

# **BUCTOUCHE FIRST NATION**

## **CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2018**

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CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2018

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CHARTERED PROFESSIONAL ACCOUNTANTS

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## **Independent Auditor's Report**

To the Chief, Council and 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, 2018, 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, 2018, 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.

*Lenehan McCain & Associates*  
Chartered Professional Accountants

Woodstock, New Brunswick  
July 29, 2018

**BUCTOUCHE FIRST NATION**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**MARCH 31, 2018**

	<b>2018</b>	<b>2017</b>
<b>Financial Assets</b>		
Restricted cash (Note 2)	\$ 43,751	\$ 73,716
Accounts receivable (Note 3)	326,362	311,759
Trust funds held by Federal Government (Note 4)	6,926	6,705
Long-term investments (Note 5)	10,000	10,000
Inventory (Note 6)	83,753	85,818
	<u>470,792</u>	<u>487,998</u>
<b>Liabilities</b>		
Bank indebtedness (Note 7)	397,934	224,920
Accounts payable (Note 8)	119,122	306,282
Deferred revenue (Note 9)	35,200	60,000
Long-term debt (Note 10)	972,137	891,628
	<u>1,524,393</u>	<u>1,482,830</u>
<b>Net debt</b>	<u>(1,053,601)</u>	<u>(994,832)</u>
<b>Non-financial Assets</b>		
Tangible capital assets (Note 12)	5,592,292	5,354,301
Prepaid expenses (Note 13)	55,005	26,353
	<u>5,647,297</u>	<u>5,380,654</u>
<b>Accumulated Surplus</b>	<u>\$ 4,593,696</u>	<u>\$ 4,385,822</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 CHANGE IN NET DEBT

FOR THE YEAR ENDED MARCH 31, 2018

	<b>2018 Budget</b>	<b>2018 Actual</b>	<b>2017 Actual</b>
<b>Surplus (deficit)</b>	<b>(457,351)</b>	<b>207,874</b>	<b>1,224,086</b>
Proceeds from sale of boat	-	<b>200,000</b>	
Gain on sale of boat	-	<b>(42,500)</b>	
Acquisition of tangible capital assets	-	<b>(651,180)</b>	<b>(1,333,163)</b>
Amortization of tangible capital assets	<b>273,339</b>	<b>255,689</b>	<b>273,339</b>
	<b>273,339</b>	<b>(237,991)</b>	<b>(1,059,824)</b>
(Increase) decrease in prepaid expenses	-	<b>(28,652)</b>	<b>(17,472)</b>
Increase (decrease) in net financial assets	<b>(184,012)</b>	<b>(58,769)</b>	<b>146,790</b>
Net debt at beginning of year	<b>(994,832)</b>	<b>(994,832)</b>	<b>(1,141,622)</b>
Net debt at end of year	<b>\$ (1,178,844)</b>	<b>\$ (1,053,601)</b>	<b>\$ (994,832)</b>

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, 2018**

	<b>2018 Budget</b>	<b>2018 Actual</b>	<b>2017 Actual</b>
<b>Revenues</b>			
Indigenous and Northern Affairs Canada	\$ 1,031,628	\$ 1,080,962	\$ 1,843,955
River of Little Fire Inc. Gas Bar	1,590,000	2,309,805	2,241,178
Commercial fisheries	395,796	1,602,741	862,178
Other	32,966	242,929	85,323
Health Canada	338,367	338,367	295,338
Department of Fisheries and Oceans	85,000	169,630	495,160
Canada Mortgage and Housing Corporation	45,503	94,706	115,668
Rental income	48,000	49,800	48,150
	<b>3,567,260</b>	<b>5,888,940</b>	<b>5,986,950</b>
<b>Cost of goods sold, River of Little Fire Inc. Gas Bar</b>	<b>1,280,000</b>	<b>1,777,558</b>	<b>1,695,411</b>
<b>Gross profit</b>	<b>2,287,260</b>	<b>4,111,382</b>	<b>4,291,539</b>
<b>Expenditures</b>			
Social assistance program	246,895	246,895	246,263
Operations and maintenance program	146,254	191,520	184,797
Capital and housing program	149,666	184,180	156,184
Education program	345,538	332,095	312,983
Band administration program	495,193	659,382	640,886
Cultural program	-	4,342	4,479
Health program	338,367	303,167	313,004
River of Little Fire Inc. Gas Bar	289,563	502,872	366,735
Fisheries	459,796	1,223,366	568,783
	<b>2,471,272</b>	<b>3,647,819</b>	<b>2,794,114</b>
<b>Surplus before other item</b>	<b>(184,012)</b>	<b>463,563</b>	<b>1,497,425</b>
<b>Other item</b>			
Amortization	(273,339)	(255,689)	(273,339)
<b>Surplus</b>	<b>(457,351)</b>	<b>207,874</b>	<b>1,224,086</b>
<b>Accumulated surplus at beginning of year</b>	<b>4,385,822</b>	<b>4,385,822</b>	<b>3,161,736</b>
<b>Accumulated surplus at end of year</b>	<b>\$ 3,928,471</b>	<b>\$ 4,593,696</b>	<b>\$ 4,385,822</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, 2018**

	2018	2017
<b>Cash flows from</b>		
<b>Operating activities</b>		
Surplus	\$ 207,874	\$ 1,224,086
Items not affecting cash		
Add: amortization expense	255,689	273,339
Less: gain on sale of boat	(42,500)	-
	<b>421,063</b>	<b>1,497,425</b>
Change in non-cash operating working capital		
Accounts receivable	(14,603)	38,566
Inventory	2,065	(10,849)
Prepaid expenses	(28,652)	(17,472)
Trust funds held by Federal Government	(221)	(122)
Accounts payable	(187,161)	133,996
Deferred revenue	(24,800)	(163,150)
	<b>167,691</b>	<b>1,478,394</b>
<b>Capital activities</b>		
Capital expenditures	(651,179)	(1,333,163)
Proceeds from sale of boat	200,000	-
	<b>(451,179)</b>	<b>(1,333,163)</b>
<b>Financing activities</b>		
Repayment of long-term debt	(61,491)	(59,905)
Proceeds of long-term debt	142,000	-
	<b>80,509</b>	<b>(59,905)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(202,979)</b>	<b>85,326</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>(151,204)</b>	<b>(236,530)</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ (354,183)</b>	<b>\$ (151,204)</b>
<b>Represented by</b>		
Bank indebtedness	\$ (397,934)	\$ (224,920)
Restricted cash	43,751	73,716
	<b>\$ (354,183)</b>	<b>\$ (151,204)</b>

The accompanying notes are an integral part of the financial statements



## BUCTOUCHE FIRST NATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

#### **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 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.

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## BUCTOUCHE FIRST NATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

#### **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
Automotive	5 years
Equipment	10 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, 2018**

**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 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. 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, 2018**

**2. Restricted Cash**

	2018	2017
CMHC operating reserve	\$ 17,504	\$ 17,524
CMHC replacement reserve fund	26,247	56,192
	\$ 43,751	\$ 73,716

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**

	2018	2017
River of Little Fire Inc.	\$ 15,339	\$ 14,955
Department of Fisheries and Oceans	30,931	169,660
Other	19,547	2,554
HST rebate	48,865	-
Province of New Brunswick	194,985	133,998
Loans to individuals	3,750	3,714
Canada Mortgage and Housing Corporation	26,067	-
	339,484	324,881
Allowance for doubtful accounts	(13,122)	(13,122)
	\$ 326,362	\$ 311,759

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

	March 31, 2017	Additions (interest)	Withdrawals	March 31, 2018
Revenue	\$ 6,365	\$ 221	\$ -	\$ 6,586
Capital	340	-	-	340
	\$ 6,705	\$ 221	\$ -	\$ 6,926

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**BUCTOUCHE FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2018**

**5. Long-term investments**

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

	2018		2017
Long-term investments	\$ 10,000	\$	10,000

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**6. Inventory**

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

	2018		2017
Lotto	\$ 3,000	\$	2,042
Tobacco	34,600		22,425
Other	46,153		61,351
	\$ 83,753	\$	85,818

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**7. Bank Indebtedness**

The First Nation has a demand operating line of credit of \$400,000 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.

	2018		2017
Cash	\$ (2,066)	\$	(175,080)
Bank indebtedness	400,000		400,000
	\$ 397,934	\$	224,920

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

**MARCH 31, 2018**

**8. Accounts payable**

Remittances for band employee benefits are current as of March 31, 2018.

	2018	2017
<b>Current</b>		
Trade payables	\$ 31,668	\$ 42,942
Receiver General - payroll	19,213	11,185
Funding repayable to INAC	1,200	1,200
Funding repayable to Health Canada	-	2,466
Fishing boat	(1,637)	170,000
	<u>50,444</u>	<u>227,793</u>
<b>Long term</b>		
Province of NB tuition agreement	68,678	78,489
	<u>\$ 119,122</u>	<u>\$ 306,282</u>

**9. Deferred revenue**

	2018	2017
Health Canada - Building healthy communities	\$ 13,720	\$ -
Health Canada - Brighter Futures	8,780	-
Health Canada - Capital investments	12,700	-
	<u>35,200</u>	<u>-</u>
Prepaid snow crab revenue	-	60,000
	<u>-</u>	<u>60,000</u>
	<u>\$ 35,200</u>	<u>\$ 60,000</u>

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

**MARCH 31, 2018**

**10. Long-term Debt**

	2018	2017
Peace Hills Trust 3.75% loan, payable \$1,584 monthly including interest, due July 2020, secured by 2016 school bus	\$ 42,236	\$ 59,309
Canada Mortgage and Housing Corporation 1.43% loan, payable \$424 monthly including interest, due April 2022, guaranteed by INAC	64,717	68,872
Canada Mortgage and Housing Corporation 1.44% loan, payable \$935 monthly including interest, due February 2022, guaranteed by INAC	140,880	150,022
Canada Mortgage and Housing Corporation 1.43% loan, payable \$425 monthly including interest, due April 2022, guaranteed by INAC	64,693	68,846
Canada Mortgage and Housing Corporation 2.11% loan, payable \$1,003 monthly including interest, due January 2019, guaranteed by INAC	160,079	168,673
Canada Mortgage and Housing Corporation 2.08% loan, payable \$489 monthly including interest, due February 2019, guaranteed by INAC	79,573	83,752
Canada Mortgage and Housing Corporation 2.08% loan, payable \$520 monthly including interest, due February 2019, guaranteed by INAC	84,753	89,203
Canada Mortgage and Housing Corporation 1.30% loan, payable \$498 monthly including interest, due December 2020, guaranteed by INAC	94,373	99,096
Canada Mortgage and Housing Corporation 1.11% loan, payable \$505 monthly including interest, due April 2021, guaranteed by INAC	98,916	103,855
Canada Mortgage and Housing Corporation 2.39% loan, payable \$628 monthly including interest, due February 2023, guaranteed by INAC	141,917	-
	\$ 972,137	\$ 891,628

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

**MARCH 31, 2018**

**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:

2019	\$ 66,606
2020	68,066
2021	56,574
2022	51,366
2023 and thereafter	729,525
	<hr/>
	\$ 972,137

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**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 \$68,678, excluding interest, for tuition as at March 31, 2018. 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 2017-18 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.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

## 12. Tangible Capital Assets

	Cost			Accumulated amortization			2018 net
	Balance, beginning of year	Additions	Disposals	Balance, end of year	Balance, beginning of year	Amortization on disposals	book value
Land	\$ 122,000	\$ -	\$ -	\$ 122,000	\$ -	\$ -	\$ 122,000
Buildings	853,081	117,212	-	970,293	323,671	35,665	610,957
Automotive	32,500	20,000	-	52,500	32,500	3,000	17,000
Equipment	120,221	118,037	-	238,258	111,122	13,724	113,412
Paving	1,282,503	-	-	1,282,503	425,015	33,679	823,809
CMHC Housing	1,141,703	146,670	-	1,288,373	409,308	44,417	834,648
Community Health Centre	445,975	-	-	445,975	263,302	1,683	180,990
Water systems	2,484,364	-	-	2,484,364	382,484	50,652	2,051,228
Boats	936,200	235,700	(450,000)	721,900	403,000	20,100	591,300
School bus	99,419	-	-	99,419	39,768	19,884	39,767
River of Little Fire	437,505	13,560	-	451,065	260,798	20,074	170,193
Band housing	841,314	-	-	841,314	791,517	12,811	36,986
	\$ 8,796,785	\$ 651,179	\$ (450,000)	\$ 8,997,964	\$ 3,442,485	\$ 255,689	\$ 5,592,290

BUCTOUCHE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

	Balance, beginning of year	Additions	Disposals	Balance, end of year	Balance, beginning of year	Amortization end of year	Accumulated amortization on disposals	Balance, end of year	2017 Net book value
Land	\$ 122,000	\$ -	\$ -	\$ 122,000	\$ -	\$ -	\$ -	\$ -	\$ 122,000
Buildings	679,853	173,228	-	853,081	308,743	14,928	-	323,671	529,410
Automotive	32,500	-	-	32,500	32,500	-	-	32,500	-
Equipment	109,000	11,221	-	120,221	109,000	2,122	-	111,122	9,099
Paving	523,789	758,714	-	1,282,503	382,374	42,641	-	425,015	857,488
CMHC Housing	1,141,703	-	-	1,141,703	365,849	43,459	-	409,308	732,395
Community Health									
Centre	445,975	-	-	445,975	246,742	16,560	-	263,302	182,673
Water systems	2,484,364	-	-	2,484,364	331,832	50,652	-	382,484	2,101,880
Boats	546,200	390,000	-	936,200	362,200	40,800	-	403,000	533,200
School bus	99,419	-	-	99,419	19,884	19,884	-	39,768	59,651
River of Little Fire	437,505	-	-	437,505	244,699	16,099	-	260,798	176,707
Band housing	841,314	-	-	841,314	765,323	26,194	-	791,517	49,797
	\$ 7,463,622	\$ 1,333,163	\$ -	\$ 8,796,785	\$ 3,169,146	\$ 273,339	\$ -	\$ 3,442,485	\$ 5,354,300

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**BUCTOUCHE FIRST NATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2018**

**13. Prepaid expenses**

	<b>2018</b>		<b>2017</b>
Insurance	\$ 17,905	\$	7,550
Payroll advances	37,100		18,803
	\$ 55,005	\$	26,353

**14. Expenditures by object**

	<b>2018</b>		<b>2017</b>
Wages and benefits	\$ 1,665,999	\$	1,334,327
Convenience store	2,007,560		1,822,834
Social program expense	173,373		178,110
Travel	24,876		23,237
Tuition	218,158		210,406
Supplies, maintenance, services & ins.	318,306		193,928
Interest and bank charges	52,034		61,998
Professional services	20,129		14,525
Repairs	302,952		216,355
Other	641,990		449,904
Amortization	255,689		257,240
	\$ 5,681,066	\$	4,762,864

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**BUCTOUCHE FIRST NATION**  
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**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 \$326,362 (2017 - \$311,759). 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 \$119,122 (2017 - \$306,282). 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 Indigenous and Northern Affairs Canada.

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

	<b>2018</b>	<b>2017</b>
Annual surplus (deficit)	\$ 207,874	\$ 1,224,086
Deduct: Federal government transfers for capital	(15,500)	(1,166,000)
Add: Amortization expense included in annual surplus	255,689	273,339
Annual surplus net of capital related revenues and amortization	\$ 448,063	\$ 331,425

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