

KINGSCLEAR FIRST NATION

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2024

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CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2024

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KINGSCLEAR FIRST NATION

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

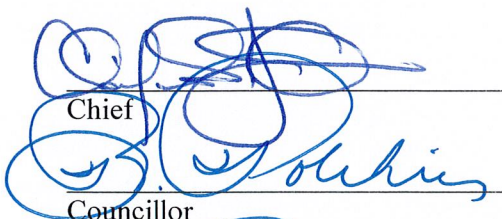
MARCH 31, 2024

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

Councillor

Councillor

Councillor

Date

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, 2024, 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, 2024, 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.

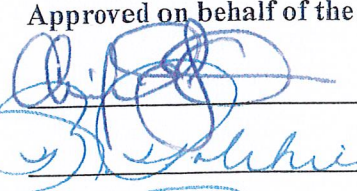
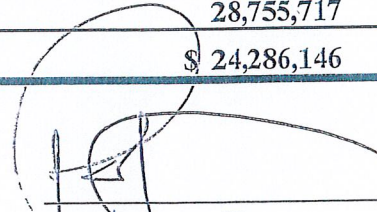

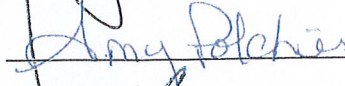
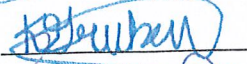

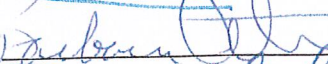
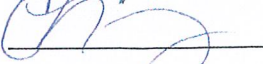


L. L. L. McLean & Associates
Chartered Professional Accountants

Woodstock, New Brunswick
August 20, 2024

KINGSCLEAR FIRST NATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MARCH 31, 2024

	2024	2023
Financial Assets		
Restricted cash (Note 3)	\$ 664,843	\$ 664,843
Cash	2,449,278	4,204,862
Accounts receivable (Note 4)	7,840,756	5,334,932
Funds held in trust by Federal Government (Note 16)	10,179	9,844
Inventory (Note 10)	298,562	396,618
	<u>11,263,618</u>	<u>10,611,099</u>
Liabilities		
Accounts payable and accrued liabilities (Note 8)	2,020,681	2,004,039
Accounts payable - ISC (Note 9)	443,735	484,074
Deferred revenue (Note 5)	6,053,295	5,007,069
Long-term debt (Note 6)	7,215,478	7,580,610
	<u>15,733,189</u>	<u>15,075,792</u>
Net debt	<u>(4,469,571)</u>	<u>(4,464,693)</u>
Non-financial Assets		
Tangible capital assets (Note 7)	28,539,991	26,496,107
Prepaid expenses (Note 14)	215,726	77,038
	<u>28,755,717</u>	<u>26,573,145</u>
Accumulated Surplus	<u>\$ 24,286,146</u>	<u>\$ 22,108,452</u>
Approved on behalf of the Kingsclear First Nation		
 _____, Chief	 _____, Councillor	
 _____, Councillor	 _____, Councillor	
 _____, Councillor	 _____, Councillor	
 _____, Councillor	 _____, Councillor	
 _____, 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, 2024

	<u>2024</u>	<u>2023</u>
Surplus	\$ 2,177,694	\$ 1,663,457
Acquisition of tangible capital assets	(3,816,108)	(2,615,804)
Amortization of tangible capital assets	1,772,225	1,660,551
	(2,043,884)	(954,714)
(Increase) in prepaid expenses	(138,688)	25,702
(Increase) decrease in net debt	(4,878)	734,445
Net debt at beginning of year	(4,464,693)	(5,199,138)
Net debt at end of year	\$ (4,469,571)	\$ (4,464,693)

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, 2024

	2024 Budget	2024 Actual	2023 Actual
Revenues			
Indigenous Services Canada	\$ 19,830,270	\$ 22,925,737	\$ 21,775,430
Convenience Store	16,222,412	13,670,778	17,751,119
VLT and casino income	7,083,904	7,259,244	2,608,241
Health Canada and opening def.rev.	2,685,506	3,106,168	2,670,866
Rental income	611,505	611,505	611,505
Canada Mortgage and Housing Corporation	265,868	463,676	250,360
Wolastoqey Tribal Council Inc.	453,936	383,292	403,624
Fisheries and Oceans Canada	355,000	390,074	349,166
Other	5,686,788	6,926,473	4,147,476
	53,195,189	55,736,947	50,567,787
Expenditures			
Administration Program	2,828,978	2,970,558	2,523,090
Education Program	6,294,043	6,204,697	6,595,321
Social Program	2,687,356	3,053,777	3,329,498
Social Housing Program	924,574	879,413	917,865
Health Program	1,835,108	1,892,903	1,737,827
Fisheries Program	536,672	549,425	485,896
Employment Training Program	665,812	369,399	663,882
Forestry Program	210,000	195,500	438,710
Convenience Store	15,853,259	14,141,681	17,007,538
Capital Program	36,306	138,114	195,799
Adult Care Program	746,740	691,937	684,147
Child Maintenance Program	5,120,993	6,993,678	5,314,259
Child and Family Program	3,674,559	6,171,350	3,348,894
Operations and Maintenance Program	554,353	665,407	682,462
Economic Development Program	6,698,924	6,869,189	3,318,592
	48,667,677	51,787,028	47,243,780
Surplus before other expense	4,527,512	3,949,919	3,324,007
Other expense			
Amortization	(1,660,551)	(1,772,225)	(1,660,551)
Surplus	2,986,961	2,177,694	1,663,457
Accumulated surplus at beginning of year	22,108,452	22,108,452	20,444,995
Accumulated surplus at end of year	\$ 25,095,413	\$ 24,286,146	\$ 22,108,452

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, 2024

	2024	2023
Cash flows from		
Operating activities		
Surplus	\$ 2,177,694	\$ 1,663,457
Items not affecting cash		
Amortization expense	1,772,225	1,660,551
	3,949,919	3,324,008
Change in non-cash operating working capital		
Accounts receivable	(2,505,824)	1,874,616
Inventory	98,056	(159,881)
Prepaid expenses	(138,688)	25,702
Funds held in trust by Federal Government	(335)	(295)
Accounts payable and accrued liabilities	(23,697)	560,500
Deferred revenue	1,046,226	749,876
	2,425,657	6,374,526
Capital activities		
Acquisition of tangible capital assets	(3,816,108)	(2,615,265)
Financing activities		
Loan and mortgage advances	339,144	-
Repayment of loans and mortgages	(704,278)	(721,273)
	(365,134)	(721,273)
Increase (decrease) in cash and cash equivalents	(1,755,585)	3,037,988
Cash and cash equivalents, beginning of year	4,869,706	1,831,718
Cash and cash equivalents, end of year	\$ 3,114,121	\$ 4,869,706
Represented by		
Restricted cash	\$ 664,843	\$ 664,843
Unrestricted cash	2,449,278	4,204,863
Total cash	\$ 3,114,121	\$ 4,869,706

The accompanying notes are an integral part of the financial statements

KINGSCLEAR FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2024

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, 2024

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

(c) 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

KINGSCLEAR FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2024

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, 2024

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

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, 2024

3. Cash

	2024	2023
Unrestricted accounts	\$ 2,449,278	\$ 4,204,862
Restricted accounts:		
CMHC replacement reserve post '96 projects	646,169	646,169
CMHC replacement reserve pre '97 projects	18,674	18,674
	\$ 3,114,121	\$ 4,869,705

4. Accounts Receivable

	2024	2023
Indigenous Services Canada	\$ 5,228,583	\$ 3,957,690
Health Canada	119,290	-
Province of New Brunswick - Other	23,390	-
Province of New Brunswick - HST rebates	-	66,867
Indigenous Skills and Employment Training Program	181,574	-
Convenience Store excise tax rebates	34,625	140,067
Convenience Store trade receivables	7,290	17,561
Other	871,095	1,152,747
Individuals	94,118	-
Canada Mortgage and Housing Corporation	339,145	-
Regional Development Canada	941,646	-
	\$ 7,840,756	\$ 5,334,932

KINGSCLEAR FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2024

5. Deferred revenue

	2024	2023
ISC - Capital program	\$ -	\$ 32,000
Fundraising and donations	107,390	34,760
Health Canada (various programs pg 41)	1,156,981	1,091,828
ISC - FN School Formula	138,151	922,952
ISC - ECE Implem/Expand	123,741	-
P&ID Government Capacity	13,062	57,874
FNFMB Assistance for Legal	7,500	7,500
Indigenous Centre for Cumulative Effect	-	69,923
ISC - Estates	9,953	20,000
ISC - CFS Operations	-	415,363
ISC - CFS other programs	351,253	-
ISC - Institutional Care	45,016	-
Economic Development programs	60,213	146,694
Tribal Council (Land Acquisition)	67,439	67,439
ISC - Maintenance	-	431,683
ISC - Representative services	-	152,982
ISC - Plan, Design, Constr	196,695	-
Indigenous Earling Learning and Child Care	109,479	-
Department of Fisheries and Oceans	-	63,093
ISC - Capital related programs	1,833,337	1,084,515
Regional Development Corporation	860,975	-
Indigenous Habitat Participation Program	48,478	-
ISC - Summer Work Experience	37,033	-
Red Cross	22,440	-
Farm Credit Canada	7,500	-
Indigenous Skills and Employment Training Program (ISETP)	126,692	38,397
Other capital deferrals	-	325,050
Other deferrals	564,967	45,016
Canada Mortgage and Housing Corporation	165,000	-
	\$ 6,053,295	\$ 5,007,069

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

KINGSCLEAR FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2024

6. Long-term debt

	2024	2023
Canada Mortgage and Housing Corporation Various mortgages at interest rates from 0.96% to 3.81%, repayable in blended monthly installments ranging from \$302 to \$2,533, guaranteed by the Minister of Indigenous Services Canada. These loans are related to CMHC housing projects and have varying repayment terms and maturity dates.	\$ 3,411,095	\$ 3,320,602
Canadian Imperial Bank of Commerce Various mortgages at interest rates from 5.60% to 8.20%, repayable in blended monthly installments ranging from \$821 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.	2,763,216	2,944,841
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, 2024.	390,000	510,000
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, 2024.	58,667	122,667
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, 2024.	592,500	682,500
	7,215,478	7,580,610
<u>Current portion</u>	689,158	704,269
	\$ 6,526,320	\$ 6,876,341

KINGSCLEAR FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2024

6. Long-term debt, continued

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

2025	\$	689,158
2026		618,764
2027		604,456
2028		511,127
2029	\$	477,366

7. Tangible Capital Assets

	Cost	Additions	Accumulated amortization	2024 Net book value
Land	\$ 35,501	\$ -	\$ -	\$ 35,501
Buildings and housing	30,767,405	3,174,935	16,825,852	17,116,489
Fire truck and other vehicles	1,022,096	269,802	851,534	330,380
Gas tanks and equipment	6,454,302	371,371	2,531,607	4,389,050
Pedway	1,676,161	-	367,734	1,308,428
Water and sewer	7,305,242	-	2,777,897	4,527,346
Boats	144,786	-	143,086	1,700
Parking areas	206,154	-	39,213	181,941
Roads	2,345,873	-	1,696,717	649,156
	\$ 49,957,520	\$ 3,816,108	\$ 25,233,640	\$ 28,539,991

	Cost	Additions	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
	\$ 47,342,257	\$ 2,615,804	\$ 23,461,416	\$ 26,496,107

KINGSCLEAR FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2024

8. Accounts payable and accrued liabilities

	2024	2023
Province of New Brunswick - tuition	\$ 278,265	\$ 303,563
Canada Revenue Agency - HST payable	32,126	13,170
Convenience store trade payables	5,604	87,658
Canada Revenue Agency - Payroll deductions	73,340	40,242
Trade payables and accrued liabilities	1,109,607	1,012,850
Health Canada	-	6,163
Employee benefits accrual	477,989	457,893
Unclaimed royalties	43,750	82,500
	\$ 2,020,681	\$ 2,004,039

9. Accounts payable - Indigenous Services Canada

	2024	2023
2009-10 Basic needs	\$ 159,609	\$ 199,949
2010-11 In-Home Care	73,137	73,137
2016-17 Basic Needs	52,698	52,697
2018-19 Tuition agreement	158,291	158,291
	\$ 443,735	\$ 484,074

10. Inventory

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

	2024	2023
Tobacco products	\$ 131,088	\$ 291,283
Gasoline and diesel	75,646	15,637
Grocery	61,765	68,979
Lotto	28,447	19,103
Other inventory items	1,616	1,616
	\$ 298,562	\$ 396,618

KINGSCLEAR FIRST NATION

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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 \$7,840,756 (2023 - \$5,334,932). 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 \$2,464,416 (2023 - \$2,488,113). 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.

KINGSCLEAR FIRST NATION

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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

	2024	2023
Child and family services	\$ 42,909	\$ -
Post secondary	109,592	58,070
Administration	63,225	18,968
	<u>\$ 215,726</u>	<u>\$ 77,038</u>

15. Expenses by object

	2024	2023
Wages and benefits	\$ 9,607,024	\$ 8,505,240
Cost of goods sold	13,249,432	14,863,271
Provincial tuition	1,198,078	1,178,021
Interest	271,514	197,360
Professional services	1,118,533	478,947
Royalties	195,500	438,710
Amortization	1,772,225	1,660,551
Insurance	362,383	335,324
Other	25,784,564	21,246,906
	<u>\$ 53,559,253</u>	<u>\$ 48,904,330</u>

KINGSCLEAR FIRST NATION

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16. Trust funds held by Federal Government

	March 31, 2023	Additions (interest)	Withdrawals	March 31, 2024
Revenue	\$ 4,576	\$ 335	\$ -	\$ 4,911
Capital	5,268	-	-	5,268
	\$ 9,844	\$ 335	\$ -	\$ 10,179

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

	2024	2023
Annual surplus (deficit)	\$ 2,177,694	\$ 1,663,457
Deduct: Federal government transfers for capital	(1,486,000)	(1,014,746)
Deduct: Provincial government transfer for capital	(606,657)	-
Add: Amortization expense included in annual surplus (deficit)	1,772,225	1,660,551
Annual surplus net of capital related revenues and amortization	\$ 1,857,262	\$ 2,309,262