

# **ELSIPOGTOG FIRST NATION**

## **CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2022**

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CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2022

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ELSIPOGTOG FIRST NATION

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

MARCH 31, 2022

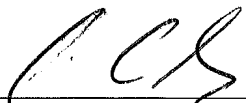
The accompanying consolidated financial statements are the responsibility of management. The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards and necessarily include estimates which are based on management's best judgments.

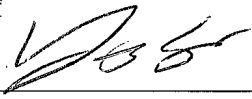
Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.

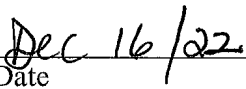
Management is also responsible for implementing and maintaining a system of internal controls designed to give reasonable assurance that transactions are appropriately authorized, assets are safeguarded from loss and financial records are properly maintained to provide reliable information for the preparation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

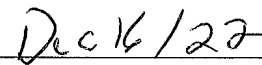
Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The consolidated financial statements have been reviewed and approved by Chief and Council.

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

  
\_\_\_\_\_  
Band manager

  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Date

## **Independent Auditor's Report**

To the Chief and Council and members of  
Elsipogtog First Nation

### *Opinion*

We have audited the consolidated financial statements of Elsipogtog 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 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 Canadian public sector accounting standards (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.

*Lenahan McCain & Associates*

**Lenahan McCain & Associates**  
**Chartered Professional Accountants**

**Woodstock, New Brunswick**  
**November 21, 2022**




ELSIPOGTOG FIRST NATION

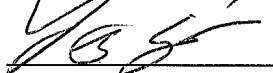
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MARCH 31, 2022

	2022	2021
<b>Financial Assets</b>		
Cash	\$ 10,230,801	\$ 7,910,239
Trust funds held by federal government (Note 23)	446,045	422,146
Accounts receivable (Note 3)	3,319,464	3,042,886
Due (to) from band owned enterprises (Note 4)	6,838,252	3,526,813
Investment - GIC	250,000	250,000
Investments held in trust (Note 22)	6,836,065	6,961,622
Contributions receivable (Note 16)	8,685,090	12,414,424
Government business enterprises (Note 5)	8,320,162	11,274,724
CMHC reserve funds (Note 11)	1,650,154	1,470,240
Debt reserve fund (Note 25)	326,938	321,994
	<u>46,902,971</u>	<u>47,595,088</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (Note 7)	3,139,237	5,616,700
Deferred revenue (Note 8)	34,569,834	36,147,771
Funding repayable to ISC (Note 20)	2,380,560	26,731
Long-term debt (Note 10)	47,451,066	30,038,723
	<u>87,540,697</u>	<u>71,829,925</u>
<b>Net debt</b>	<u>(40,637,726)</u>	<u>(24,234,837)</u>
<b>Non-financial Assets</b>		
Tangible capital assets (Note 13)	71,186,557	57,729,889
Prepaid expenses (Note 21)	246,100	554,921
Intangible assets (Note 14)	30,265,000	11,750,000
	<u>101,697,657</u>	<u>70,034,810</u>
<b>Accumulated Surplus</b>	<u>\$ 61,059,931</u>	<u>\$ 45,799,973</u>

Approved on behalf of the Elsipogtog First Nation

 , Chief

 , Band manager

The accompanying notes are an integral part of the financial statements

ELSIPOGTOG FIRST NATION

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

FOR THE YEAR ENDED MARCH 31, 2022

	2022 Budget	2022 Actual	2021 Actual
<b>Surplus (deficit)</b>	<b>\$ (3,924,965)</b>	<b>\$ 15,259,958</b>	<b>\$ 31,781,045</b>
Acquisition of tangible capital assets	-	(18,621,934)	(26,722,802)
Acquisition of intangible assets	-	(18,515,000)	(11,750,000)
Disposal of tangible capital assets	-	1,023,640	-
Amortization of tangible capital assets	2,837,304	4,141,626	3,384,000
	2,837,304	(31,971,668)	(35,088,802)
(Increase) decrease in prepaid assets	-	308,821	(146,734)
Increase (decrease) in net financial assets	(1,087,661)	(16,402,889)	(3,454,491)
Net debt at beginning of year	(24,234,837)	(24,234,837)	(20,780,346)
<b>Net debt at end of year</b>	<b>\$ (25,322,498)</b>	<b>\$ (40,637,726)</b>	<b>\$ (24,234,837)</b>

The accompanying notes are an integral part of the financial statements

ELSIPOGTOG FIRST NATION

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2022

	<u>2022 Budget</u>	<u>2022 Actual</u>	<u>2021 Actual</u>
<b>Revenues</b>			
Indigenous Services Canada	\$ 19,224,845	\$ 41,761,367	\$ 43,928,680
Health Canada	4,212,435	11,480,375	7,800,514
Department of Fisheries and Oceans	845,000	875,295	1,145,414
Canada Mortgage and Housing Corporation	373,525	313,732	291,154
Province of New Brunswick	898,400	1,311,995	857,097
Commercial fisheries	7,243,642	27,512,456	12,461,161
Other	8,323,748	51,389,519	60,496,112
Deferred revenue, closing	-	(34,569,834)	(36,147,771)
	<hr/>	<hr/>	<hr/>
Total	41,121,595	100,074,905	90,832,361
<b>Expenditures</b>			
Wages and benefits	10,772,104	16,732,143	16,454,766
Interest and bank charges	932,202	973,021	1,060,756
Professional services	913,272	1,750,813	2,581,233
Commercial fisheries	5,967,619	20,721,793	11,773,958
Forestry	1,618,825	1,478,509	1,124,544
Social	10,368,706	12,671,085	13,139,442
Other	11,636,528	23,713,393	17,118,098
	<hr/>	<hr/>	<hr/>
Total	42,209,256	78,040,757	63,252,797
<b>Surplus before other items</b>	(1,087,661)	22,034,148	27,579,564
<b>Other items</b>			
Equity (loss) in MicMac Industries of Big Cove Inc. (Note 2)	-	40,245	69,929
Equity (loss) in McGraw Seafood (2008) Inc. (Note 2)	-	1,075,224	2,838,184
Equity (loss) in River of Fire Market Inc. (Note 2)	-	177,555	176,685
Equity (loss) in Maologetinetj Dev. Corp. Inc. (Note 2)	-	102,305	331,015
Equity (loss) in 711394 NB Inc. (Note 2)	-	(4,351,432)	4,636,797
Equity (loss) in McGraw Aquaculture (Note 2)	-	-	(463,244)
Equity (loss) in McGraw Peat Moss (Note 2)	-	-	(3,885)
Gain on disposal of asset	-	323,539	-
Amortization	(2,837,304)	(4,141,626)	(3,384,000)
	<hr/>	<hr/>	<hr/>
	(2,837,304)	(6,774,190)	4,201,481
<b>Surplus (deficit) for the year</b>	(3,924,965)	15,259,958	31,781,045
<b>Accumulated surplus, beginning of year</b>	45,799,973	45,799,973	14,018,928
<b>Accumulated surplus, end of year</b>	<u>\$ 41,875,008</u>	<u>\$ 61,059,931</u>	<u>\$ 45,799,973</u>

The accompanying notes are an integral part of the financial statements

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

	2022 Actual	2021 Actual
<b>Cash flows from</b>		
<b>Operating activities</b>		
Surplus	\$ 15,259,958	\$ 31,781,045
Items not affecting cash		
Amortization expense	4,141,626	3,384,000
Gain on disposal of assets	(323,539)	-
	19,078,045	35,165,045
Change in non-cash operating working capital		
Other receivables	(276,578)	(393,144)
Fishing licenses	(18,515,000)	(11,750,000)
Prepaid expenses	308,821	(146,734)
Investments held in trust	125,557	9,791,308
Contributions receivable	3,729,334	6,519,834
Accounts payable and accrued liabilities	(2,477,467)	509,241
Deferred revenue	(1,577,937)	(7,779,694)
Funding repayable to ISC	2,353,829	(75,000)
	2,748,604	31,840,856
<b>Capital activities</b>		
Acquisition of tangible capital assets	(18,621,934)	(26,722,802)
Proceeds on disposal of capital assets	1,347,179	-
	(17,274,755)	(26,722,802)
<b>Financing activities</b>		
Due (to) from band owned enterprises	(3,311,439)	852,641
Repayment of long-term debt	(1,604,616)	(1,773,050)
Proceeds of long-term debt	19,016,963	8,119,074
	14,100,908	7,198,665
<b>Investing activities</b>		
Decrease / (Increase) in Investment in McGraw Peat Moss	(800)	2,293
Decrease / (Increase) in Investment in Mic Mac Industries	(40,245)	(69,929)
Decrease / (Increase) in Investment in McGraw Seafood (2008) Inc.	(1,075,224)	(2,838,184)
Decrease / (Increase) in Investment in River of Fire Market	(177,555)	(176,685)
Decrease / (Increase) in Investment in Pharmasave	(102,305)	(331,015)
Transfer to CMHC reserve funds	(179,914)	(179,904)
Decrease / (Increase) in debt reserve fund	(4,944)	415
Decrease / (Increase) in Investment in 711394 NB Inc.	4,351,431	(4,636,797)
Decrease / (Increase) in Investment in McGraw Aquaculture	(740)	601,785
	2,769,704	(7,628,021)
<b>Increase in cash and cash equivalents</b>	2,344,461	4,688,698
<b>Cash and cash equivalents, beginning of year</b>	8,332,385	3,643,687
<b>Cash and cash equivalents, end of year</b>	\$ 10,676,846	\$ 8,332,385

The accompanying notes are an integral part of the financial statements

ELSIPOGTOG 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) Reporting entity principles of financial reporting**

The consolidated financial statements of Elsipogtog First Nation reflect the assets, liabilities, revenues, expenditures, changes in net debt and accumulated surplus of the reporting entity. The reporting entity is comprised of the organizations accountable for the administration of their affairs and resources to the Chief and Council or controlled by the First Nation. Inter-fund and inter-corporate balances and transactions have been eliminated. The government business enterprises included in the consolidated financial statements are as follows:

1. MicMac Industries of Big Cove Inc.
2. McGraw Seafood (2008) Inc.
3. Big Cove Wellness Committee Inc. (Dept. 600's)
4. 690761 NB Inc. (River of Fire Market)
5. Maologetinetj Dev. Corp. Inc. (Elsipogtog Pharmacy)
6. 711394 NB Inc.
7. McGraw Peat Moss
8. McGraw Aquaculture

**(b) 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 ninety days or less at acquisition which are held for the purpose of meeting short-term cash commitments.

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## ELSIPOGTOG FIRST NATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2022

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

##### **(c) Principles of consolidation**

All controlled entities are fully consolidated on a line-by-line basis except for the commercial enterprises, other than Big Cove Wellness Committee Inc., which meet the definition of government business enterprise. These enterprises listed in Note 1(a) are included in the consolidated financial statements on a modified equity basis.

##### **Consolidation Method**

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

##### **Modified Equity Method**

This method is used for commercial enterprises which meet the definition of government business enterprises. The modified equity method reports a commercial enterprise's net assets as an investment on the Consolidated Statement of Financial Position. The net income (loss) of the commercial enterprises is reported as earnings (loss) on the Consolidated Statement of Operations. Inter-organizational transactions and balances are not eliminated. All gains or losses arising from inter-organizational transactions between commercial enterprises or other First Nation organizations are eliminated. The accounting policies of commercial organizations are not adjusted to conform to those of the First Nation.

Commercial enterprises are those organizations that meet the definition of government business enterprises as described by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Government business enterprises have the power to contract in their own name, have the financial and operating authority to carry on a business, sell goods and services to customers outside the First Nation as their principle activity, and that can, in the normal course of operations, maintain operations and meet liabilities from revenues received from outside the First Nation government.

##### **(d) 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 of the First Nation is determined by its liabilities less its financial assets and accumulated surplus.

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## ELSIPOGTOG 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.

Tangible capital assets in excess of \$5,000 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 method over their estimated useful lives. Amortization begins in the year acquired. Cost of homes financed by long-term debt borrowings are amortized in the accounts based on the annual reduction in the principal on long term borrowings.

Certain tangible capital assets, including but not limited to roads and infrastructure, have been recorded at a nominal amount of \$1 as specific historical data was not available. Whereas all such assets are amortized over a period not longer than twenty five years, it is management's opinion that all assets acquired prior to 1995 would now be fully amortized.

Amortization is provided on the straight-line basis over the estimated useful life of the asset as follows:

Buildings	25 years
Vehicles	5 years
Computer equipment	5 years
Furniture, fixtures and equipment	20 years
CMHC housing	Principal reduction
Lobster/crab boats	20 years
School buses	5 years
Subdivision development, roads and infrastructure	25 years
Property development	25 years

##### **(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.

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## ELSIPOGTOG FIRST NATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2022

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

##### **(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 amount of revenues and expenses during the reported period. Specifically, estimates are required related to the provision for doubtful accounts and the useful lives of tangible capital assets. 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 fishing licenses.

##### **(j) Segment disclosure**

The financial statements of Elsipogtog 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.

##### **(k) Financial instruments**

Financial instruments are financial assets or liabilities of the Nation where the Nation has the right to receive cash or another financial asset from another party or has the obligation to pay cash or other financial assets to another party or equity instruments of another party. The First Nation's financial instruments consist of cash, advances receivable, accounts receivable, due from related parties, bank indebtedness, accounts payable and accrued liabilities 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.



ELSIPOGTOG FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2022

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

**(l) Deferred revenue**

Deferred revenue represents funding received, but not yet expended, for a specific program or purpose. It is normally expected that these funds will be used for their intended purpose in the next fiscal period. However, if this does not occur, the funds may become repayable to the funding partner/source.

**(m) Fishing licenses**

Fishing licenses are recorded at cost as intangible assets and are not amortized.

The First Nation evaluates the carrying value of its licenses and permits annually for impairment. Should a permanent impairment be identified, the impairment will be recognized as a reduction in the carrying value and as a charge against income on the statement of operations in the period the impairment occurred.

**2. Budgeted figures**

Unaudited budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the Chief and Council.

**3. Accounts receivable**

	2022	2021
Tobacco loans	\$ 1,852,986	\$ 1,496,529
Education program	-	67,115
HST	177,356	42,366
Mawiw Council	319,806	511,487
Other	252,970	404,580
Province of New Brunswick	178,718	116,834
Snow crab fishery (McGraw Seafood)	512,490	208,737
Wellness programs	25,138	195,238
	<u>\$ 3,319,464</u>	<u>\$ 3,042,886</u>

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ELSIPOGTOG FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2022

**4. Due (to) from band owned enterprises**

	2022	2021
Due (to) from McGraw Seafood (2008) Inc.	\$ 6,241,514	\$ 3,220,273
Due (to) from MicMac Industries of Big Cove Inc.	(185,633)	(475,831)
Due (to) from River of Fire Market Inc.	722,371	722,371
Due (to) from Elsipogtog Pharmasave	60,000	60,000
	<u>\$ 6,838,252</u>	<u>\$ 3,526,813</u>

During the year, Elsipogtog First Nation entered into transactions with MicMac Industries of Big Cove Inc. These transactions were for building supplies and fuel and were made at normal fair market value amounts for such products.

Amounts due from McGraw Seafood (2008) Inc. arose from a loan to the company and proceeds due from the sale of snow crab and payment of professional fees on McGraw Seafood (2008) Inc.'s behalf.

Amounts due from River of Fire Market and Elsipogtog Pharmasave relate to advances from Elsipogtog.

All of the outstanding amounts are non-interest bearing, unsecured, with no set terms of repayment.

ELSIPOGTOG FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2022

**5. Government business enterprises**

	2022	2021
Investment in MicMac Industries of Big Cove Inc.	\$ 296,517	\$ 256,272
Investment in McGraw Seafood (2008) Inc.	6,266,759	5,191,535
Investment in River of Fire Market Inc.	(997,198)	(1,174,753)
Investment in Elsipogtog Pharmasave	875,343	773,038
Investment in 711394 NB Inc.	1,856,895	6,208,326
Investment in McGraw Peat Moss	12,106	11,306
Investment in McGraw Aquaculture	9,740	9,000
	<b>\$ 8,320,162</b>	<b>\$ 11,274,724</b>

In November 2021, McGraw Peat Moss and McGraw Aquaculture were dissolved.

**6. Subsequent Event**

The market value of the investment held by 711394 NB Inc., a government business enterprise of Elsipogtog First Nation, had decreased in value from \$1,856,895 at March 31, 2022 to \$268,373 at November 21, 2022, the date of the independent auditor's report. The shares of the investment are publicly traded on the TSX, therefore the share price is updated daily.

**7. Accounts payable and accrued liabilities**

The accounts payable balance includes:

	2022	2021
Trade accounts payable	\$ 2,303,288	\$ 2,963,468
Capital program trade payables	153,888	301,209
HST payable	80,994	-
Receiver General payroll deductions	(29,068)	127,563
Pension plan contributions	-	115,155
Royalties due to minor members	100,687	109,528
Youth centre donations	47,858	37,565
School construction holdback	60,120	851,202
Lone Eagle treatment centre construction holdback	418,790	-
Child & Family building construction holdback	-	36,131
Due to Elsipogtog First Nation Education Authority	-	1,039,232
Wellness programs	2,680	35,648
	<b>\$ 3,139,237</b>	<b>\$ 5,616,701</b>

ELSIPOGTOG FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2022

**8. Deferred revenue**

	2022	2021
Eagle Board Trust proceeds	\$ 100,000	\$ 100,000
Fishing implementation initiative	6,272,753	6,272,753
OSR replacement funding	800,000	-
Social assistance administration	225,115	140,000
Health detailed schedule	13,110,555	9,029,937
Fire protection, non ISC	-	77,500
Arena (Kraft hockeyville)	233,000	-
Economic development programs	114,762	-
Child and family services & prevention	5,622,129	3,989,174
Family wellness	-	50,000
Employment training projects	-	305,533
Fisheries	347,000	347,000
Headstart	-	95,890
Health center extension	522,953	489,730
Oyster project	79,354	-
Aboriginal integrated commercial fishing	250,828	255,688
Covid 19 school reopening	-	37,327
School construction	-	9,103,049
Gopit lodge	41,709	46,288
Emergency member assistance	429,099	146,488
Elsipogtog resort	1,197,391	223,420
CMHC rapid housing initiative	-	3,000,000
Capital projects (dept. 101-110)	3,265,475	1,381,204
Capital projects (insurance proceeds)	100,000	-
Basic needs	544,714	195,668
ISD project	446,343	-
Justice co-ordinator	4,040	-
Access NB	4,971	11,271
Mental health development	-	5,258
Youth fundraising	215,245	212,581
Healing network	279,471	322,895
Justice development	221,608	146,517
CPAC cancer care	75,413	75,413
Community sea cadets	3,009	3,009
Violence prevention	37,484	50,038
Tobacco strategy	25,413	34,140
	<b>\$ 34,569,834</b>	<b>\$ 36,147,771</b>

ELSIPOGTOG FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2022

**9. Investment in Government Business Enterprises**

- ♦ MicMac Industries of Big Cove Inc.
- ♦ McGraw Seafood (2008) Inc.
- ♦ River of Fire Market
- ♦ Elsipogtog Pharmacy

	<b>MicMac Industries of Big Cove Inc.</b>	<b>McGraw Seafood (2008) Inc.</b>	<b>River of Fire Market</b>	<b>Elsipogtog Pharmacy</b>
Cash	\$ 118,883	\$ 2,060,752	\$ 593,651	\$ 646,824
Accounts receivable	528,644	219,954	102,310	95,429
Inventory	109,244	1,334,312	258,494	303,823
Tangible capital assets	126,983	20,366,131	12,174	18,976
Other assets	702,003	2,780,113	-	-
<b>Total assets</b>	<b>\$ 1,585,757</b>	<b>\$ 26,761,262</b>	<b>\$ 966,629</b>	<b>\$ 1,065,052</b>
Accounts payable	\$ 1,273,060	\$ 875,034	\$ 1,160,394	\$ 189,608
Long-term debt	15,813	12,490,875	803,432	-
Other liabilities	331	7,128,594	-	-
<b>Total liabilities</b>	<b>1,289,204</b>	<b>20,494,503</b>	<b>1,963,826</b>	<b>189,608</b>
<b>Equity</b>	<b>296,553</b>	<b>6,266,759</b>	<b>(997,197)</b>	<b>875,444</b>
<b>Total liabilities and equity</b>	<b>\$ 1,585,757</b>	<b>\$ 26,761,262</b>	<b>\$ 966,629</b>	<b>\$ 1,065,052</b>

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ELSIPOGTOG FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2022

**9. Investment in Government Business Enterprises, continued**

	<b>MicMac Industries of Big Cove Inc.</b>	<b>McGraw Seafood (2008) Inc.</b>	<b>River of Fire Market</b>	<b>Elsipogtog Pharmacy</b>
Revenue	\$ 5,123,225	\$ 42,464,614	\$ 5,248,047	\$ 2,478,958
Other revenue	412	-	-	-
	<b>5,123,637</b>	<b>42,464,614</b>	<b>5,248,047</b>	<b>2,478,958</b>
Other expenses	231,120	1,600,643	287,843	199,361
Wages and benefits	580,287	2,064,561	753,341	610,044
Debt servicing	30,032	527,491	22,214	6,583
Amortization	13,552	1,116,880	-	-
Cost of goods sold	4,228,401	36,079,815	4,007,094	1,560,665
Total expenses	<b>5,083,392</b>	<b>41,389,390</b>	<b>5,070,492</b>	<b>2,376,653</b>
Net income	\$ 40,245	\$ 1,075,224	\$ 177,555	\$ 102,305

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ELSIPOGTOG FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2022

**10. Long-term debt**

	<b>2022</b>	<b>2021</b>
Royal Bank of Canada Various mortgages at interest rates from 1.68% to 3.53%, \$6,515 monthly including interest, 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>\$ 149,729</b>	<b>\$ 223,229</b>
Canada Mortgage and Housing Corporation Various mortgages at interest rates from 1.11% to 2.68%, \$33,085 monthly including interest, 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>4,210,968</b>	<b>4,556,437</b>
Bank of Montreal Prime plus 3% term loan, payable \$1,609 monthly including interest for band owned housing, amortized over twenty five years guaranteed by the Minister of Indigenous Services Canada, due January 2027	<b>85,724</b>	<b>101,658</b>
First Nation Finance Authority 2.15% loan, payable \$32,345 monthly including interest, due July 2025	<b>5,956,610</b>	<b>6,212,094</b>
Royal Bank of Canada 1.83% loan, payable \$7,762 monthly including interest for band owned housing, amortized over twenty five years, due April 2026, secured by a guarantee of the Minister of Indigenous Services Canada	<b>367,452</b>	<b>453,151</b>
Bank of Montreal 2.79% term loan, payable \$5,634 monthly including interest for band owned housing, secured by the Minister of Indigenous Services Canada, due January 2026	<b>486,374</b>	<b>539,610</b>
Bank of Montreal Prime plus 3% term loan, payable \$4,993 monthly including interest for new community hall, due June 2026	<b>236,231</b>	<b>286,702</b>
Bank of Montreal 4.05% term loan, payable \$89,064 monthly including interest for fishing licenses and fishing boat, due March 2027	<b>12,000,000</b>	<b>-</b>

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ELSIPOGTOG FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2022

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

	<b>2022</b>	2021
Levi & Levi 2.75% loan, payable \$8,036 monthly including interest for building and equipment, due October 2021	-	55,740
Bank of Montreal 4.00% loan, payable \$85,586 monthly including interest for the grocery store and pharmacy building, due June 2024	<b>8,615,930</b>	9,283,782
Bank of Montreal Prime loans, \$6 million repaid August 2022, remaining \$1 million repayable \$5,556 monthly including interest for fishing licenses and fishing boat, due March 2025	<b>7,000,000</b>	-
Bank of Montreal Prime + 1.5% for construction of new Child & Family Services building, repayable beginning March 2022	<b>3,900,000</b>	3,900,000
Bank of Montreal Prime + 1.5% loan related to Elsipogtog River Resort, repayable beginning April 2022	<b>4,442,048</b>	4,426,320
	<b>\$ 47,451,066</b>	<b>\$ 30,038,723</b>

Principal portion of long-term debt due within the next five years assuming similar renewal terms:

2023	<b>\$ 8,315,414</b>
2024	<b>2,374,709</b>
2025	<b>2,389,443</b>
2026	<b>2,438,568</b>
2027 and thereafter	<b>31,932,932</b>
	<b>\$ 47,451,066</b>

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ELSIPOGTOG FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2022

**11. CMHC reserve funds**

The operating agreements with Canada Mortgage and Housing Corporation require the First Nation to accumulate reserve funds. These funds are restricted, and may only be used for purposes approved by Canada Mortgage and Housing Corporation.

	2022	2021
Balance, beginning of year	\$ 1,470,240	\$ 1,290,336
Contributions made during the year	180,010	180,000
Withdrawals (bank charges)	(96)	(96)
Balance, end of year	<u>\$ 1,650,154</u>	<u>\$ 1,470,240</u>

**12. Contingent Liabilities**

Elsipogtog 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 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 is 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.

The First Nation has claims outstanding related to the disbursement of tobacco tax funds as well as payment of stumpage fees. In each case, a determination of the outcome of the claim is not yet available.

The First Nation has provided guarantees to band members related to eight Section 10 housing loans. Should the individual default on their personal housing loan, the guarantee requires the First Nation to make the payment.

During the 2018-19 year, McGraw Housing Inc. (a subsidiary of McGraw Seafood Inc.) received loan proceeds from the Caisse Populaire to finance the construction of residential housing. The loan balance was \$1,536,594 as at March 31, 2022. McGraw Seafood and Elsipogtog First Nation have guaranteed the loan up to \$2,588,000 that bears interest at 6% and which matures in August 2023.

ELSIPOGTOG FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2022

**13. Tangible Capital Assets**

	Balance, beginning of year	Additions	Disposals	Balance, end of year	Balance, beginning of year	Amort.	Accum. Amort. on disposals	Balance, end of year	2022 net book value
Land	\$ 1,936,928	\$ (175,602)	\$ -	\$ 1,761,326	\$ -	\$ -	\$ -	\$ -	\$ 1,761,326
Buildings	53,234,454	13,406,772	(2,014,362)	64,626,864	21,046,562	2,899,529	(990,722)	22,955,369	41,671,495
Automotive equipment	1,017,593	574,937	-	1,592,530	723,900	208,463	-	932,363	660,167
Computer equipment	75,024	-	-	75,024	64,165	2,715	-	66,880	8,144
Furniture and equipment	1,816,403	-	-	1,816,403	1,378,300	38,478	-	1,416,778	399,625
CMHC housing	16,312,560	-	-	16,312,560	11,107,807	244,600	-	11,352,407	4,960,153
Fisheries vessels and equipment	11,070,848	760,000	-	11,830,848	9,588,711	233,580	-	9,822,291	2,008,557
Subdivision development	2,434,339	3,880,226	-	6,314,565	1,039,430	252,582	-	1,292,012	5,022,553
Roads and infrastructure	7,867,800	-	-	7,867,800	564,833	83,758	-	648,591	7,219,209
Land development	57,950	-	-	57,950	20,862	2,318	-	23,180	34,770
Grocery store/pharmacy bldg	7,374,858	-	-	7,374,858	-	-	-	-	7,374,858
Grocery store/pharmacy signage	65,702	-	-	65,702	-	-	-	-	65,702
	103,264,459	\$ 18,446,333	\$(2,014,362)	\$119,696,430	\$45,534,570	\$ 3,966,023	\$ (990,722)	\$48,509,871	\$71,186,559

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accumulated amortization

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**ELSIPOGTOG FIRST NATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2022**

**14. Intangible assets**

The First Nation records all purchased commercial fishing licenses and permits as intangible assets. During the current year, the First Nation purchased several snow crab, herring and ground-fish fishing licenses at a total cost of \$18,515,000.

**15. Covid-19**

**COVID-19 Pandemic**

Since March 31, 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 Elsipogtog First Nation, if any, is not determinable.

**16. Contributions receivable**

	<b>2022</b>	<b>2021</b>
Indigenous Services Canada	<b>\$ 4,531,585</b>	<b>\$ 8,161,776</b>
Health Canada	<b>2,400,000</b>	<b>2,521,881</b>
Department of Fisheries and Oceans	<b>1,753,504</b>	<b>1,730,767</b>
	<b>\$ 8,685,089</b>	<b>\$ 12,414,424</b>

**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.

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ELSIPOGTOG FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2022

**18. 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 is 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 \$11,471,378 (2021 - \$15,457,310). 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 substantially all 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 \$5,799,758 (2021 - \$5,643,431). 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 high.

**Interest rate risk**

The First Nation is exposed to interest rate risk. This risk exists due to interest rate exposure on certain term loans, which are variable based on the bank's prime 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 which have been relatively stable over the period presented. 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.

ELSIPOGTOG FIRST NATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2022

**19. Economic Dependence**

Elsipogtog First Nation receives a major portion of its revenue pursuant to a funding arrangement with Indigenous Services Canada (ISC).

Due to certain deficiencies in its financial position, the First Nation is also party to a Remedial Management Plan agreement (RMP) with ISC. Under the terms of the RMP, funding from ISC can be suspended if terms of the RMP are not complied with.

In August 2000, ISC determined that the First Nation was not meeting terms of the RMP on its own and exercised its right to appoint a co-manager to assist in implementing and monitoring the RMP. In addition to monitoring the RMP, the co-manager's responsibilities include having joint authority with the First Nation for authorizing and approving expenditures and payments for programs. The requirement for the co-management arrangement is still in place as of the date of these financial statements. Removal of the co-manager requires the approval of ISC and Elsipogtog First Nation.

**20. Funding repayable to ISC**

The following amount represents contribution funding received from Indigenous Services Canada (ISC) which was not spent on its intended purpose during the fiscal year in which the funding was received, and therefore, is repayable to ISC.

	<b>2022</b>	2021
Recovery	\$ 10,798	\$ -
NNADAP	138,818	-
Prevention/least disruptive measures	2,039,081	-
Response	165,132	-
Basic needs	26,731	26,731
	<b>\$ 2,380,560</b>	<b>\$ 26,731</b>

**21. Prepaid expenses**

	<b>2022</b>	2021
Social program basic entitlements	\$ 110,488	\$ 98,404
Chief and council honoraria	81,900	84,600
Insurance	36,713	225,864
Housing down payment	-	145,996
First Nation Finance Authority interest	-	57
	<b>\$ 229,101</b>	<b>\$ 554,921</b>

ELSIPOGTOG FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2022

**22. Investments held in trust**

Pursuant to an Interim Fisheries Implementation Agreement with the Department of Fisheries and Oceans Canada (DFO), dated September 16, 2019, an investment portfolio is being held in trust on behalf of Elsipogtog First Nation (EFN). The funding is to provide for the future purpose of obtaining fishing access, fishing vessels and fishing gear.

In accordance with the terms and conditions associated with the agreement EFN will repay to DFO any amount of the contribution and interest earned which has not been disbursed for eligible costs by August 14, 2029.

	<b>2022</b>
Investments held in trust (cost)	<b>\$ 6,836,065</b>
Investments held in trust (market)	<b>\$ 6,836,065</b>

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

	<b>March 31, 2021</b>	<b>Additions (interest)</b>	<b>Withdrawals</b>	<b>March 31, 2022</b>
Revenue	<b>\$ 35,644</b>	<b>\$ 23,899</b>	<b>\$ -</b>	<b>\$ 59,543</b>
Capital	<b>386,502</b>	<b>-</b>	<b>-</b>	<b>386,502</b>
	<b>\$ 422,146</b>	<b>\$ 23,899</b>	<b>\$ -</b>	<b>\$ 446,045</b>

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

	<b>2022</b>	<b>2021</b>
Annual surplus (deficit) per page 3	<b>\$ 15,259,958</b>	<b>\$ 31,781,045</b>
Deduct: Federal government transfers for capital	<b>(15,589,438)</b>	<b>(27,283,068)</b>
Add: Amortization expense included in annual surplus	<b>4,141,626</b>	<b>3,384,000</b>
Annual surplus net of capital related revenues and amortization	<b>\$ 3,812,146</b>	<b>\$ 7,881,977</b>

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ELSIPOGTOG FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2022

**25. Debt reserve fund**

During the 2019-20 fiscal year Elsipogtog First Nation received loan proceeds from First Nations Finance Authority (FNFA). The FNFA holds on deposit 5% of the loan in a debt reserve fund.

	<b>2022</b>
Principal on deposit	\$ 320,000
Interest on deposit	6,938
	<hr/>
Balance	\$ 326,938
	<hr/>

**26. Expenses by object**

	<b>2022</b>	<b>2021</b>
Wages and benefits	\$ 22,110,767	\$ 16,454,766
Travel	502,282	249,291
Interest and bank charges	1,107,941	1,060,756
Materials and supplies	2,188,328	1,943,215
Insurance	1,186,624	746,288
Social program non-administration expense	12,671,085	13,139,442
Repairs and maintenance	2,493,879	2,452,314
Amortization	4,141,626	3,384,000
Other expenses	14,286,833	12,851,534
Commercial fisheries	19,377,163	11,773,958
Professional services	2,115,856	2,581,233
	<hr/>	
	\$ 82,182,384	\$ 66,636,797
	<hr/>	