

ELSIPOGTOG FIRST NATION

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

ELSIPOGTOG FIRST NATION

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

Page

Management's Responsibility for Financial Reporting

Independent Auditor's Report

Financial Statements

Consolidated Statement of Financial Position	1
Consolidated Statement of Change in Net Debt	2
Consolidated Statement of Operations and Accumulated Surplus	3
Consolidated Statement of Cash Flows	4
Notes to Consolidated Financial Statements	5 - 25

Schedules of Operations by Program

Consolidated Summary Schedule of Operations by Program	26 - 27
Band Administration ISC, Dept. 1 - Schedule #1	28
Band Administration Non-ISC, Dept. 2 - Schedule #2	29
Social Assistance Administration, Dept. 3 - Schedule #3	30
Alcohol and Drug Treatment, Dept. 4 - Schedule #4	31
KIJU Project, Dept. 5 - Schedule #5	32
Community Service Centre, Dept. 6 - Schedule #6	33
Fire Protection, Dept. 7 - Schedule #7	34
Cultural, Leisure & Community Development, Dept. 9 - Schedule #8	35
Band Membership, Dept. 10 - Schedule #9	36
Arena, Dept. 11 - Schedule #10	37
Economic Development Programs, Dept. 12 - Schedule #11	38
Aboriginal Fishing Strategy, Dept. 13 - Schedule #12	39
Land Acquisition, Dept. 14 - Schedule #13	40
Child & Family Prevention, Dept. 15 - Schedule #14	41
Child & Family, Dept. 16 - Schedule #15	42

ELSIPOGTOG FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2023

	<u>Page</u>
CONSOLIDATED Schedules of Operations by Program (continued)	
Maintenance Program, Dept. 17 - Schedule #16	43
Suicide Prevention, Dept. 18 - Schedule #17	44
Family Wellness, Dept. 19 - Schedule #18	45
Health Services Program, Dept. 21 - Schedule #19	46
Prevention Program, Dept. 22 - Schedule #20	47
Day Care Center, Dept. 23 - Schedule #21	48
HRDC Projects, Dept. 24 - Schedule #22	49
Aboriginal Diabetes Initiative, Dept. 25 - Schedule #23	50
Mental Health Program, Dept. 26 - Schedule #24	51
Home and Community Care, Dept. 27 - Schedule #25	52
Forestry Program, Depts. 28 & 30 - Schedule #26	53
Adult Education Center, Dept. 29 - Schedule #27	54
Fisheries, Dept. 32 - Schedule #28	55
AHSOR, Dept. 33 - Schedule #29	56
Headstart, Dept. 34 - Schedule #30	57
Child & Family Admin Operation, Dept. 35 - Schedule #31	58
Chief and Council, Dept. 36 - Schedule #32	59
Capital / CMHC Administration, Dept. 39 - Schedule #33	60
Band Housing, Depts. 42 & 44 - Schedule #34	61
Health Center Extension, Dept. 43 - Schedule #35	62
Oyster Project, Dept. 48 - Schedule #36	63
Fisheries Compound, Dept. 50 - Schedule #37	64
Aboriginal Health Transition Fund, Dept. 51 - Schedule #38	65
Aboriginal Integrated Commercial Fishing, Dept. 52 - Schedule #39	66
Fisheries Implementation Initiative, Dept. 53 - Schedule #40	67
Healthy Child Development, Dept. 54 - Schedule #41	68
School Construction, Dept. 55 - Schedule #42	69

ELSIPOGTOG FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2023

	<u>Page</u>
CONSOLIDATED Schedules of Operations by Program (continued)	
HIV/AIDS, Dept. 56 - Schedule #43	70
Gopit Lodge, Dept. 58 - Schedule #44	71
Emergency Member Assistance, Dept. 59 - Schedule #45	72
River of Fire Market, Dept. 60 - Schedule #46	73
Elsipogtog Resort, Dept 61 - Schedule #47	74
Low Income Project, Dept. 64 - Schedule #48	75
Garage, Dept. 65 - Schedule #49	76
Capital Projects Fund, Depts. 101-110 - Schedule #50	77
Housing Circle, Dept. 112 - Schedule #51	78
Social Assistance Fund, Dept. 202 - Schedule #52	79
Adult Care Fund, Dept. 203 - Schedule #53	80
Child Maintenance Fund, Dept. 404 - Schedule #54	81
CMHC Housing Fund, Depts. 500-529 - Schedule #55	82
ISD Project, Depts. 600 & 601 - Schedule #56	83
Justice Co-ordinator, Dept. 604 - Schedule #57	84
Access NB, Dept. 605 - Schedule #58	85
Mental Health Development, Dept. 608 - Schedule #59	86
Youth Fundraising, Dept. 611 - Schedule #60	87
Healing Network, Dept. 612 - Schedule #61	88
Justice Development, Dept. 615 - Schedule #62	89
CPAC - Cancer Care, Dept. 616 - Schedule #63	90
Community Sea Cadets, Dept. 623 - Schedule #64	91
Violence Prevention Program, Dept. 624 - Schedule #65	92
Tobacco Strategy, Dept. 630 - Schedule #66	93
Other reporting requirements	
ISC revenues and expenditures	94
Segment disclosure	96

ELSIPOGTOG FIRST NATION

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

	<u>Page</u>
CONSOLIDATED Schedules of Operations by Program (continued)	
Segment disclosure - prior year	97
Government transfers	98
Health Canada revenues and expenditures	99
Review engagement report	101
Schedule of salaries - Chief and Councillors	102
Schedule of salaries - Unelected senior officials	103

ELSIPOGTOG FIRST NATION

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

MARCH 31, 2023

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.

Lenehan 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

Nov. 6/23

Date
Nov 6/23

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, 2023, 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, 2023, 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.

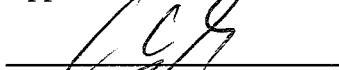
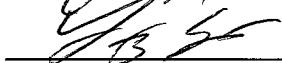
Lenehan McCain + Associates
Lenehan McCain & Associates
Chartered Professional Accountants

Woodstock, New Brunswick
 October 31, 2023

ELSIPOGTOG FIRST NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2023

	2023	2022
Financial Assets		
Cash	\$ 3,456,498	\$ 10,230,801
Trust funds held by federal government (Note 22)	473,678	446,045
Accounts receivable (Note 3)	3,719,760	3,319,464
Due (to) from band owned enterprises (Note 4)	11,003,558	6,838,252
Investment - GIC	250,000	250,000
Investments held in trust (Note 21)	-	6,836,065
Contributions receivable (Note 16)	22,639,810	8,685,090
Government business enterprises (Note 5)	3,326,156	8,320,162
CMHC reserve funds (Note 11)	1,830,068	1,650,154
Debt reserve fund (Note 24)	344,986	326,938
	47,044,514	46,902,971
Liabilities		
Accounts payable and accrued liabilities (Note 7)	2,357,547	3,139,237
Deferred revenue (Note 8)	41,586,576	34,569,834
Funding repayable to ISC (Note 19)	438,097	2,380,560
Long-term debt (Note 10)	46,200,316	47,451,066
	90,582,536	87,540,697
Net debt	(43,538,022)	(40,637,726)
Non-financial Assets		
Tangible capital assets (Note 13)	82,755,162	71,186,557
Prepaid expenses (Note 20)	571,315	246,100
Intangible assets (Note 14)	30,265,000	30,265,000
	113,591,477	101,697,657
Accumulated Surplus	\$ 70,053,455	\$ 61,059,931

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, 2023

	2023 Budget	2023 Actual	2022 Actual
Surplus (deficit)	\$ (5,636,368)	\$ 8,993,524	\$ 15,259,958
Acquisition of tangible capital assets	-	(16,104,621)	(18,621,934)
Acquisition of intangible assets	-	-	(18,515,000)
Disposal of tangible capital assets	-	-	1,023,640
Amortization of tangible capital assets	2,300,004	4,536,016	4,141,626
	2,300,004	(11,568,605)	(31,971,668)
(Increase) decrease in prepaid assets	-	(325,215)	308,821
Increase (decrease) in net financial assets	(3,336,364)	(2,900,296)	(16,402,889)
Net debt at beginning of year	(40,637,726)	(40,637,726)	(24,234,837)
Net debt at end of year	\$ (43,974,090)	\$ (43,538,022)	\$ (40,637,726)

The accompanying notes are an integral part of the financial statements

ELSIPOGTOG FIRST NATION

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2023

	<u>2023 Budget</u>	<u>2023 Actual</u>	<u>2022 Actual</u>
Revenues			
Indigenous Services Canada	\$ 26,927,571	\$ 52,555,704	\$ 41,761,367
Health Canada	6,119,341	9,181,595	11,480,375
Department of Fisheries and Oceans	470,000	2,394,923	875,295
Canada Mortgage and Housing Corporation	-	235,365	313,732
Province of New Brunswick	146,740	1,484,669	1,311,995
Commercial fisheries	8,456,384	18,471,231	27,512,456
Other	9,275,551	22,266,357	15,241,748
Deferred revenue, opening	24,105,159	34,569,834	36,147,771
Deferred revenue, closing	(26,182,675)	(41,586,576)	(34,569,834)
 Total	 49,318,071	 99,573,102	 100,074,905
Expenditures			
Wages and benefits	15,095,681	21,037,690	16,732,143
Interest and bank charges	806,527	1,063,398	973,021
Professional services	968,720	1,549,832	1,750,813
Commercial fisheries	7,497,103	14,131,093	20,721,793
Forestry	666,642	1,615,535	1,478,509
Social	10,368,706	10,904,272	12,671,085
Other	17,251,056	30,747,736	23,713,393
 Total	 52,654,435	 81,049,556	 78,040,757
Surplus before other items	 (3,336,364)	 18,523,546	 22,034,148
Other items			
Equity (loss) in MicMac Industries of Big Cove Inc. (Note 2)	-	256,456	40,245
Equity (loss) in McGraw Seafood (2008) Inc. (Note 2)	-	(3,515,912)	1,075,224
Equity (loss) in River of Fire Market Inc. (Note 2)	-	47,452	177,555
Equity (loss) in Maalogetinetj Dev. Corp. Inc. (Note 2)	-	30,168	102,305
Equity (loss) in 711394 NB Inc. (Note 2)	-	(1,790,324)	(4,351,432)
Equity (loss) in McGraw Aquaculture (Note 2)	-	(9,740)	-
Equity (loss) in McGraw Peat Moss (Note 2)	-	(12,106)	-
Gain on disposal of asset	-	-	323,539
Amortization	(2,300,004)	(4,536,016)	(4,141,626)
 	 (2,300,004)	 (9,530,022)	 (6,774,190)
Surplus (deficit) for the year	 (5,636,368)	 8,993,524	 15,259,958
Accumulated surplus, beginning of year	 61,059,931	 61,059,931	 45,799,973
Accumulated surplus, end of year	 <u>\$ 55,423,563</u>	 <u>\$ 70,053,455</u>	 <u>\$ 61,059,931</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, 2023

	2023 Actual	2022 Actual
Cash flows from Operating activities		
Surplus	\$ 8,993,524	\$ 15,259,958
Items not affecting cash		
Amortization expense	4,536,016	4,141,626
Gain on disposal of assets	-	(323,539)
	13,529,540	19,078,045
Change in non-cash operating working capital		
Other receivables	(400,296)	(276,578)
Fishing licenses	-	(18,515,000)
Prepaid expenses	(325,215)	308,821
Investments held in trust	6,836,065	125,557
Contributions receivable	(13,954,720)	3,729,334
Accounts payable and accrued liabilities	(781,690)	(2,477,467)
Deferred revenue	7,016,742	(1,577,937)
Funding repayable to ISC	(1,942,463)	2,353,829
	9,977,963	2,748,604
Capital activities		
Acquisition of tangible capital assets	(16,104,621)	(18,621,934)
Proceeds on disposal of capital assets	-	1,347,179
	(16,104,621)	(17,274,755)
Financing activities		
Due (to) from band owned enterprises	(4,165,306)	(3,311,439)
Repayment of long-term debt	(9,258,250)	(1,604,616)
Proceeds of long-term debt	8,007,500	19,016,963
	(5,416,056)	14,100,908
Investing activities		
Decrease / (Increase) in Investment in McGraw Peat Moss	12,106	(800)
Decrease / (Increase) in Investment in Mic Mac Industries	(256,456)	(40,245)
Decrease / (Increase) in Investment in McGraw Seafood (2008) Inc.	3,515,912	(1,075,224)
Decrease / (Increase) in Investment in River of Fire Market	(47,452)	(177,555)
Decrease / (Increase) in Investment in Pharmasave	(30,168)	(102,305)
Transfer to CMHC reserve funds	(179,914)	(179,914)
Decrease / (Increase) in debt reserve fund	(18,048)	(4,944)
Decrease / (Increase) in Investment in 711394 NB Inc.	1,790,324	4,351,431
Decrease / (Increase) in Investment in McGraw Aquaculture	9,740	(740)
	4,796,044	2,769,704
Increase (decrease) in cash and cash equivalents	(6,746,670)	2,344,461
Cash and cash equivalents, beginning of year	10,676,846	8,332,385
Cash and cash equivalents, end of year	\$ 3,930,176	\$ 10,676,846

The accompanying notes are an integral part of the financial statements

ELSIPOGTOG 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) 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
9. Mlsegnatigoei Inc.

(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.

ELSIPOGTOG FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

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.

ELSIPOGTOG 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.

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 1998 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.

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

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, 2023

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 assetss 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

	2023	2022
Tobacco loans	\$ 994,003	\$ 780,721
Due from River of Fire market	1,068,696	1,072,265
HST	134,872	177,356
Mawiw Council	510,608	319,806
Other	442,199	252,970
Province of New Brunswick	569,382	178,718
Snow crab fishery (McGraw Seafood)	-	512,490
Wellness programs	-	25,138
	<hr/> \$ 3,719,760	<hr/> \$ 3,319,464

ELSIPOGTOG FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

4. Due (to) from band owned enterprises

	2023	2022
Due (to) from McGraw Seafood (2008) Inc.	\$ 10,230,243	\$ 6,241,514
Due (to) from MicMac Industries of Big Cove Inc.	(185,633)	(185,633)
Due (to) from River of Fire Market Inc.	734,871	722,371
Due (to) from Elsipogtog Pharmasave	60,000	60,000
Due (to) from Fire and Ice	164,077	-
	\$ 11,003,558	\$ 6,838,252

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, Elsipogtog Pharmasave, and Fire and Ice, 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, 2023

5. Government business enterprises

	2023	2022
Investment in MicMac Industries of Big Cove Inc.	\$ 552,973	\$ 296,517
Investment in McGraw Seafood (2008) Inc.	2,750,847	6,266,759
Investment in River of Fire Market Inc.	(949,746)	(997,198)
Investment in Elsipogtog Pharmasave	905,511	875,343
Investment in 711394 NB Inc.	66,571	1,856,895
Investment in McGraw Peat Moss	-	12,106
Investment in McGraw Aquaculture	-	9,740
	\$ 3,326,156	\$ 8,320,162

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 \$66,571 at March 31, 2023. The shares of the investment are publicly traded on the TSX, therefore the share price is updated daily.

The market value of the investment held by 711394 NB Inc., was \$47,648 at October 31, 2023, the date of the independent auditor's report.

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

7. Accounts payable and accrued liabilities

The accounts payable balance includes:

	2023	2022
Trade accounts payable	\$ 1,605,676	\$ 2,285,051
Capital program trade payables	269,605	153,888
HST payable (receivable)	(14,908)	80,994
Receiver General payroll deductions (receivable)	21,777	(29,068)
Pension plan contributions	72,353	-
Royalties due to minor members	154,420	100,687
Youth centre donations	51,898	47,858
School construction holdback	-	60,120
Lone Eagle treatment centre construction holdback	-	418,790
Fire and Ice store construction holdback	71,922	-
Firestation construction holdback	107,235	-
CMHC program trade payables	17,569	18,237
Wellness programs	-	2,680
	\$ 2,357,547	\$ 3,139,237

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

8. Deferred revenue

	2023	2022
Eagle Board Trust proceeds	\$ 100,000	\$ 100,000
Fishing implementation initiative	-	6,272,753
OSR replacement funding	-	800,000
Social assistance administration	-	225,115
Health detailed schedule	14,285,184	13,110,555
Youth center, non ISC	301,210	-
Arena (Kraft hockeyville)	-	233,000
Economic development programs	139,165	114,762
Child and family services & prevention	11,536,165	5,622,129
HRDC projects	417,100	-
Fisheries	1,005,082	347,000
Health center extension	597,701	522,953
Oyster project	163,047	79,354
Aboriginal integrated commercial fishing	497,005	250,828
Gopit lodge	815,465	41,709
Emergency member assistance	324,496	429,099
Elsipogtog resort	-	1,197,391
Capital projects (dept. 101-110)	7,279,806	3,265,475
Capital projects (insurance proceeds)	-	100,000
Basic needs	2,921,607	544,714
ISD project	208,894	446,343
Justice co-ordinator	4,809	4,040
Access NB	11,259	4,971
Youth fundraising	249,885	215,245
Healing network	263,911	279,471
Justice development	316,222	221,608
CPAC cancer care	75,413	75,413
Community sea cadets	3,009	3,009
Violence prevention	46,066	37,484
Tobacco strategy	24,075	25,413
	\$ 41,586,576	\$ 34,569,834

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

9. Investment in Government Business Enterprises

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

	MicMac	McGraw		
	Industries of Seafood (2008)	River of Fire		
	Big Cove Inc.	Inc.	Market	Elsipogtog
	Pharmacy			
Cash	\$ 241,788	\$ -	\$ 216,713	\$ 622,422
Accounts receivable	243,018	2,380,202	493,600	78,407
Inventory	138,824	1,258,308	295,000	328,145
Tangible capital assets	117,665	19,090,673	16,471	18,976
Other assets	763,397	4,555,870	-	-
Total assets	\$ 1,504,692	\$ 27,285,053	\$ 1,021,784	\$ 1,047,950
Accounts payable	\$ 945,621	\$ 1,149,242	\$ 1,155,416	\$ 142,338
Long-term debt	5,785	11,482,954	816,113	-
Operating line of credit	-	1,034,491	-	-
Other liabilities	277	10,867,519	-	-
Total liabilities	951,683	24,534,206	1,971,529	142,338
Equity	553,009	2,750,847	(949,745)	905,612
Total liabilities and equity	\$ 1,504,692	\$ 27,285,053	\$ 1,021,784	\$ 1,047,950

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

9. Investment in Government Business Enterprises, continued

	MicMac	McGraw		
	Industries of Seafood (2008)	River of Fire	Elsipogtog	
	Big Cove Inc.	Inc.	Market	Pharmacy
Revenue	\$ 7,165,750	\$ 36,943,383	\$ 5,005,935	\$ 2,631,420
Other revenue	789	1,149,202	-	-
	7,166,539	38,092,585	5,005,935	2,631,420
Other expenses	169,232	2,060,398	316,815	230,548
Wages and benefits	664,831	1,754,776	742,561	714,676
Debt servicing	43,512	489,258	27,909	7,476
Amortization	11,707	1,095,547	-	-
Cost of goods sold	6,020,801	36,208,518	3,871,198	1,648,552
Total expenses	6,910,083	41,608,497	4,958,483	2,601,252
Net income	\$ 256,456	\$ (3,515,912)	\$ 47,452	\$ 30,168

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

10. Long-term debt

	2023	2022
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	\$ 87,353	\$ 149,729
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	3,884,313	4,210,968
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	67,677	85,724
First Nation Finance Authority 2.15% loan, payable \$32,345 monthly including interest, due July 2025	5,694,739	5,956,610
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	280,074	367,452
Bank of Montreal Prime plus 1% demand loan, repaid in full during 2023-2024 fiscal year	5,205,081	-
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	431,318	486,374
Bank of Montreal Prime plus 3% term loan, payable \$4,993 monthly including interest for new community hall, due June 2026	179,535	236,231

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

10. Long-term debt, continued

	2023	2022
Caisse Populaire Acadiennes		
Prime plus 0.75% term loan, payable in periodic unequal payments beginning June 2023, secured by a guarantee from McGraw Seafood (2008) Inc.	2,047,305	-
Bank of Montreal		
4.05% term loan, payable \$89,064 monthly including interest for fishing licenses and fishing boat, due March 2027	11,509,365	12,000,000
Bank of Montreal		
4.00% loan, payable \$85,586 monthly including interest for the grocery store and pharmacy building, due June 2024	7,920,004	8,615,930
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	938,889	7,000,000
Bank of Montreal		
Prime + 1.5% for construction of new Child & Family Services building, repayable beginning March 2022	3,729,818	3,900,000
Bank of Montreal		
Prime + 1.5% loan related to Elsipogtog River Resort, repayable beginning April 2022	4,224,845	4,442,048
Current portion	<u>46,200,316</u>	<u>47,451,066</u>
	<u>7,737,099</u>	<u>-</u>
	<u>\$ 38,463,217</u>	<u>\$ 47,451,066</u>

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

2024	\$ 7,737,099
2025	2,548,243
2026	2,598,466
2027	2,570,321
2028 and thereafter	30,746,187
	<u>\$ 46,200,316</u>

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

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.

	2023	2022
Balance, beginning of year	\$ 1,650,154	\$ 1,470,240
Contributions made during the year	180,010	180,010
Withdrawals (bank charges)	(96)	(96)
 Balance, end of year	 \$ 1,830,068	 \$ 1,650,154

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 seven Section 10 housing loans. Should the individual default on their personal housing loan, the guarantee requires the First Nation to make the payment. The cumulative balance of loans outstanding at March 31, 2023 was \$442,768. At that date, all seven loans were in good standing.

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 \$1,166,837 as at March 31, 2023. 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, 2023

13. Tangible Capital Assets

	Cost	Accumulated amortization
Land		
Buildings		
Automotive equipment		
Computer equipment		
Furniture and equipment		
1,816,403		
16,312,560	272,165	16,584,725
11,830,848	661,000	12,491,848
6,314,565	2,959,595	9,274,160
CMHC housing		
Fisheries vessels and equipment		
Subdivision development		
Roads and infrastructure		
Land development		
Grocery store/pharmacy bldg		
Grocery store/pharmacy signage		
Balance, beginning of year	5,178,902	\$ 6,940,228
Additions	5,284,471	69,911,335
	889,379	2,481,909
	-	75,024
	-	1,816,403
	272,165	16,584,725
	661,000	12,491,848
	2,959,595	9,274,160
	107,419	7,975,219
	-	57,950
	751,687	8,126,545
	-	65,702
Balance, beginning of year	\$ 22,955,369	\$ -
Additions	932,363	\$ -
	66,880	Amort.
	2,715	Balance, end of year
	69,595	\$ 25,981,820
	382,351	1,314,714
	2,715	\$ 25,981,820
	38,478	1,455,256
	382,027	11,734,434
	232,039	10,054,330
	370,967	1,662,979
	98,671	747,262
	2,318	25,498
	-	\$ -
	65,702	\$ -
Balance, beginning of year	\$ -	\$ 6,940,228
Additions	\$ -	43,929,515
	\$ -	1,167,195
	\$ -	5,429
	\$ -	361,147
	\$ -	4,850,291
	\$ -	2,437,518
	\$ -	7,611,181
	\$ -	7,227,957
	\$ -	32,452
	\$ -	8,126,545
	\$ -	65,702
2023 net book value		\$ 65,702

ELSIPOOGTOG FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

	Cost	Balance, beginning of year	Additions	Balance, end of year	beginning of year	Amort.	Balance, end of year	Amortized book value	Accumulated amortization
Land		\$ 1,936,928	\$ (175,602)	\$ 1,761,326	\$ -	\$ -	\$ -	\$ -	\$ 1,761,326
Buildings		53,234,454	11,392,410	64,626,864	21,046,562	1,908,807	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	
CMH/C 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	\$ 6,431,971	\$ 19,696,430	\$ 45,534,570	\$ 2,975,301	\$ 48,509,871	\$ 71,186,559	

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

14. Intangible assets

The First Nation records all purchased commercial fishing licenses and permits as intangible assets.

15. Contributions receivable

	2023	2022
Indigenous Services Canada	\$ 17,274,962	\$ 4,531,585
Health Canada	1,900,000	2,400,000
Department of Fisheries and Oceans	3,464,848	1,753,504
	<hr/> \$ 22,639,810	<hr/> \$ 8,685,089

16. 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.

ELSIPOGTOG FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

17. 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 \$26,359,570 (2022 - \$12,004,554). 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 \$44,382,220 (2022 - \$40,089,631). 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 high.

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

18. 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.

19. 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.

	2023	2022
AHSOR-Headstart	\$ 96,618	\$ -
Recovery	10,798	10,798
NNADAP	138,818	138,818
Prevention/least disruptive measures	-	2,039,081
Response	165,132	165,132
Basic needs	26,731	26,731
	<hr/> \$ 438,097	<hr/> \$ 2,380,560

20. Prepaid expenses

	2023	2022
Social program basic entitlements	\$ 87,230	\$ 110,487
Chief and council honoraria	81,480	81,900
Insurance	260,897	36,713
Other	141,708	17,000
	<hr/> \$ 571,315	<hr/> \$ 246,100

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

21. 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.

At March 31, 2023, the investments held in trust have been fully released and used for their intended purpose.

2023

Investments held in trust (market)	\$	-
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22. Trust funds held by Federal Government

	March 31, 2022	Additions (interest)		March 31, 2023
Revenue	\$ 59,543	\$ 27,633	-	\$ 87,176
Capital	<u>386,502</u>	<u>-</u>	<u>-</u>	<u>386,502</u>
	<u>\$ 446,045</u>	<u>\$ 422,146</u>	<u>\$ 23,899</u>	<u>\$ 473,678</u>

23. Annual surplus net of capital related revenues, amortization and principal payments

	2023	2022
Annual surplus (deficit) per page 3	\$ 8,993,524	\$ 15,259,958
Deduct: Federal government transfers for capital	<u>(14,664,156)</u>	<u>(15,589,438)</u>
Deduct: Principal payments on long-term debt	<u>(2,298,056)</u>	<u>(1,604,616)</u>
Add: Amortization expense included in annual surplus	<u>4,536,016</u>	<u>4,141,626</u>
 Annual surplus net of capital revenues, amort., and principal payments	 <u>\$ (3,432,672)</u>	 <u>\$ 2,207,530</u>

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

24. 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.

	2023
Principal on deposit	\$ 320,000
Interest on deposit	<u>24,986</u>
Balance	\$ 344,986

25. Expenses by object

	2023	2022
Wages and benefits	\$ 27,446,624	\$ 22,110,767
Travel and training	930,104	502,282
Interest and bank charges	2,042,334	1,107,941
Materials and supplies	2,793,562	2,188,328
Insurance	1,528,442	1,186,624
Social program non-administration expense	10,904,272	12,671,085
Repairs and maintenance	4,806,431	2,493,879
Amortization	4,536,016	4,141,626
Other expenses	16,237,006	14,286,833
Commercial fisheries	12,653,146	19,377,163
Professional services	1,707,635	2,115,856
	\$ 85,585,572	\$ 82,182,384