

# **BUCTOUCHE FIRST NATION**

## **CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2016**

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**LENEHAN  
MCCAIN  
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CHARTERED PROFESSIONAL ACCOUNTANTS

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**Independent Auditor's Report**

To the Members of  
Buctouche First Nation

We have audited the accompanying consolidated financial statements of Buctouche First Nation, which comprise the consolidated statement of financial position as at March 31, 2016, and the consolidated statements of operations and accumulated surplus, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, 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.

*Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the First Nation's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Buctouche First Nation as at March 31, 2016, and the results of its operations, the changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

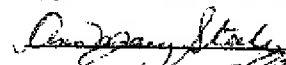
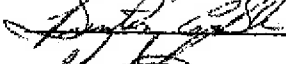

Woodstock, New Brunswick  
July 26, 2016

*Lenehan McCain & Associates*  
Chartered Professional Accountants

**BUCTOUCHE FIRST NATION**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**MARCH 31, 2016**

	2016	2015
<b>Financial Assets</b>		
Restricted cash (Note 2)	\$ 73,762	\$ 63,842
Accounts receivable (Note 3)	350,325	215,492
Trust funds held by Federal Government (Note 4)	6,583	6,515
Long-term investments (Note 5)	10,000	10,000
Inventory (Note 6)	74,969	79,413
	<u>515,639</u>	<u>375,262</u>
<b>Liabilities</b>		
Bank indebtedness (Note 7)	310,292	235,772
Accounts payable (Note 8)	172,287	160,172
Deferred revenue (Note 9)	223,150	67,500
Long-term debt (Note 10)	951,532	917,176
	<u>1,657,261</u>	<u>1,380,620</u>
<b>Net debt</b>	<u>(1,141,622)</u>	<u>(1,005,358)</u>
<b>Non-financial Assets</b>		
Tangible capital assets (Note 12)	4,294,477	4,391,146
Prepaid expenses (Note 13)	8,881	-
	<u>4,303,358</u>	<u>4,391,146</u>
<b>Accumulated Surplus</b>	<u>\$ 3,161,736</u>	<u>\$ 3,385,788</u>

Approved on behalf of the Buctouche First Nation

 Chief  
 Councillor  
 Councillor

The accompanying notes are an integral part of the financial statements

**BUCTOUCHE FIRST NATION**  
**CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS**  
**FOR THE YEAR ENDED MARCH 31, 2016**

	2016 Budget	2016 Actual	2015 Actual
<b>Revenues</b>			
Indigenous and Northern Affairs Canada	\$ 988,468	\$ 1,239,785	\$ 1,146,108
River of Little Fire Inc. Gas Bar	1,875,000	1,905,191	1,875,245
Health Canada	287,527	287,527	286,843
Commercial fisheries	153,336	282,602	161,793
Department of Fisheries and Oceans	269,300	200,345	177,600
Other	246,755	98,476	192,534
Canada Mortgage and Housing Corporation	46,753	50,674	46,753
Rental income	48,000	48,000	48,000
	3,915,139	4,112,600	3,934,876
<b>Cost of goods sold, River of Little Fire Inc. Gas Bar</b>	<b>1,470,000</b>	<b>1,495,076</b>	<b>1,469,137</b>
<b>Gross profit</b>	<b>2,445,139</b>	<b>2,617,524</b>	<b>2,465,739</b>
<b>Expenditures</b>			
Social assistance program	245,706	245,706	245,167
Operations and maintenance program	172,799	181,810	178,397
Capital and housing program	174,551	146,016	125,662
Education program	389,652	350,954	362,126
Band administration program	902,723	1,057,495	827,853
Cultural program	4,320	4,330	4,320
Health program	287,527	278,565	298,965
River of Little Fire Inc. Gas Bar	375,000	370,750	385,979
	2,552,278	2,635,626	2,428,469
<b>Surplus before other item</b>	<b>(107,139)</b>	<b>(18,102)</b>	<b>37,270</b>
<b>Other items</b>			
Amortization	-	(203,950)	(190,592)
<b>Deficit</b>	<b>(107,139)</b>	<b>(224,052)</b>	<b>(153,322)</b>
<b>Accumulated surplus at beginning of year</b>	<b>3,385,788</b>	<b>3,385,788</b>	<b>3,539,110</b>
<b>Accumulated surplus at end of year</b>	<b>\$ 3,278,649</b>	<b>\$ 3,161,736</b>	<b>\$ 3,385,788</b>

The accompanying notes are an integral part of the financial statements

**BUCTOUCHE FIRST NATION**  
**CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT**  
**FOR THE YEAR ENDED MARCH 31, 2016**

	<b>2016 Budget</b>	<b>2016 Actual</b>	<b>2015 Actual</b>
<b>Surplus (deficit)</b>	<b>(107,139)</b>	<b>(224,052)</b>	<b>(153,322)</b>
Acquisition of tangible capital assets	-	<b>(126,714)</b>	<b>(2,274)</b>
Amortization of tangible capital assets	-	<b>223,384</b>	<b>209,339</b>
	-	<b>96,670</b>	<b>207,065</b>
(Increase) decrease in prepaid expenses	-	<b>(8,882)</b>	<b>8,192</b>
Increase (decrease) in net financial assets	<b>(107,139)</b>	<b>(136,264)</b>	<b>61,935</b>
Net debt at beginning of year	<b>(1,005,358)</b>	<b>(1,005,358)</b>	<b>(1,067,293)</b>
Net debt at end of year	<b>\$ (1,112,497)</b>	<b>\$ (1,141,622)</b>	<b>\$ (1,005,358)</b>

The accompanying notes are an integral part of the financial statements

**BUCTOUCHE FIRST NATION**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED MARCH 31, 2016**

	2016	2015
<b>Cash flows from</b>		
<b>Operating activities</b>		
Deficit	\$ (224,052)	\$ (153,322)
Items not affecting cash		
Add: amortization expense	223,384	209,339
	(668)	56,017
Change in non-cash operating working capital		
Accounts receivable	(134,833)	62,569
Inventory	4,444	(11,217)
Prepaid expenses	(8,881)	8,192
Trust funds held by Federal Government	(68)	(246)
Accounts payable	12,113	(238,316)
Deferred revenue	155,650	67,500
	27,759	(55,501)
<b>Capital activities</b>		
Capital expenditures	(126,714)	(2,276)
<b>Financing activities</b>		
Repayment of long-term debt	(48,064)	(40,447)
Proceeds of long-term debt	82,419	-
	34,355	(40,447)
<b>Decrease in cash and cash equivalents</b>	(64,600)	(98,224)
<b>Cash and cash equivalents, beginning of year</b>	(171,930)	(73,706)
<b>Cash and cash equivalents, end of year</b>	\$ (236,530)	\$ (171,930)
<b>Represented by</b>		
Bank indebtedness	\$ (310,292)	\$ (235,772)
Restricted cash	73,762	63,842
	\$ (236,530)	\$ (171,930)

The accompanying notes are an integral part of the financial statements

**BUCTOUCHE FIRST NATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2016**

**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 Canadian Institute of Chartered Accountants.

**(a) Reporting Entity Principles of Financial Reporting**

The consolidated financial statements of Buctouche 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 band. Inter-fund and inter-corporate balances and transactions have been eliminated. The entities included in the consolidated financial statements are as follows:

1. River of the Little Fire Inc. Gas Bar

**(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 one year or less at acquisition which are held for the purpose of meeting short-term cash commitments.

**(c) Financial Instruments**

The First Nation's financial instruments consist of accounts receivable, 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.

**(d) Principles of Consolidation**

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

**Consolidation Method**

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

**(e) 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. Net debt is comprised of two components, non-financial assets and accumulated surplus.

**BUCTOUCHE FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2016**

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

**(f) Asset Classification**

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations. Non-financial assets are acquired, constructed or developed assets that do not provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale. Non-financial assets include tangible capital assets, prepaid expenses and inventories of supplies.

**(g) 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.

Any item purchased less than the capitalization threshold of \$2,500 is recorded as an expense in the year the item is acquired.

Tangible Capital Assets 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. Current descriptions and useful lives are as follows:

Buildings	25 years
Paving	25 years
CMHC Housing	25 years
Community Health Centre	25 years
Water systems	25 - 50 years
Boats	20 years
School bus	5 years
Band housing	20 years



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**BUCTOUCHE FIRST NATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2016**

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

**(h) Revenue Recognition**

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Government transfers (both operating and capital) are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Contributions from other sources are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purpose.

Revenue related to fees or services received in advance of the fee being earned or the service being performed is deferred and recognized when the fee is earned or service performed.

**(i) Use of Estimates**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles 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. 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.

**(j) Expenditure Recognition**

Commitments for goods and services relating to the current fiscal year are accrued at the statement of financial position date.

**(k) Segment Disclosure**

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

**(l) Intangible assets**

The First Nation owns fishing licences which have been acquired without financial consideration and are therefore not recorded as assets in these financial statements.

**BUCTOUCHE FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2016**

**2. Restricted Cash**

	2016	2015
CMHC operating reserve	\$ 17,557	\$ 17,519
CMHC replacement reserve fund	56,205	46,323
	<u>\$ 73,762</u>	<u>\$ 63,842</u>

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

**3. Accounts Receivable**

	2016	2015
Indigenous and Northern Affairs Canada	\$ 164,229	\$ 52,223
River of Little Fire Inc.	21,967	22,182
Department of Fisheries and Oceans	43,412	85,330
Other	3,041	13,875
Province of New Brunswick	123,798	34,706
Loans to individuals	7,000	19,498
Health Canada	-	800
	<u>363,447</u>	<u>228,614</u>
Allowance for doubtful accounts	(13,122)	(13,122)
	<u>\$ 350,325</u>	<u>\$ 215,492</u>

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

	March 31, 2015	Additions (interest)	Withdrawals	March 31, 2016
Revenue	\$ 6,175	\$ 68	\$ -	\$ 6,243
Capital	340	-	-	340
	<u>\$ 6,515</u>	<u>\$ 68</u>	<u>\$ -</u>	<u>\$ 6,583</u>

**BUCTOUCHE FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2016**

**5. Long-term investments**

Long-term investments are comprised of an investment in a Cranberry business, which is accounted for on the cost basis.

	2016	2015
Long-term investments	\$ 10,000	\$ 10,000

**6. Inventory**

Inventory for resale on hand at River of Little Fire Inc. (gas bar) is comprised of:

	2016	2015
Lotto	\$ 2,042	\$ 1,933
Tobacco	20,390	16,280
Other	52,537	61,200
	\$ 74,969	\$ 79,413

**7. Bank Indebtedness**

The First Nation has a demand operating line of credit of \$375,000 which bears interest at bank's prime lending rate plus 3.8% per annum. The line is secured by a general security agreement and Band Council resolution.

	2016	2015
Cash	\$ (64,708)	\$ (64,228)
Bank indebtedness	375,000	300,000
	\$ 310,292	\$ 235,772

**BUCTOUCHE FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2016**

**8. Accounts payable**

Remittances for band employee benefits are current as of March 31, 2016.

	2016	2015
<b>Current</b>		
Trade payables	\$ 83,007	\$ 48,551
Receiver General - payroll	10,854	9,134
Funding repayable to INAC	1,200	
Funding repayable to Health Canada	-	4,375
	<u>95,061</u>	<u>62,060</u>
<b>Long term</b>		
Province of NB tuition agreement	77,226	98,112
	<u>\$ 172,287</u>	<u>\$ 160,172</u>

**9. Deferred revenue**

	2016	2015
INAC - Community building (Schedule 3)	\$ 173,150	\$ -
Prepaid snow crab revenue	50,000	67,500
	<u>\$ 223,150</u>	<u>\$ 67,500</u>

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**BUCTOUCHE FIRST NATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2016**

**10. Long-term Debt**

	2016	2015
Peace Hills Trust 3.75% loan, payable \$1,584 monthly including interest, due July 2020, secured by 2016 school bus	\$ 75,755	\$ -
Canada Mortgage and Housing Corporation 1.67% loan, payable \$432 monthly including interest, due April 2017, guaranteed by INAC	72,883	76,824
Canada Mortgage and Housing Corporation 1.64% loan, payable \$949 monthly including interest, due February 2017, guaranteed by INAC	158,931	167,650
Canada Mortgage and Housing Corporation 1.67% loan, payable \$432 monthly including interest, due April 2017, guaranteed by INAC	72,856	76,795
Canada Mortgage and Housing Corporation 2.11% loan, payable \$1,003 monthly including interest, due January 2019, guaranteed by INAC	177,096	185,328
Canada Mortgage and Housing Corporation 2.08% loan, payable \$489 monthly including interest, due February 2019, guaranteed by INAC	87,848	91,853
Canada Mortgage and Housing Corporation 2.08% loan, payable \$520 monthly including interest, due February 2019, guaranteed by INAC	93,566	97,832
Canada Mortgage and Housing Corporation 1.30% loan, payable \$498 monthly including interest, due December 2020, guaranteed by INAC	103,761	108,128
Canada Mortgage and Housing Corporation 1.11% loan, payable \$505 monthly including interest, due April 2021, guaranteed by INAC	108,836	112,766
	<b>\$ 951,532</b>	<b>\$ 917,176</b>

**BUCTOUCHE FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2016**

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

Assuming similar renewal terms, principal portion of long-term debt due within the next five years is expected to be:

2017	\$ 59,599
2018	60,979
2019	62,395
2020	63,852
2021 and thereafter	704,707
	<hr/>
	\$ 951,532

**11. Contingent Liabilities**

Buctouche First Nation has signed a tuition arrears repayment agreement with the Province of New Brunswick. The First Nation remains indebted to the Province of New Brunswick (Department of Education) in the amount of \$77,226, excluding interest, for tuition as at March 31, 2016. This outstanding balance, which is included in the accounts payable total on the consolidated statement of financial position, will be paid over a fifteen year period with equal monthly payments of \$817.60 beginning April, 2010. Interest at 10.69% per annum will be calculated and added to the outstanding balance. The repayment agreement provides that all interest would accrue but be waived at completion of the agreement providing the First Nation makes the payments as scheduled. Therefore, the First Nation has not recorded any liability for interest owing to the Department of Education due to Chief and Council's written commitment to monthly payments in accordance with the agreement. Payments were made according to the terms of the agreement during the 2015-2016 fiscal year.

Buctouche 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.

**BUCTOUCHE FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2016**

**12. Tangible Capital Assets**

	Balance, beginning of year	Additions	Disposals	Balance, end of year	Cost	Balance, beginning of year	Amortization of year	Accumulated amortization on disposals	Balance, end of year	2016 net book value
Land	\$ 122,000	\$ -	\$ -	\$ 122,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 122,000
Buildings	653,003	26,850	-	679,853	293,815	14,928	-	-	308,743	371,110
Automotive	32,500	-	-	32,500	32,500	-	-	-	32,500	-
Equipment	109,000	-	-	109,000	109,000	-	-	-	109,000	-
Paving	523,789	-	-	523,789	364,294	18,080	-	-	382,374	141,415
CMHC Housing	1,141,703	-	-	1,141,703	324,449	41,400	-	-	365,849	775,854
Community Health Centre	445,975	-	-	445,975	234,629	12,113	-	-	246,742	199,233
Water systems	2,484,364	-	-	2,484,364	281,180	50,652	-	-	331,832	2,152,532
Boats	546,200	-	-	546,200	339,500	22,700	-	-	362,200	184,000
School bus	89,000	99,419	(89,000)	99,419	89,000	19,884	(89,000)	-	19,884	79,535
River of Little Fire	437,060	445	-	437,505	227,264	17,435	-	-	244,699	192,806
Band housing	841,314	-	-	841,314	739,130	26,193	-	-	765,323	75,991
	\$ 7,425,908	\$ 126,714	\$ (89,000)	\$ 7,463,622	\$ 3,034,761	\$ 223,385	\$ (89,000)	\$ 3,169,146	\$ 4,294,476	

BUCTOUCHE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016

	Balance, beginning of year	Additions	Disposals	Balance, end of year	Cost	Balance, beginning of year	Amortization of year	Accumulated amortization on disposals	Balance, end of year	2015 Net book value
Land	\$ 122,000	-	-	\$ 122,000	\$ -	-	-	-	\$ -	\$ 122,000
Buildings	653,003	-	-	653,003	278,886	-	14,929	-	293,815	359,188
Automotive Equipment	32,500	-	-	32,500	32,500	-	-	-	32,500	-
Paving	109,000	-	-	109,000	109,000	-	-	-	109,000	-
CMHC Housing	523,789	-	-	523,789	346,215	-	18,079	-	364,294	159,495
Community Health Centre	1,141,703	-	-	1,141,703	278,924	-	45,525	-	324,449	817,254
Water systems	445,975	-	-	445,975	222,515	-	12,114	-	234,629	211,346
Boats	2,484,364	-	-	2,484,364	230,528	-	50,652	-	281,180	2,203,184
School bus	546,200	-	-	546,200	316,400	-	23,100	-	339,500	206,700
River of Little Fire	89,000	-	-	89,000	89,000	-	-	-	89,000	-
Band housing	434,784	2,276	-	437,060	208,516	-	18,748	-	227,264	209,796
	841,314	-	-	841,314	712,936	-	26,194	-	739,130	102,184
	\$ 7,423,632	\$ 2,276	\$ -	\$ 7,425,908	\$ 2,825,420	\$ 209,341	\$ -	\$ 3,034,761	\$ 4,391,147	



BUCTOUCHE FIRST NATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016

**13. Prepaid expense**

Prepaid expense consists of insurance expense.

**14. Expenditures by object**

	2016	2015
Wages and benefits	\$ 1,154,216	\$ 1,025,564
Convenience store	1,633,737	1,604,855
Social program expense	185,407	185,029
Tuition	223,571	228,082
Supplies, maintenance, services & ins.	165,080	153,849
Interest and bank charges	52,782	50,937
Repairs	141,561	136,078
Other	574,348	472,674
Amortization	205,950	209,340
	<u>\$ 4,336,652</u>	<u>\$ 4,066,408</u>

**BUCTOUCHE FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2016**

**15. 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 \$327,300 (2015 - \$215,492). 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 and is not material.

**Liquidity risk**

The First Nation does have a liquidity risk in the accounts payable and accrued liabilities of \$172,286 (2015 - \$160,172). 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; maintains an adequate line of credit to repay trade creditors and maintains a responsible cash position. In the opinion of management, the liquidity risk exposure to the First Nation is low and is not material.

**Interest rate risk**

The First Nation is exposed to interest rate risk. This risk exists due to interest rate exposure on its bank indebtedness, which is 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 and is not material.

**16. Economic Dependence**

Buctouche First Nation receives a significant portion of its revenue pursuant to a funding agreement with Aboriginal Affairs and Northern Development Canada.

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BUCTOUCHE FIRST NATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2016

17. Annual surplus net of capital related revenues and amortization

	2016	2015
Annual surplus (deficit)	\$ (224,052)	\$ (153,322)
Deduct: Federal government transfers for capital	(26,850)	-
Add: Amortization expense included in annual surplus	223,384	209,339
Annual surplus net of capital related revenues and amortization	\$ (27,518)	\$ 56,017

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