\$ 128,889
Gasoline and diesel	15,637	11,200
Grocery	68,979	68,830
Lotto	19,103	17,038
Other inventory items	1,616	2,780
	<u>\$ 396,618</u>	<u>\$ 236,737</u>

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**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 \$5,334,932 (2022 - \$7,209,548). 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 \$2,488,115 (2022 - \$1,927,615). 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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**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**

	2023	2022
Post secondary	\$ 58,070	\$ 59,540
Administration	18,968	43,200
	<u>\$ 77,038</u>	<u>\$ 102,740</u>

**15. Expenses by object**

	2023	2022
Wages and benefits	\$ 8,505,240	\$ 7,994,506
Cost of goods sold	14,863,271	13,753,298
Provincial tuition	1,478,021	1,171,058
Interest	197,360	225,696
Professional services	478,947	295,073
Royalties	438,710	551,505
Amortization	1,660,551	1,630,038
Insurance	335,324	360,343
Other	21,246,906	16,756,880
	<u>\$ 48,904,330</u>	<u>\$ 42,738,397</u>

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

	March 31, 2022	Additions (interest)	Withdrawals	March 31, 2023
Revenue	\$ 4,281	\$ 295	\$ -	\$ 4,576
Capital	5,268	-	-	5,268
	<u>\$ 9,549</u>	<u>\$ 295</u>	<u>\$ -</u>	<u>\$ 9,844</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**

	2023	2022
Annual surplus (deficit)	\$ 1,663,457	\$ 2,480,375
Deduct: Federal government transfers for capital	(1,014,746)	
Add: Amortization expense included in annual surplus (deficit)	1,660,551	1,630,038
Annual surplus net of capital related revenues and amortization	<u>\$ 2,309,262</u>	<u>\$ 4,110,413</u>

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