

BUCTOUCHE FIRST NATION  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
MARCH 31, 2021

	<u>2021</u>	<u>2020</u>
<b>Financial Assets</b>		
Restricted cash (Note 2)	\$ 61,688	\$ 61,693
Accounts receivable (Note 3)	453,142	333,224
Trust funds held by Federal Government (Note 4)	7,282	7,144
Long-term investments (Note 5)	10,000	10,000
Inventory (Note 6)	85,594	74,065
	<hr/> 617,706	<hr/> 486,126
<b>Liabilities</b>		
Bank indebtedness (Note 7)	21,201	335,953
Accounts payable (Note 8)	338,930	370,680
Deferred revenue (Note 9)	1,237,689	382,895
Long-term debt (Note 10)	1,269,765	1,377,282
	<hr/> 2,867,585	<hr/> 2,466,810
<b>Net debt</b>	<b>(2,249,879)</b>	<b>(1,980,684)</b>
<b>Non-financial Assets</b>		
Tangible capital assets (Note 12)	6,217,687	5,888,821
Prepaid expenses (Note 13)	72,005	24,907
	<hr/> 6,289,692	<hr/> 5,913,728
<b>Accumulated Surplus</b>	<b>\$ 4,039,813</b>	<b>\$ 3,933,044</b>

Approved on behalf of the Buctouche First Nation

\_\_\_\_\_, Chief

\_\_\_\_\_, Councillor

\_\_\_\_\_, Councillor

The accompanying notes are an integral part of the financial statements

BUCTOUCHÉ FIRST NATION  
CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT  
FOR THE YEAR ENDED MARCH 31, 2021

	<b>2021 Budget</b>	<b>2021 Actual</b>	<b>2020 Actual</b>
<b>Surplus (deficit)</b>	<b>(395,569)</b>	<b>106,770</b>	<b>(389,440)</b>
Writedown of tangible capital assets	-	-	3,000
Acquisition of tangible capital assets	-	(634,914)	(381,448)
Amortization of tangible capital assets	321,867	306,048	345,021
	<b>321,867</b>	<b>(328,866)</b>	<b>(33,427)</b>
(Increase) decrease in prepaid expenses	-	(47,099)	73,869
Increase (decrease) in net financial assets	(73,702)	(269,195)	(348,998)
Net debt at beginning of year	<b>(1,980,684)</b>	<b>(1,980,684)</b>	<b>(1,631,686)</b>
<b>Net debt at end of year</b>	<b>\$ (2,054,386)</b>	<b>\$ (2,249,879)</b>	<b>\$ (1,980,684)</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, 2021

	2021 Budget	2021 Actual	2020 Actual
<b>Revenue</b>			
Indigenous Services Canada	\$ 1,038,025	\$ 1,576,239	\$ 1,438,657
River of Little Fire Inc. Gas Bar	2,400,000	2,578,534	2,301,788
Commercial fisheries	545,000	583,973	754,123
Other	472,400	933,938	378,104
Health Canada	337,737	570,863	355,173
Department of Fisheries and Oceans	85,000	379,688	268,836
Canada Mortgage and Housing Corporation	38,000	51,805	37,829
Rental income	48,000	66,400	61,750
Deferred revenue, closing	-	(634,689)	(232,895)
	4,964,162	6,106,751	5,363,365
<b>Cost of goods sold, River of Little Fire Inc. Gas Bar</b>	<b>1,940,000</b>	<b>1,986,076</b>	<b>1,816,827</b>
<b>Gross profit</b>	<b>3,024,162</b>	<b>4,120,675</b>	<b>3,546,538</b>
<b>Expenditures</b>			
Social assistance program	248,247	280,917	251,847
Operations and maintenance program	353,561	285,236	285,706
Capital and housing program	117,020	133,846	89,687
Education program	366,253	395,289	388,467
Band administration program	596,726	799,534	629,199
Cultural program	4,320	4,320	4,320
Health program	337,737	514,808	408,516
River of Little Fire Inc. Gas Bar	368,000	363,591	380,885
Fisheries program	706,000	896,233	1,152,329
	3,097,864	3,673,774	3,590,956
<b>Surplus (deficit) before other income</b>	<b>(73,702)</b>	<b>412,818</b>	<b>(44,419)</b>
<b>Other income</b>			
Amortization	(321,867)	(306,048)	(345,021)
<b>Surplus (deficit)</b>	<b>(395,569)</b>	<b>106,770</b>	<b>(389,440)</b>
<b>Accumulated surplus at beginning of year</b>	<b>3,933,044</b>	<b>3,933,044</b>	<b>4,322,484</b>
<b>Accumulated surplus at end of year</b>	<b>\$ 3,537,475</b>	<b>\$ 4,039,814</b>	<b>\$ 3,933,044</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, 2021

	2021	2020
<b>Cash flows from</b>		
<b>Operating activities</b>		
Surplus (deficit)	\$ 106,770	\$ (389,440)
Items not affecting cash		
Add: amortization expense	<u>306,048</u>	<u>345,021</u>
	<u>412,818</u>	<u>(44,419)</u>
Change in non-cash operating working capital		
Accounts receivable	(119,918)	121,976
Inventory	(11,529)	(5,585)
Prepaid expenses	(47,098)	73,870
Trust funds held by Federal Government	(138)	(138)
Accounts payable	(31,750)	121,296
Deferred revenue	<u>854,794</u>	<u>382,895</u>
	<u>1,057,179</u>	<u>649,895</u>
<b>Capital activities</b>		
Acquisition of tangible capital assets	(634,914)	(381,448)
Write off of old boats	-	3,000
	<u>(634,914)</u>	<u>(378,448)</u>
<b>Financing activities</b>		
Repayment of long-term debt	<u>(107,518)</u>	<u>(116,188)</u>
Increase in cash and cash equivalents	314,747	155,259
<b>Cash and cash equivalents, beginning of year</b>	<u>(274,260)</u>	<u>(429,519)</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 40,487</u>	<u>\$ (274,260)</u>
<b>Represented by</b>		
Bank indebtedness	\$ (21,201)	\$ (335,953)
Restricted cash	<u>61,688</u>	<u>61,693</u>
	<u>\$ 40,487</u>	<u>\$ (274,260)</u>

The accompanying notes are an integral part of the financial statements

BUCTOUCHE FIRST NATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2021

**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, 2021

**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
Band housing	20 years

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**BUCTOUCHE FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2021**

**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.

BUCTOUCHE FIRST NATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2021

**2. Restricted Cash**

	<b>2021</b>	2020
CMHC operating reserve	\$ 11,227	\$ 11,263
CMHC replacement reserve fund	<u>50,461</u>	<u>50,430</u>
	<b>\$ 61,688</b>	<b>\$ 61,693</b>

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**

	<b>2021</b>	2020
Indigenous Services Canada	\$ 72,014	\$ 7,014
River of Little Fire Inc.	<u>15,154</u>	<u>17,594</u>
Department of Fisheries and Oceans	<u>213,542</u>	<u>66,186</u>
Other	<u>13,489</u>	<u>94,464</u>
Province of New Brunswick	<u>142,549</u>	<u>118,464</u>
Loans to individuals	<u>5,731</u>	<u>3,481</u>
Canada Mortgage and Housing Corporation	<u>3,785</u>	<u>17,898</u>
	<b>466,264</b>	<b>325,101</b>
Allowance for doubtful accounts	<u>(13,122)</u>	<u>(13,122)</u>
	<b>\$ 453,142</b>	<b>\$ 333,224</b>

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

	<b>March 31, 2020</b>	Additions (interest)	Withdrawals	March 31, 2021
Revenue	\$ 6,804	\$ 138	\$ -	\$ 6,942
Capital	<u>340</u>	<u>-</u>	<u>-</u>	<u>340</u>
	<b>\$ 7,144</b>	<b>\$ 138</b>	<b>\$ -</b>	<b>\$ 7,282</b>

BUCTOUCHE FIRST NATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2021

**5. Long-term investments**

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

	2021	2020
Long-term investments	<u>\$ 10,000</u>	<u>\$ 10,000</u>

**6. Inventory**

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

	2021	2020
Lotto	\$ 3,620	\$ 3,270
Tobacco	33,400	27,470
Other	48,574	43,325
	<u>\$ 85,594</u>	<u>\$ 74,065</u>

**7. Bank Indebtedness**

The First Nation has a demand operating line of credit of \$600,000 which bears interest at bank's prime lending rate plus 1.71% per annum. The line is secured by a general security agreement and Band Council resolution.

	2021	2020
(Cash)/cheques issued in excess of bank balances	\$ 21,201	\$ (124,047)
Bank indebtedness	-	460,000
	<u>\$ 21,201</u>	<u>\$ 335,953</u>

**BUCTOUCHE FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2021**

**8. Accounts payable**

Remittances for band employee benefits are current as of March 31, 2021.

	<b>2021</b>	2020
<b>Current</b>		
Trade payables	\$ 30,163	\$ 45,042
HST payable	27,754	21,245
Receiver General - payroll deductions	25,852	19,421
Province of NB tuition agreement	39,245	-
Fisheries	215,916	235,916
	<b>338,930</b>	321,624
<b>Long term</b>		
Province of NB tuition agreement	-	49,056
	<b>\$ 338,930</b>	<b>\$ 370,680</b>

**9. Deferred revenue**

	<b>2021</b>	2020
ISC Renovations (19/20)	\$ -	\$ 24,300
NSMDC	29,808	-
CMHC Rapid Housing Initiative	221,679	-
DFO AICFI 2.3 (19/20)	-	11,000
ISC - Response (19/20)	-	60,135
ISC - Recovery (19/20)	-	77,353
ISC - Preparedness/mitigation (19/20)	60,107	60,107
Health Can programs	69,044	-
Prepaid snow crab revenue	75,000	150,000
ISC Water infrastructure (20/21)	68,570	-
ISC Covid funding (20/21)	52,666	-
ISC Response (20/21)	72,815	-
ISC Planning design and construction (20/21)	60,000	-
	<b>709,689</b>	382,895
Rental agreement C&F Services building	<b>528,000</b>	-
	<b>528,000</b>	-
	<b>\$ 1,237,689</b>	<b>\$ 382,895</b>

**BUCTOUCHE FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2021**

**10. Long-term Debt**

	<b>2021</b>	2020
Royal Bank of Canada 5.04% loan, payable \$6,375 monthly including interest, due December 2028	\$ 490,041	\$ 540,436
Peace Hills Trust 3.75% loan, payable \$1,584 monthly including interest, due July 2020, secured by 2016 school bus	-	6,110
Canada Mortgage and Housing Corporation 1.43% loan, payable \$425 monthly including interest, due April 2022, guaranteed by ISC	51,915	56,245
Canada Mortgage and Housing Corporation 1.44% loan, payable \$935 monthly including interest, due February 2022, guaranteed by ISC	112,655	122,202
Canada Mortgage and Housing Corporation 1.43% loan, payable \$425 monthly including interest, due April 2022, guaranteed by ISC	51,895	56,224
Canada Mortgage and Housing Corporation 2.22% loan, payable \$1,011 monthly including interest, due January 2024, guaranteed by ISC	133,342	142,441
Canada Mortgage and Housing Corporation 2.21% loan, payable \$493 monthly including interest, due February 2024, guaranteed by ISC	66,594	71,007
Canada Mortgage and Housing Corporation 2.21% loan, payable \$525 monthly including interest, due February 2024, guaranteed by ISC	70,928	75,629
Canada Mortgage and Housing Corporation 0.45% loan, payable \$468 monthly including interest, due June 1, 2021, guaranteed by ISC	79,695	84,743
Canada Mortgage and Housing Corporation 0.27% loan, payable \$475 monthly including interest, due October 2021, guaranteed by ISC	83,768	88,875
Canada Mortgage and Housing Corporation 2.39% loan, payable \$628 monthly including interest, due February 2023, guaranteed by ISC	<u>128,932</u>	<u>133,370</u>

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**BUCTOUCHE FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2021**

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

	2021	2020
	\$ 1,269,765	\$ 1,377,282

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

2022	\$ 105,000
2023	109,000
2024	113,000
2025	117,000
<b>2026 and thereafter</b>	<b>825,765</b>
	<b>\$ 1,269,765</b>

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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 \$39,245 excluding interest, for tuition as at March 31, 2021. 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. 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 2020-21 fiscal year. Further the loan was repaid in full during the 2021-2022 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.

In addition, in the normal course of its operations, Buctouche First Nation becomes involved in legal actions. Some of these potential liabilities may become actual liabilities when one or more future events occur 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 recorded on Buctouche Island First Nation's financial statements.

## BUCTOUCHE FIRST NATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2021

## 12. Tangible Capital Assets

	Cost	Balance, beginning of year	Additions	Disposals	Balance, end of year	Balance, beginning of year	Amortization on disposals	Balance, end of year	Accumulated amortization on disposals	Balance, end of year	Accumulated amortization on disposals	2021 net book value
Land	\$ 122,000	\$ -	\$ -	\$ 122,000	\$ -	\$ 122,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 122,000
Buildings	1,094,628	603,413	-	1,698,041	413,140	413,140	67,922	-	481,062	-	-	1,216,979
Automotive	52,500	31,501	-	84,001	44,170	44,170	10,300	-	54,470	-	-	29,531
Equipment	629,649	-	-	629,649	248,288	248,288	62,965	-	311,253	-	-	318,396
Paving	1,282,503	-	-	1,282,503	523,562	523,562	51,300	-	574,862	-	-	707,641
CMHC Housing	1,288,373	-	-	1,288,373	552,890	552,890	(44,240)	-	508,650	-	-	779,723
Community Health												
Centre	445,975	-	-	445,975	286,250	286,250	17,839	-	304,089	-	-	141,886
Water systems	2,484,364	-	-	2,484,364	534,440	534,440	49,987	-	584,127	-	-	1,900,237
Boats	1,077,392	-	-	1,077,392	138,515	138,515	53,870	-	192,385	-	-	885,007
School bus	99,419	-	-	99,419	99,419	99,419	-	-	99,419	-	-	-
River of Little Fire	451,065	-	-	451,065	312,129	312,129	22,650	-	334,779	-	-	116,286
Band housing	841,314	-	-	841,314	827,559	827,559	13,755	-	841,314	-	-	-
	\$ 9,869,182	\$ 634,914	\$ -	\$ 10,504,096	\$ 3,980,362	\$ 3,980,362	\$ 306,048	\$ -	\$ 4,286,410	\$ -	\$ 6,217,686	

BUCTOUCH FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2021

		Cost		Accumulated amortization		
	beginning of year	Additions	Disposals	Balance, beginning of year	Amortization on disposals	Balance, end of year
Land	\$ 122,000	\$ -	\$ -	\$ 122,000	\$ -	\$ -
Buildings	974,013	120,615	-	1,094,628	386,238	26,902
Automotive	52,500	-	-	52,500	40,600	3,570
Equipment	533,308	96,341	-	629,649	177,033	71,255
Paving	1,282,503	-	-	1,282,503	491,128	32,434
CMHC Housing	1,288,373	-	-	1,288,373	502,952	49,938
Community Health Centre	445,975	-	-	445,975	275,618	10,632
Water systems	2,484,364	-	-	2,484,364	483,788	50,652
Boats	1,008,099	164,492	(95,199)	1,077,392	176,845	53,870
School bus	99,419	-	-	99,419	79,536	19,883
River of Little Fire Band housing	451,065	-	-	451,065	297,860	14,269
	841,314	-	-	841,314	815,944	11,615
	\$ 9,582,933	\$ 381,448	\$ (95,199)	\$ 9,869,182	\$ 3,727,542	\$ 345,020
						\$ (92,200)
						\$ 3,980,362
						\$ 5,888,820

**BUCTOUCHE FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2021**

**13. Prepaid expenses**

	<b>2021</b>	2020
Insurance	\$ 22,005	\$ 19,907
C-store deposit on canopy	-	5,000
Down payment on two new homes	<u>50,000</u>	-
	<hr/>	<hr/>
	\$ 72,005	\$ 24,907

**14. Expenditures by object**

	<b>2021</b>	2020
Wages and benefits	\$ 1,725,250	\$ 1,926,396
Convenience store	<u>2,080,969</u>	1,903,378
Social program expense	201,501	171,819
Tuition	248,058	232,554
Supplies, maintenance, services & ins.	374,922	394,689
Interest and bank charges	62,306	91,988
Professional services	33,004	18,100
Repairs	249,654	109,471
Other	<u>684,186</u>	559,389
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	\$ 5,659,850	\$ 5,407,784

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**BUCTOUCHE FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2021**

**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 \$453,142 (2020 - \$333,224). 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 \$338,930 (2020 - \$370,680). 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.

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**BUCTOUCHE FIRST NATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2021**

**17. Annual surplus net of amortization and loan payments**

	<b>2021</b>	2020
Annual surplus (deficit)	\$ 106,770	\$ (389,440)
Add: Amortization expense included in annual surplus	306,048	345,021
Deduct: Principal portion of loan payments	(107,518)	(116,188)
<b>Annual surplus net of amortization and loan payments</b>	<b>\$ 305,300</b>	<b>\$ (160,607)</b>