

EEL GROUND (NATOAGANEG) FIRST NATION

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2021

EEL GROUND (NATOAGANEG) FIRST NATION

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MARCH 31, 2021

Page

Management's Responsibility for Financial Reporting

Independent Auditor's Report

Financial Statements

Consolidated Statement of Financial Position	1
Consolidated Statement of Change in Net Debt	2
Consolidated Statement of Operations and Accumulated Surplus	3
Consolidated Statement of Cash Flows	4
Notes to Consolidated Financial Statements	5 - 19

Consolidated Schedules of Operations by Program

Consolidated Summary Schedule of Operations by Program	20
Social Development - Schedule #1	21
Community Development - Schedule #2	22
Community Infrastructure - Schedule #3	23
Housing and Capital Projects - Schedule #4	24
Band Administration - Schedule #5	25
Education - Schedule #6	26
Early Childhood Learning - Schedule #7	27
Public Safety - Schedule #8	28
Community Health - Schedule #9	29
Assisted Living - Schedule #10	30

Mandatory reporting requirements

Government transfers	31
ISC funding and expenditures	32
Health Canada funding and expenditures	33
Segment disclosure - current year	34

EEL GROUND (NATOAGANEG) FIRST NATION

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2021

Page

Consolidated Schedules of Operations by Program, continued

Segment disclosure - prior year	35
Review engagement report	36
Schedule of Salaries, Honoraria and Travel - Elected Officials	37
Schedule of Salaries, Honoraria and Travel - Unelected Senior Officials	38

EEL GROUND (NATOAGANEG) FIRST NATION
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING
MARCH 31, 2021

The accompanying consolidated financial statements of Eel Ground (Natoaganeg) First Nation are the responsibility of management and have been approved by Council.

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada and as such include amounts that are the best estimates and judgments of management.

Management is responsible for the integrity and objectivity of these statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and is ultimately responsible for reviewing and approving the consolidated financial statements.

The Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the consolidated financial statements and the external auditor's report.

Lenahan McCain & Associates, an independent firm of accountants, has been engaged to examine the consolidated financial statements in accordance with Canadian generally accepted auditing standards. Their report stating the scope of their examination and opinion on the consolidated financial statements, follows.

On behalf of Eel Ground (Natoaganeg) First Nation:

Chief

Councillor

Councillor

Councillor

Councillor

Councillor

Councillor

Councillor

Councillor

Councillor



Independent Auditor's Report

To the Chief and Council and Members of
Eel Ground (Natoaganeg) First Nation

Opinion

We have audited the consolidated financial statements of Eel Ground (Natoaganeg) First Nation, which comprise the consolidated statement of financial position as at March 31, 2021, and the consolidated statements of operations and accumulated surplus, change in net debt and cash flows 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, 2021, and the results of its consolidated operations, the changes in its consolidated net debt, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards (PSAB).

Basis for Opinion

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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.

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.

Independent Auditor's Report, continued

- ♦ 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. However, future events or conditions may cause the First Nation to cease to continue as a going concern.
- ♦ 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.

Woodstock, New Brunswick
November 30, 2021

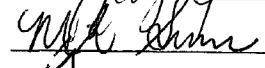
Louisa McCain + Associates
Chartered Professional Accountants

EEL GROUND (NATOAGANEG) FIRST NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2021

	2021	2020
Financial Assets		
Cash	\$ 2,648,986	\$ 465,019
Restricted cash (Note 2)	266,127	265,862
Accounts receivable (Note 3)	3,353,487	2,783,484
Trust funds held by Federal Government (Note 4)	100,842	99,590
Investment in Natuaqanek Commercial Fishery Coop Ltd. (Note 6)	42,725	45,145
	<u>6,412,167</u>	<u>3,659,100</u>
Liabilities		
Accounts payable (Note 7)	722,169	1,928,312
Deferred revenue (Note 8)	5,166,714	2,436,671
Long-term debt (Note 9)	6,180,088	5,968,605
	<u>12,068,971</u>	<u>10,333,588</u>
Net debt	<u>(5,656,804)</u>	<u>(6,674,488)</u>
Non-financial Assets		
Tangible capital assets (Note 11)	35,154,683	34,739,308
Prepaid expenses (Note 13)	231,640	233,954
	<u>35,386,323</u>	<u>34,973,262</u>
Accumulated Surplus	<u>\$ 29,729,519</u>	<u>\$ 28,298,774</u>

Approved on behalf of the Eel Ground (Natoaganeg) First Nation

 , Chief

 , Councillor

 , Councillor

 , Councillor

 , Councillor

 , Councillor

_____, Councillor

_____, Councillor

_____, Councillor

_____, Councillor

The accompanying notes are an integral part of the financial statements

EEL GROUND (NATOAGANEG) FIRST NATION
CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT
FOR THE YEAR ENDED MARCH 31, 2021

	2021 Budget	2021 Actual	2020 Actual
Surplus	\$ (1,139,822)	\$ 1,430,742	\$ 524,646
Acquisition of tangible capital assets	-	(1,926,928)	(1,811,627)
Disposal of tangible capital assets	-	-	-
Amortization of tangible capital assets	1,483,178	1,511,551	1,483,178
	1,483,178	(415,377)	(328,449)
Acquisition of prepaid asset	-	2,319	(18,264)
(Decrease) increase in net financial assets	343,356	1,017,684	177,934
Net debt, beginning of year	(6,674,488)	(6,674,488)	(6,852,422)
Net debt, end of year	\$ (6,331,132)	\$ (5,656,804)	\$ (6,674,488)

The accompanying notes are an integral part of the financial statements

EEL GROUND (NATOAGANEG) FIRST NATION
CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED MARCH 31, 2021

	2021 Budget	2021 Actual	2020 Actual
Revenue			
Indigenous Services Canada	\$ 7,088,789	\$ 9,063,496	\$ 7,255,865
Other	2,028,493	3,604,285	3,031,247
Health Canada	1,502,304	2,710,913	1,890,027
Rental	1,175,200	1,379,468	1,172,477
Crown land forestry operations	1,040,000	921,243	1,025,045
Fisheries operations	445,050	1,112,043	628,761
Canada Mortgage and Housing Corporation	215,000	234,539	216,644
Deferred revenue, opening	-	2,436,670	1,915,075
Deferred revenue, closing	-	(5,166,714)	(2,436,670)
	13,494,836	16,295,943	14,698,471
Expenditures			
Social Development	2,520,412	2,257,212	2,263,648
Community Development	2,548,471	3,013,334	2,451,670
Community Infrastructure	887,120	619,101	877,239
Housing and Capital Projects	1,713,076	1,162,897	984,896
Band Administration	853,550	874,430	875,229
Education	2,554,500	2,714,318	2,642,060
Early Childhood Learning	135,465	89,321	313,189
Public Safety	101,000	-	101,376
Community Health	1,650,804	2,433,535	1,939,990
Assisted Living	187,082	187,082	186,514
	13,151,480	13,351,230	12,635,811
Surplus before other items	343,356	2,944,713	2,062,660
Other items			
Amortization	(1,483,178)	(1,511,551)	(1,483,178)
Equity of Natuaqanek Commercial Fishery Coop	-	(2,420)	(54,836)
	(1,483,178)	(1,513,971)	(1,538,014)
Surplus	(1,139,822)	1,430,742	524,646
Accumulated surplus at beginning of year	28,298,772	28,298,772	27,774,126
Accumulated surplus at end of year	\$ 27,158,950	\$ 29,729,514	\$ 28,298,772

The accompanying notes are an integral part of the financial statements

EEL GROUND (NATOAGANEG) FIRST NATION
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2021

	2021 Actual	2020 Actual
Cash flows from		
Operating activities		
Surplus	\$ 1,430,742	\$ 524,646
Items not affecting cash		
Amortization expense	1,511,551	1,483,178
	2,942,293	2,007,824
Change in non-cash operating working capital		
Accounts receivable	(570,003)	916,291
Prepaid expenses	2,314	(18,264)
Trust funds held by Federal Government	(1,252)	(1,917)
Accounts payable	(1,206,139)	(301,953)
Deferred revenue	2,730,043	521,598
Investment in Natuaqanek Commercial Fishery Cooperative Ltd.	2,420	54,836
	3,899,676	3,178,415
Capital activities		
Acquisition of tangible capital assets	(1,928,927)	(1,811,626)
Disposal of tangible capital assets	2,000	-
	(1,926,927)	(1,811,626)
Financing activities		
Repayment of long-term debt	(564,063)	(540,592)
Proceeds of long-term debt	775,546	262,863
	211,483	(277,729)
Increase in cash and cash equivalents	2,184,232	1,089,060
Cash and cash equivalents, beginning of year	730,881	(358,179)
Cash and cash equivalents, end of year	\$ 2,915,113	\$ 730,881
Represented by		
Cash	\$ 2,648,986	\$ 465,019
Restricted cash	266,127	265,862
	\$ 2,915,113	\$ 730,881

The accompanying notes are an integral part of the financial statements

EEL GROUND (NATOAGANEG) 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 Eel Ground (Natoaganeg) 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 band. Inter-fund and inter-corporate balances and transactions have been eliminated. The entities included in the consolidated financial statements are as follows:

1. Eel Ground Education Committee Inc.
2. Natuaqanek Commercial Fishery Cooperative Ltd.

(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) 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 and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. These estimates are reviewed periodically and are reported in earnings in the period in which they become known. Actual results could differ from those estimates.

(d) Financial instruments

The First Nation's financial instruments consist of cash, restricted cash, accounts receivable, bank indebtedness, accounts payable, deferred revenue 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.

EEL GROUND (NATOAGANEG) FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2021

1. Basis of Presentation and Significant Accounting Policies, continued

(e) Principles of consolidation

All controlled entities are fully consolidated on a line-by-line basis except for Natuaqanek Commercial Fishery Cooperative Ltd. which meets the definition of a government business enterprise. This enterprise is included in the consolidated financial statements on a modified equity 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.

Modified Equity Method

This method is used for commercial enterprises which meet the definition of government business enterprises. Government business enterprises have the power to contract in their own name, have the financial and operating authority to carry on a business, sell goods and services to customers outside the First Nation as their principle activity, and that can, in the normal course of operations, maintain operations and meet liabilities from revenues received from outside the First Nation government. The modified equity method reports a commercial enterprise's net assets as an investment on the Consolidated Statement of Financial Position. The net income of the commercial enterprises is reported as equity earnings (loss) on the Consolidated Statement of Operations. Inter-organizational transactions and balances are not eliminated. All gains or losses arising from inter-organizational transactions between commercial enterprises or other First Nation organizations are eliminated. The accounting policies of commercial organizations are not adjusted to conform to those of the First Nation.

(f) 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.

EEL GROUND (NATOAGANEG) FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2021

1. Basis of Presentation and Significant Accounting Policies, continued

(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.

Certain tangible capital assets, including but not limited to housing as well as roads and infrastructure, have been recorded at a nominal amount of \$1 as specific historical data was not available. Whereas all such assets are amortized over a period not longer than twenty five years, it is management's opinion that all assets acquired prior to 1996 would now be fully amortized.

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 (computers and water and sewer) or declining balance method over their estimated useful lives. Amortization begins in the year acquired. Current descriptions and applicable rates are as follows:

Land improvements	4 %
Community buildings	4 %
Vehicles	30 %
Paving	8 %
Furniture and equipment	20 %
Computers	2 years
Housing	5 %
Water and sewer	50 years
Fishing vessels	15 %

(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 is performed is deferred and recognized when the fee is earned or service performed.

EEL GROUND (NATOAGANEG) FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2021

1. Basis of Presentation and Significant Accounting Policies, continued

(i) Expense recognition

Expenses are recorded on the accrual basis as they are incurred and measurable based on receipt of goods or services and obligation to pay.

(j) 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.

(k) Segment disclosure

The financial statements of Eel Ground (Natoaganeg) 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.

2. Restricted cash

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

	2021	2020
Balance, beginning of year	\$ 265,862	\$ 265,596
Deposits	265	266
Balance, end of year	<u>\$ 266,127</u>	<u>\$ 265,862</u>

EEL GROUND (NATOAGANEG) FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2021

3. Accounts receivable

	2021	2020
ISC	\$ 1,242,402	\$ 869,044
Department of Fisheries and Oceans	815,391	217,861
Other	286,938	953,473
North Shore Micmac District Council	185,036	123,330
Advances to Members	113,729	213,660
Province of New Brunswick	545,255	-
Natuaqanek Commercial Fishery Cooperative Inc.	81,935	126,139
Health Canada	-	87,682
Canada Mortgage and Housing Corporation	20,123	122,684
HST Recoverable	62,678	69,611
	<u>\$ 3,353,487</u>	<u>\$ 2,783,484</u>

4. Trust funds held by federal government

	March 31, 2020	Additions (Interest)	March 31, 2021
Revenue	\$ 72,413	\$ 1,252	\$ 73,665
Capital	27,177	-	27,177
Total	<u>\$ 99,590</u>	<u>\$ 1,252</u>	<u>\$ 100,842</u>

5. Bank indebtedness

The First Nation has an approved operating line of credit at Canadian Imperial Bank of Commerce to a maximum of \$750,000, secured by a general security agreement and a band council resolution, bearing an interest rate at prime plus 1.25%.

EEL GROUND (NATOAGANEG) FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2021

6. Investment in Government Business Enterprises

- ♦ Natuaqanek Commercial Fishery Cooperative Ltd.

	2021 Total	2020 Total
Accounts receivable	\$ -	\$ 2,298
Tangible capital assets	387,341	410,445
Total assets	\$ 387,341	\$ 412,743
Accounts payable	\$ 82,407	\$ 130,386
Callable debt	129,055	144,389
Other liabilities	133,156	92,823
Total liabilities	344,618	367,598
Equity	42,723	45,145
Total liabilities and equity	\$ 387,341	\$ 412,473
	2021 Total	2020 Total
Revenue	\$ 589,176	\$ 524,201
Expenses	69,066	84,138
Debt servicing	(146)	8,949
Wages and benefits	499,574	460,429
Amortization	23,102	25,521
Total expenses	591,596	579,037
Net income (loss)	\$ (2,420)	\$ (54,836)

EEL GROUND (NATOAGANEG) FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2021

7. Accounts payable

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

	2021	2020
Trade	\$ 618,197	\$ 851,790
Pension plan	29,490	35,888
Wages and payroll deductions	43,065	6,417
ISC - Admin & Support - Estates (19/20)	17,689	-
Minister of Finance	-	642,820
Accrued interest	9,203	10,872
North Shore Micmac District Council	-	200,000
NB Mi'qmaq Child & Family Services	-	176,000
Health Canada	4,525	4,525
	<u>\$ 722,169</u>	<u>\$ 1,928,312</u>

EEL GROUND (NATOAGANEG) FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2021

8. Deferred revenue

	2021	2020
ISC - water & sewer project	\$ 617,127	\$ 69,971
ISC - youth employment strategy	108,150	152,278
ISC - FNWWEP	-	54,235
ISC - special initiatives	-	11,258
ISC - housing projects	338,037	273,741
ISC - housing capacity & training	8,240	67,458
ISC - revenue recycling carbon	-	286,100
ISC - income assistance	81,850	32,400
ISC - emergency management assistance	-	76,696
ISC - community infrastructure	454,674	-
ISC - Covid community development	79,800	-
ISC - P&ID	27,898	-
ISC - Covid	133,383	-
ISC - building upgrades	81,875	-
ISC - recovery	69,618	-
FNEII Special Education and New Paths	171,464	169,075
North Shore Micmac District Council	315,202	121,837
Community development	-	80,287
Health Canada	1,402,728	862,213
Canada Feed the Children	55,646	17,830
Heritage Canada	63,808	7,649
National Indian Brotherhood	9,429	-
Department of Fisheries and Oceans	344,982	-
Canada Mortgage and Housing Corporation	471,926	19,613
Other	279,791	126,027
UNBI - Suicide prevention	10,625	8,003
Province of New Brunswick	40,461	-
	\$ 5,166,714	\$ 2,436,671

EEL GROUND (NATOAGANEG) FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2021

9. Long-term debt

	2021	2020
Canada Mortgage and Housing Corporation Various mortgages at interest rates from 0.27% to 2.50%, payable to CMHC guaranteed by the Minister of Indigenous Services Canada. These loans are related to CMHC housing projects and have varying repayment terms and maturity dates.	\$ 4,547,809	\$ 4,718,456
Royal Bank of Canada 5.47% loan, payable \$528 monthly including interest, due February 2023	82,304	84,079
CIBC Prime + 0.5% loan, payable \$467 monthly plus interest, maturity date February 2031	55,533	-
CIBC Prime + 1.0% demand loan, payable \$1,667 monthly plus interest, maturity date February 2025	78,333	-
CIBC Prime + 0.5% demand loan, payable \$472 monthly plus interest, maturity date February 2036	84,528	-
CIBC Prime + 1.0% demand loan, interest payable monthly in arrears for 10 months followed by 60 monthly payments \$1,892 monthly plus accrued interest, maturity date February 2027, secured by solar project. Payment of \$250,749 is due at any time within the first 12 months after date of advance.	362,353	-
Royal Bank of Canada 3.44% loan, payable \$316 monthly including interest, due February 2023	5,822	9,342
Royal Bank of Canada 3.45% loan, payable \$486 monthly including interest, due December 2023	15,073	20,233
CIBC Prime + 0.5% loan, payable \$567 monthly plus interest, maturity date February 2031	67,433	-
CIBC Prime plus 1.25% demand loan, payable \$727 monthly plus interest, due January 2023, secured by school bus	15,983	24,701

EEL GROUND (NATOAGANEG) FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2021

9. Long-term debt, continued

	2021	2020
CIBC		
Prime plus 1.25% loan payable \$1,667 monthly plus interest, due July 2020, secured by school bus	-	6,666
CIBC		
Prime plus 1.25% demand loan payable \$16,981 monthly plus interest, due July 2022, unsecured	271,688	475,454
CIBC		
Prime plus 1.50% demand loan payable \$3,051 monthly including interest, due October 2034, secured by 12 unit apartment building at 55 Riverside East	385,869	406,526
CIBC		
Prime plus 0.50% demand loan payable \$700 monthly plus interest, due March 2044, secured by a general security agreement	193,200	201,600
CIBC		
Prime plus 0.50% demand loan payable \$616 monthly plus interest, due February 2023, secured by a 2017 Dodge Grand Caravan	14,160	21,548
	<u>6,180,088</u>	<u>5,968,605</u>
Current portion	539,503	510,074
	<u>\$ 5,640,585</u>	<u>\$ 5,458,531</u>

Subsequent to year end, the First Nation was advanced a \$14,500,000 demand loan from CIBC to acquire a snow crab fishing licence, quota, a marine vessel and other fishing equipment. Repayment terms are interest only for 12 months followed by a one-time payment of \$5,500,000 due on May 1, 2022. 19 annual payments of \$473,684 are to be made following the interest only period. The \$5,500,000 payment can be restructured at the bank's discretion at that time. The applicable interest rate is CIBC's prime rate.

Principal portion of long-term debt due within the next five years:

2022	\$ 539,503
2023	397,413
2024	310,714
2025	308,248
2026 and thereafter	4,624,210
	<u>\$ 6,180,088</u>

EEL GROUND (NATOAGANEG) FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2021

10. Contingent Liabilities

Eel Ground (Natoaganeg) First Nation has entered into contribution agreements with various federal government departments. Funding received under these contribution agreements is subject to repayment if the First Nation fails to comply with the terms and conditions of the agreements. The likelihood of compliance reviews and any potential findings are not determinable as at the date on the auditor's report.

In the normal course of operations, the First Nation becomes involved in legal actions. Some of these potential liabilities may become actual liabilities when one or more future events 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 First Nation's financial statements. When the future event involves more uncertainty, the action or claim is considered a contingent liability.

EEL GROUND (NATOAGANEG) FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2021

11. Tangible Capital Assets

	Cost	Additions	Adjustment	Accumulated amortization	2021 Net book value
Community buildings	\$ 16,052,444	\$ 559,485	\$ 2,000	\$ 4,705,197	\$ 11,904,732
Vehicles	856,962	50,754	-	726,838	180,878
Computers	260,809	9,707	-	259,661	10,855
Furniture and equipment	752,452	131,303	-	482,118	401,637
Paving	225,500	-	-	163,429	62,071
Water and sewer	16,174,687	291,101	-	3,610,542	12,855,246
Subdivision	881,740	-	-	467,348	414,392
Vessels	898,931	251,621	-	567,733	582,819
Housing	14,329,415	634,955	-	6,222,317	8,742,052
	\$ 50,432,940	\$ 1,928,926	\$ 2,000	\$ 17,205,183	\$ 35,154,682

	Cost	Additions	Adjustment	Accumulated amortization	2020 Net book value
Community buildings	\$ 15,932,721	\$ 119,722	\$ -	\$ 4,219,697	\$ 11,832,747
Vehicles	822,277	34,685	-	660,195	196,767
Computers	256,217	4,592	-	257,365	3,444
Furniture and equipment	645,828	106,624	-	398,121	354,330
Paving	225,500	-	-	158,032	67,468
Water and sewer	15,159,258	1,015,429	-	3,284,137	12,890,548
Subdivision	881,740	-	-	450,082	431,658
Vessels	792,463	106,468	-	487,084	411,847
Housing	13,905,308	424,107	-	5,778,918	8,550,496
	\$ 48,621,312	\$ 1,811,627	\$ -	\$ 15,693,631	\$ 34,739,305

EEL GROUND (NATOAGANEG) FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2021

12. 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 of \$3,353,487 (2020 - \$2,783,484). 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 bank indebtedness and accounts payable and accrued liabilities of \$722,169 (2020 - \$1,928,312). 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 and certain term loans, which are variable based on the bank's prime rates. This exposure may have an effect on its interest expenses in future periods. The First Nation reduces its exposure to interest rate risk by regularly monitoring published bank prime interest rates which have been relatively stable over the period presented. There are some loans payable that are at fixed term rates and therefore, do not affect interest rate risk. The First Nation does not use derivative instruments to reduce its exposure to interest rate risk. In the opinion of management the interest rate risk exposure to the First Nation is low and is not material.

EEL GROUND (NATOAGANEG) FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2021

13. Prepaid expenses

	2021	2020
Social assistance and rent	\$ 11,233	\$ 4,350
Insurance	21,448	13,604
HSIF	69,749	-
Payroll	12,049	19,560
Other	6,421	3,752
Minister of Finance - tuition	110,740	192,688
Total	\$ 231,640	\$ 233,954

14. Economic Dependence

Eel Ground (Natoaganeg) First Nation received a major portion of its revenues pursuant to a funding arrangement with Indigenous Services Canada. The continued operation of the First Nation is dependant on the continuation of this funding arrangement.

15. Comparative Amounts

Certain comparative amounts have been reclassified to conform with the presentation adopted in the current period. There is no impact to the accumulated surplus balance.

16. Expenses by object

	2021	2020
Wages and benefits	\$ 4,810,991	\$ 4,648,470
Social program payments	2,261,006	2,325,075
Travel and training	21,068	49,033
Programs and activities	4,176,865	3,383,530
Tuition costs	635,648	625,763
Repairs, supplies and services	1,071,285	1,188,321
Interest and bank charges	144,932	206,112
Professional services	155,981	76,266
Other	75,867	133,241
Amortization	1,511,551	1,483,178
	\$ 14,865,194	\$ 14,118,989

EEL GROUND (NATOAGANEG) FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2021

17. Annual surplus net of capital related revenues and amortization

	2021	2020
Annual surplus (deficit)	\$ 1,430,742	\$ 524,646
Deduct: Federal government transfers for capital (Page 31)	(2,582,167)	(1,293,703)
Deduct: Provincial government transfers for capital (Page 31)	(11,000)	(4,524)
Add: Amortization expense included in annual surplus (deficit)	1,511,551	1,483,178
<u>Annual surplus net of capital related revenues and amortization</u>	<u>\$ 349,126</u>	<u>\$ 709,597</u>

18. Impacts of Covid-19

On March 11, 2020, the World Health Organization declared a global pandemic due to the outbreak of Covid-19. The declaration of the pandemic did not have a negative impact on the financial statements for the year ended March 31, 2021. The First Nation did not have to revise judgments, estimates and assumptions. The pandemic has not had any negative impact on the First Nation's liquidity, credit or business risks to date. Future impacts on the First Nation's operations, if any, are indeterminable as at the date of the independent auditor's report.