LENEHAN McCAIN & Associates
CHARTERED PROFESSIONAL ACCOUNTANTS

Independent Auditor's Report

To the Chief and Council and members of
Buctouche First Nation

Opinion
We have audited the consolidated financial statements of Buctouche First Nation, which comprise the consolidated statement of financial position as at March 31, 2019, 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, 2019, and the results of its consolidated operations and its consolidated cash flows for the year then ended in accordance with PSAB.

Basis for Opinion
We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the First Nation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PSAB, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the First Nation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Those charged with governance are responsible for overseeing the First Nation's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the First Nation's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the First Nation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Lenehan McCain & Associates

Lenehan McCain & Associates
Chartered Professional Accountants

Woodstock, New Brunswick
September 26, 2019

BUCTOUCHE FIRST NATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MARCH 31, 2019

	2019	2018
Financial Assets		
Restricted cash (Note 2)	$ 54,006	$ 43,751
Accounts receivable (Note 3)	433,001	326,362
Trust funds held by Federal Government (Note 4)	7,006	6,926
Long-term investments (Note 5)	10,000	10,000
Inventory (Note 6)	68,480	83,753
	572,493	470,792
Liabilities		
Bank indebtedness (Note 7)	483,525	397,934
Accounts payable (Note 8)	227,181	119,122
Deferred revenue (Note 9)	-	35,200
Long-term debt (Note 10)	1,493,473	972,137
	2,204,179	1,524,393
Net debt	(1,631,686)	(1,053,601)
Non-financial Assets		
Tangible capital assets (Note 12)	5,855,393	5,592,292
Prepaid expenses (Note 13)	98,777	55,005
	5,954,170	5,647,297
Accumulated Surplus	$ 4,322,484	$ 4,593,696

Approved on behalf of the Buctouche First Nation

Chief Gary May Steele, **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, 2019

	2019 Budget	2019 Actual	2018 Actual
Surplus (deficit)	(310,735)	(271,212)	207,874
Proceeds from sale of boat	-	-	200,000
Gain on sale of boat	-	-	(42,500)
Acquisition of tangible capital assets	-	(584,969)	(651,180)
Amortization of tangible capital assets	255,689	321,867	255,689
	255,689	(263,102)	(237,991)
(Increase) decrease in prepaid expenses	-	(43,771)	(28,652)
Increase (decrease) in net financial assets	(55,046)	(578,085)	(58,769)
Net debt at beginning of year	(1,053,601)	(1,053,601)	(994,832)
Net debt at end of year	$ (1,108,647)	$ (1,631,686)	$ (1,053,601)

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, 2019

	2019 Budget	2019 Actual	2018 Actual
Revenues			
Indigenous Services Canada	$ 959,039	$ 1,120,058	$ 1,080,962
River of Little Fire Inc. Gas Bar	1,590,000	2,430,116	2,309,805
Commercial fisheries	522,516	843,081	1,602,741
Other	163,950	151,326	242,929
Health Canada	286,838	323,518	338,367
Department of Fisheries and Oceans	85,000	280,055	169,630
Canada Mortgage and Housing Corporation	50,935	50,950	94,706
Rental income	48,162	60,186	49,800
	3,706,440	5,259,290	5,888,940
Cost of goods sold, River of Little Fire Inc. Gas Bar	1,280,000	1,956,112	1,777,558
Gross profit	2,426,440	3,303,178	4,111,382
Expenditures			
Social assistance program	247,571	258,630	246,895
Operations and maintenance program	128,636	217,993	191,520
Capital and housing program	128,569	64,826	184,180
Education program	340,592	339,194	332,095
Band administration program	538,288	626,148	659,382
Cultural program	33,560	4,755	4,342
Health program	314,911	367,357	303,167
River of Little Fire Inc. Gas Bar	289,563	367,910	502,872
Fisheries program	459,796	1,005,710	1,223,366
	2,481,486	3,252,523	3,647,819
Surplus (deficit) before other item	(55,046)	50,655	463,563
Other item			
Amortization	(255,689)	(321,867)	(255,689)
Surplus (deficit)	(310,735)	(271,212)	207,874
Accumulated surplus at beginning of year	4,593,696	4,593,696	4,385,822
Accumulated surplus at end of year	$ 4,282,961	$ 4,322,484	$ 4,593,696

BUCTOUCHE FIRST NATION

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2019

	2019	2018
Cash flows from		
Operating activities		
Surplus (deficit)	$ (271,212)	$ 207,874
Items not affecting cash		
Add: amortization expense	321,867	255,689
Less: gain on sale of boat	-	(42,500)
	50,655	421,063
Change in non-cash operating working capital		
Accounts receivable	(106,639)	(14,603)
Inventory	15,273	2,065
Prepaid expenses	(43,772)	(28,652)
Trust funds held by Federal Government	(80)	(221)
Accounts payable	108,060	(187,161)
Deferred revenue	(35,200)	(24,800)
	(11,703)	167,691
Capital activities		
Capital expenditures	(584,969)	(651,179)
Proceeds from sale of boat	-	200,000
	(584,969)	(451,179)
Financing activities		
Repayment of long-term debt	(78,664)	(61,491)
Proceeds of long-term debt	600,000	142,000
	521,336	80,509
Decrease in cash and cash equivalents	(75,336)	(202,979)
Cash and cash equivalents, beginning of year	(354,183)	(151,204)
Cash and cash equivalents, end of year	$ (429,519)	$ (354,183)
Represented by		
Bank indebtedness	$ (483,525)	$ (397,934)
Restricted cash	54,006	43,751
	$ (429,519)	$ (354,183)

The accompanying notes are an integral part of the financial statements

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.

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

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

Intangible assets including fishing licenses are expensed when acquired in accordance with PSAB guidelines.

2. Restricted Cash

	2019	2018
CMHC operating reserve	$ 17,525	$ 17,504
CMHC replacement reserve fund	36,481	26,247
	$ 54,006	$ 43,751

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

	2019	2018
Indigenous Services Canada	$ 10,055	$ -
River of Little Fire Inc.	14,304	15,339
Department of Fisheries and Oceans	44,287	30,931
Other	143,666	19,547
HST rebate	118,032	48,865
Province of New Brunswick	66,613	194,985
Loans to individuals	2,750	3,750
Health Canada	17,485	-
Canada Mortgage and Housing Corporation	28,931	26,067
	446,123	339,484
Allowance for doubtful accounts	(13,122)	(13,122)
	$ 433,001	$ 326,362

4. Trust funds held by Federal Government

	March 31, 2018	Additions (interest)	Withdrawals	March 31, 2019
Revenue	$ 6,586	$ 80	$ -	$ 6,666
Capital	340	-	-	340
	$ 6,926	$ 80	$ -	$ 7,006

5. Long-term investments

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

	2019	2018
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:

	2019	2018
Lotto	$ 2,900	$ 3,000
Tobacco	12,300	34,600
Other	53,280	46,153
	$ 68,480	$ 83,753

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.

	2019	2018
(Cash)/cheques issued in excess of bank balances	$ 203,525	$ (2,066)
Bank indebtedness	280,000	400,000
	$ 483,525	$ 397,934

8. Accounts payable

Remittances for band employee benefits are current as of March 31, 2019.

	2019	2018
Current		
Trade payables	$ 81,191	$ 29,202
Receiver General - payroll	17,863	19,213
Funding repayable to ISC	-	1,200
Funding repayable to Health Canada	-	2,466
Fisheries	69,260	(1,637)
	168,314	50,444
Long term		
Province of NB tuition agreement	58,867	68,678
	$ 227,181	$ 119,122

9. Deferred revenue

	2019	2018
Health Canada - Building healthy communities	$ -	$ 13,720
Health Canada - Brighter Futures	-	8,780
Health Canada - Capital investments	-	12,700
	$ -	$ 35,200

10. Long-term Debt

	2019	2018
Royal Bank of Canada 5.04% loan, payable $6,375 monthly including interest, due December 2028	**$ 588,288**	$ -
Peace Hills Trust 3.75% loan, payable $1,584 monthly including interest, due July 2020, secured by 2016 school bus	**24,511**	42,236
Canada Mortgage and Housing Corporation 1.43% loan, payable $425 monthly including interest, due April 2022, guaranteed by ISC	**60,510**	64,717
Canada Mortgage and Housing Corporation 1.44% loan, payable $935 monthly including interest, due February 2022, guaranteed by ISC	**131,606**	140,880
Canada Mortgage and Housing Corporation 1.43% loan, payable $425 monthly including interest, due April 2022, guaranteed by ISC	**60,488**	64,693
Canada Mortgage and Housing Corporation 2.22% loan, payable $1,011 monthly including interest, due January 2024, guaranteed by ISC	**151,329**	160,079
Canada Mortgage and Housing Corporation 2.21% loan, payable $493 monthly including interest, due February 2024, guaranteed by ISC	**75,319**	79,573
Canada Mortgage and Housing Corporation 2.21% loan, payable $525 monthly including interest, due February 2024, guaranteed by ISC	**80,221**	84,753
Canada Mortgage and Housing Corporation 1.30% loan, payable $498 monthly including interest, due December 2020, guaranteed by ISC	**89,588**	94,373
Canada Mortgage and Housing Corporation 1.11% loan, payable $505 monthly including interest, due April 2021, guaranteed by ISC	**93,922**	98,916
Canada Mortgage and Housing Corporation 2.39% loan, payable $628 monthly including interest, due February 2023, guaranteed by ISC	**137,691**	141,917

10. Long-term Debt, continued

	2019	2018
	$	$
	$ 1,493,473	$ 972,137

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

2020	$ 116,004
2021	106,985
2022	104,377
2023	107,973
2024 and thereafter	1,058,134
	$ 1,493,473

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 $58,867, excluding interest, for tuition as at March 31, 2019. 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 2018-19 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, 2019

12. Tangible Capital Assets

	Cost				Accumulated amortization				
	Balance, beginning of year	Additions	Disposals	Balance, end of year	Balance, beginning of year	Amortization	Accumulated amortization on disposals	Balance, end of year	**2019 net book value**
Land	$ 122,000	$ -	$ -	$ 122,000	$ -	$ -	$ -	$ -	$ 122,000
Buildings	970,293	3,720	-	974,013	359,336	26,902	-	386,238	587,775
Automotive	52,500	-	-	52,500	35,500	5,100	-	40,600	11,900
Equipment	238,258	295,050	-	533,308	124,846	52,187	-	177,033	356,275
Paving	1,282,503	-	-	1,282,503	458,694	32,434	-	491,128	791,375
CMHC Housing	1,288,373	-	-	1,288,373	453,725	49,227	-	502,952	785,421
Community Health Centre	445,975	-	-	445,975	264,985	10,633	-	275,618	170,357
Water systems	2,484,364	-	-	2,484,364	433,136	50,652	-	483,788	2,000,576
Boats	721,900	286,199	-	1,008,099	130,600	46,245	-	176,845	831,254
School bus	99,419	-	-	99,419	59,652	19,884	-	79,536	19,883
River of Little Fire	451,065	-	-	451,065	280,872	16,988	-	297,860	153,205
Band housing	841,314	-	-	841,314	804,328	11,616	-	815,944	25,370
	$ 8,997,964	$ 584,969	$ -	$ 9,582,933	$ 3,405,674	$ 321,868	$ -	$ 3,727,542	$ 5,855,391

	Cost				Accumulated amortization				
	Balance, beginning of year	Additions	Disposals	Balance, end of year	Balance, beginning of year	Amortization	Accumulated amortization on disposals	Balance, end of year	2018 Net book value
Land	$ 122,000	$ -	$ -	$ 122,000	$ -	$ -	$ -	$ -	$ 122,000
Buildings	853,081	117,212	-	970,293	323,671	35,665	-	359,336	610,957
Automotive	32,500	20,000	-	52,500	32,500	3,000	-	35,500	17,000
Equipment	120,221	118,037	-	238,258	111,122	13,724	-	124,846	113,412
Paving	1,282,503	-	-	1,282,503	425,015	33,679	-	458,694	823,809
CMHC Housing	1,141,703	146,670	-	1,288,373	409,308	44,417	-	453,725	834,648
Community Health Centre	445,975	-	-	445,975	263,302	1,683	-	264,985	180,990
Water systems	2,484,364	-	-	2,484,364	382,484	50,652	-	433,136	2,051,228
Boats	936,200	235,700	(450,000)	721,900	403,000	20,100	(292,500)	130,600	591,300
School bus	99,419	-	-	99,419	39,768	19,884	-	59,652	39,767
River of Little Fire	437,505	13,560	-	451,065	260,798	20,074	-	280,872	170,193
Band housing	841,314	-	-	841,314	791,517	12,811	-	804,328	36,986
	$ 8,796,785	$ 651,179	$ (450,000)	$ 8,997,964	$3,442,485	$ 255,689	$ (292,500)	$3,405,674	$ 5,592,290

13. Prepaid expenses

	2019	2018
Insurance	$ 6,774	$ 17,905
Payroll advances	21,500	37,100
Snow plowing	70,503	-
	$ 98,777	$ 55,005

14. Expenditures by object

	2019	2018
Wages and benefits	$ 1,640,887	$ 1,665,999
Convenience store	2,052,831	2,007,560
Social program expense	176,591	173,373
Travel	44,956	24,876
Tuition	229,233	218,158
Supplies, maintenance, services & ins.	287,543	318,306
Interest and bank charges	75,280	52,034
Professional services	14,910	20,129
Repairs	92,495	302,952
Other	593,909	641,990
Amortization	321,867	255,689
	$ 5,530,502	$ 5,681,066

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 $433,001 (2018 - $326,362). 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 $227,181 (2018 - $119,122). 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 Services Canada.

17. Annual surplus net of capital related revenues and amortization

	2019	2018
Annual surplus (deficit)	**$ (271,212)**	$ 207,874
Deduct: Federal government transfers for capital	**-**	(15,500)
Add: Amortization expense included in annual surplus	**321,867**	255,689
Annual surplus net of capital related revenues and amortization	**$ 50,655**	$ 448,063