

NATOAGANEG FIRST NATION

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

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CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2023

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NATOAGANE FIRST NATION
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING
MARCH 31, 2023

The accompanying consolidated financial statements of 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.

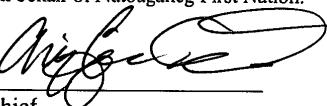
Management is responsible for the integrity and objectivity of these statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

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.

Lenehan 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 Natoaganeg First Nation:


Chief

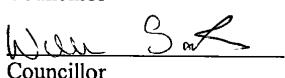

Councillor


Councillor

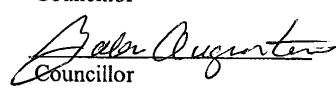
Councillor


Councillor

Councillor


Councillor

Councillor


Councillor

Councillor



Independent Auditor's Report

To the Chief and Council and Members of
Natoaganeg First Nation

Opinion

We have audited the consolidated financial statements of Natoaganeg First Nation, which comprise the consolidated statement of financial position as at March 31, 2023, 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, 2023, 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.

Lewth M'Ginn + Associates

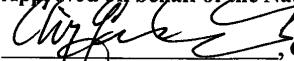
Chartered Professional Accountants

Woodstock, New Brunswick
May 3, 2024

NATOAGANE FIRST NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2023

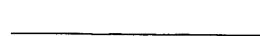
	2023	2022
Financial Assets		
Cash	\$ 4,321,032	\$ 4,906,805
Restricted cash (Note 2)	310,707	310,397
Accounts receivable (Note 3)	8,634,782	4,576,464
Trust funds held by Federal Government (Note 4)	105,017	102,435
Investment in Natuaqanek Commercial Fishery Coop Ltd. (Note 6)	-	16,438
	13,371,538	9,912,539
Liabilities		
Accounts payable (Note 7)	2,233,850	902,766
Deferred revenue (Note 8)	9,022,508	6,682,297
Long-term debt (Note 9)	18,811,902	19,126,905
	30,068,260	26,711,968
Net debt	(16,696,722)	(16,799,429)
Non-financial Assets		
Tangible capital assets (Note 11)	40,168,540	37,143,016
Prepaid expenses (Note 13)	474,490	274,547
Intangible assets (Note 18)	13,166,769	13,166,769
	53,809,799	50,584,332
Accumulated Surplus	\$ 37,113,077	\$ 33,784,903

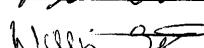
Approved on behalf of the Nataganeg First Nation

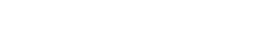
, Chief

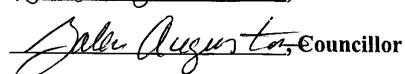
, Councillor

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, Councillor

The accompanying notes are an integral part of the financial statements

NATOAGANE FIRST NATION
CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT
FOR THE YEAR ENDED MARCH 31, 2023

	2023 Budget	2023 Actual	2022 Actual
Surplus	\$ 6,425,975	\$ 3,328,173	\$ 4,055,386
Acquisition of tangible capital assets	(7,400,000)	(4,939,409)	(3,673,231)
Amortization of tangible capital assets	1,684,899	1,913,888	1,684,899
	(5,715,101)	(3,025,523)	(1,988,331)
Acquisition of prepaid asset	-	(199,943)	(42,910)
Acquisition of intangible assets	-	-	(13,166,769)
Increase (decrease) in net financial assets	710,874	102,707	(11,142,624)
Net debt at beginning of year	(16,799,429)	(16,799,429)	(5,656,805)
Net debt at end of year	\$ (16,088,555)	\$ (16,696,722)	\$ (16,799,429)

NATOAGANEK FIRST NATION

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED MARCH 31, 2023

	2023 Budget	2023 Actual	2022 Actual
Revenue			
Indigenous Services Canada	\$ 12,087,403	\$ 14,874,845	\$ 13,264,904
Other	2,162,441	4,718,178	3,176,355
Rental	1,500,600	1,598,314	1,515,860
Crown land forestry operations	988,000	1,124,558	987,298
Fisheries operations	2,445,050	4,006,447	3,194,902
Canada Mortgage and Housing Corporation	5,640,000	1,930,405	523,389
Deferred revenue, opening	-	6,682,297	5,166,715
Deferred revenue, closing	-	(8,760,573)	(6,682,297)
	24,823,494	26,174,471	21,147,126
Expenditures			
Social Development	2,342,452	3,709,363	2,062,933
Community Development	4,043,050	5,339,100	3,496,585
Community Infrastructure	857,500	955,356	715,744
Housing and Capital Projects	1,363,000	2,290,616	1,352,330
Band Administration	1,053,000	1,203,756	944,623
Education	3,246,500	3,522,724	3,085,044
Early Childhood Learning	100,465	280,439	136,358
Women's Shelter	143,000	192,226	269
Community Health	3,370,647	3,221,773	3,373,610
Assisted Living	193,006	217,057	213,057
	16,712,620	20,932,410	15,380,553
Surplus before other items	8,110,874	5,242,061	5,766,573
Other items			
Amortization	(1,684,899)	(1,913,888)	(1,684,899)
Equity of Natuaqanek Commercial Fishery Coop	-	-	(26,288)
	(1,684,899)	(1,913,888)	(1,711,187)
Surplus	6,425,975	3,328,173	4,055,386
Accumulated surplus at beginning of year	33,784,900	33,784,900	29,729,514
Accumulated surplus at end of year	\$ 40,210,875	\$ 37,113,073	\$ 33,784,900

The accompanying notes are an integral part of the financial statements

NATOAGANE FIRST NATION
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2023

	2023 Actual	2022 Actual
Cash flows from		
Operating activities		
Surplus	\$ 3,328,173	\$ 4,055,386
Items not affecting cash		
Amortization expense	1,913,888	1,684,899
	5,242,061	5,740,285
Change in non-cash operating working capital		
Accounts receivable	(4,058,318)	(1,222,977)
Prepaid expenses	(199,943)	(42,907)
Trust funds held by Federal Government	(2,582)	(1,593)
Accounts payable	1,331,084	180,598
Deferred revenue	2,340,211	1,515,583
Investment in Natuaqanek Commercial Fishery Cooperative Ltd.	16,438	26,288
	4,668,951	6,195,277
Capital activities		
Acquisition of tangible capital assets	(4,939,409)	(3,673,236)
Acquisition of intangible assets	-	(13,166,769)
	(4,939,409)	(16,840,005)
Financing activities		
Repayment of long-term debt	(958,947)	(1,879,140)
Proceeds of long-term debt	643,942	14,825,957
	(315,005)	12,946,817
Increase (decrease) in cash and cash equivalents	(585,463)	2,302,089
Cash and cash equivalents, beginning of year	5,217,202	2,915,113
Cash and cash equivalents, end of year	\$ 4,631,739	\$ 5,217,202
Represented by		
Cash	\$ 4,321,032	\$ 4,906,805
Restricted cash	310,707	310,397
	\$ 4,631,739	\$ 5,217,202

The accompanying notes are an integral part of the financial statements

NATOAGANE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

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 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. 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.

NATOAGANEK FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

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.

NATOAGANE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

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 1998 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.

NATOAGANEG FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

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 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.

(l) Fishing licences

Fishing licenses are recorded at cost as intangible assets and are not amortized.

The First Nation evaluates the carrying value of its licenses and permits annually for impairment. Should a permanent impairment be identified, the impairment will be recognized as a reduction in the carrying value and as a charge against income on the statement of operations in the period the impairment occurred.

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.

	2023	2022
Balance, beginning of year	\$ 310,397	\$ 266,127
Deposits	310	44,270
Balance, end of year	<u>\$ 310,707</u>	<u>\$ 310,397</u>

NATOAGANEK FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2023

3. Accounts receivable

	2023	2022
ISC	\$ 3,445,726	\$ 1,062,351
Department of Fisheries and Oceans	2,689,597	1,496,637
Other	317,935	364,639
North Shore Micmac District Council	339,369	416,723
Advances to Members	140,667	112,428
Province of New Brunswick	640,006	474,511
Natuaqanek Commercial Fishery Cooperative Inc.	-	24,738
Canada Mortgage and Housing Corporation	1,011,113	579,136
HST Recoverable	50,369	45,301
	<hr/> \$ 8,634,782	<hr/> \$ 4,576,464

4. Trust funds held by federal government

	March 31, 2022	Additions (Interest)	March 31, 2023
Revenue	\$ 75,258	\$ 2,582	\$ 77,840
Capital	27,177	-	27,177
Total	\$ 102,435	\$ 2,582	\$ 105,017

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%.

NATOAGANEG FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

6. Investment in Government Business Enterprises

- ♦ Natuaqanek Commercial Fishery Cooperative Ltd.

	2023 Total	2022 Total
Accounts receivable	\$ -	\$ 5,507
Tangible capital assets	- 366,311	
Total assets	\$ -	\$ 371,818
Accounts payable	\$ -	\$ 25,191
Callable debt	- 113,722	
Other liabilities	- 216,470	
Total liabilities	-	355,383
Equity	- 16,435	
Total liabilities and equity	\$ -	\$ 371,818
	2023 Total	2022 Total
Revenue	\$ -	\$ 1,368,521
	- 1,368,521	
Expenses	- 97,223	
Debt servicing	- 5,413	
Wages and benefits	- 1,271,142	
Amortization	- 21,031	
Total expenses	-	1,394,809
Net income (loss)	\$ -	\$ (26,288)

The assets, liabilities and operations of Natuaqanek Commercial Fishery Cooperative Ltd have been transferred to Natoaganeg First Nation in the current fiscal year.

NATOAGANE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

7. Accounts payable

Remittances for band employee benefits are current as of March 31, 2023.

	2023	2022
Trade	\$ 2,034,305	\$ 741,343
Pension plan	2,137	45,620
Wages and payroll deductions	167,296	80,253
ISC - Admin & Support - Estates (19/20)	17,689	17,689
Accrued interest	12,423	13,336
Health Canada	-	4,525
	<hr/> \$ 2,233,850	<hr/> \$ 902,766

8. Deferred revenue

	2023	2022
ISC - water & sewer project	\$ 80,862	\$ 50,757
ISC - summer student	-	20,680
ISC - economic development	96,520	72,314
ISC - housing and capital	549,727	744,689
ISC - skills link	95,568	135,598
ISC - income assistance	288,353	896,313
ISC - education	572,833	288,323
ISC - education Covid assistance	-	58,598
ISC - women's shelter	375,505	424,731
ISC - community infrastructure	496,699	540,099
ISC - Covid community development	-	6,418
ISC - P&ID	86,992	-
ISC - Covid	-	122,303
ISC - community buildings	75,000	-
ISC / Health Canada programs	2,191,738	1,913,672
Heritage Canada	-	3,539
Department of Fisheries and Oceans	-	84,199
Canada Mortgage and Housing Corporation	1,638,582	17,303
Other	2,394,542	1,264,293
Province of New Brunswick	79,587	38,468
	<hr/> \$ 9,022,508	<hr/> \$ 6,682,297

NATOAGANE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

9. Long-term debt

	2023	2022
Canada Mortgage and Housing Corporation Various mortgages at interest rates from 0.76% to 3.81%, 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.	\$ 4,586,723	\$ 4,566,986
Royal Bank of Canada 5.47% loan, payable \$528 monthly including interest, due November 2023	78,451	80,288
CIBC Prime + 0.5% loan, payable \$467 monthly plus interest, maturity date February 2031	44,333	49,933
CIBC Prime + 1.0% demand loan, payable \$1,667 monthly plus interest, maturity date February 2025	38,333	58,333
CIBC Prime + 0.5% demand loan, payable \$472 monthly plus interest, maturity date February 2036	73,195	78,861
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.	66,206	88,905
Government of Canada Interest-free loan with no set terms of repayment, due on the earlier of March 2027 or the date on which the 1884 Eel Ground Reserve Lands Claim is settled	215,000	-
Royal Bank of Canada 3.44% loan, payable \$316 monthly including interest, due February 2023	-	2,178
Royal Bank of Canada 7.70% loan, payable \$458 monthly including interest, due December 2023	4,752	9,913
CIBC Prime + 0.5% loan, payable \$567 monthly plus interest, maturity date February 2031	53,833	60,633

NATOAGANEK FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

9. Long-term debt, continued

	2023	2022
CIBC		
Prime plus 1.25% demand loan, payable \$727 monthly plus interest, due January 2023, secured by school bus	-	7,265
CIBC		
Prime rate non-revolving demand instalment loan, interest payable monthly in arrears for 12 months followed by 19 annual principal payments of \$473,684, due May 2040, secured by snow crab licences and quota, fishing vessel and equipment	7,526,316	8,000,000
CIBC		
Prime rate non-revolving demand instalment loan, interest payable monthly in arrears for 12 months followed by payment in full on May 1, 2022 which, at CIBC's discretion, may be demanded, extended or re-amortized at the prevailing interest rate at that time, secured by snow crab licences and quota, fishing vessel and equipment. The loan was paid in full in February 2024.	5,500,000	5,500,000
CIBC		
Prime plus 1.25% demand loan payable \$16,981 monthly plus interest, due July 2022, unsecured	-	67,922
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	349,971	364,116
CIBC		
Prime plus 2.00% demand loan, payable in monthly instalments of \$1,278 plus interest, amortized over 167 months, due August 2029, previously Natuaganek Commercial Fisheries Co-op loan	98,389	-
CIBC		
Prime plus 0.50% demand loan payable \$700 monthly plus interest, due March 2044, secured by a general security agreement	176,400	184,800
CIBC		
Prime plus 0.50% demand loan payable \$616 monthly plus interest, due February 2023, secured by a 2017 Dodge Grand Caravan	-	6,772
Current portion	<u>18,811,902</u> <u>6,328,585</u>	<u>19,126,905</u> <u>6,397,275</u>
	<u>\$ 12,483,317</u>	<u>\$ 12,729,630</u>

NATOAGANE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

9. Long-term debt, continued

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

2024	\$ 6,328,585
2025	1,037,036
2026	796,936
2027	771,260
2028 and thereafter	<u>9,878,085</u>
	<u><u>\$ 18,811,902</u></u>

10. Contingent Liabilities

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.

NATOAGANE FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2023

11. Tangible Capital Assets

	Cost	Additions	Accumulated amortization	2023 Net book value
Community buildings	\$ 16,920,460	\$ 2,257,988	\$ 5,702,071	\$ 13,476,376
Vehicles	940,872	111,597	855,300	197,169
Computers	270,516	3,275	271,334	2,456
Furniture and equipment	1,552,131	220,177	833,028	939,280
Paving	225,500	8,159	173,290	60,369
Water and sewer	17,114,732	124,295	4,289,885	12,949,142
Subdivision	881,740	76,633	501,369	457,004
Vessels	2,278,528	276,222	991,287	1,563,463
Housing	15,848,622	1,861,064	7,186,408	10,523,279
	<hr/> <u>\$ 56,033,101</u>	<hr/> <u>\$ 4,939,410</u>	<hr/> <u>\$ 20,803,972</u>	<hr/> <u>\$ 40,168,538</u>
	Cost	Additions	Accumulated amortization	2022 Net book value
Community buildings	\$ 16,609,929	\$ 310,531	\$ 5,187,597	\$ 11,732,863
Vehicles	907,716	33,156	789,869	151,003
Computers	270,516	-	266,941	3,575
Furniture and equipment	883,755	668,376	625,730	926,401
Paving	225,500	-	168,395	57,105
Water and sewer	16,465,788	648,944	3,946,347	13,168,385
Subdivision	881,740	-	483,924	397,816
Vessels	1,150,552	1,127,976	739,754	1,538,775
Housing	14,964,370	884,253	6,681,528	9,167,095
	<hr/> <u>\$ 52,359,866</u>	<hr/> <u>\$ 3,673,236</u>	<hr/> <u>\$ 18,890,085</u>	<hr/> <u>\$ 37,143,018</u>

NATOAGANE FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

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 \$8,634,782 (2022 - \$4,576,464). 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.

Liquidity risk

The First Nation does have a liquidity risk in bank indebtedness and accounts payable and accrued liabilities of \$2,233,850 (2022 - \$902,766). 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.

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. 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.

NATOAGANEG FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2023

13. Prepaid expenses

	2023	2022
Land claim expenses	\$ 190,307	\$ -
Social assistance and rent	-	6,707
Insurance	39,874	25,500
HSIF	-	27,217
Payroll and benefits	13,770	8,277
Other	7,624	7,063
Minister of Finance - tuition	222,915	199,783
Total	\$ 474,490	\$ 274,547

14. Economic Dependence

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

	2023	2022
Wages and benefits	\$ 7,599,800	\$ 6,274,555
Social program payments	3,487,197	1,928,052
Travel and training	217,769	86,143
Programs and activities	2,631,170	3,730,595
Tuition costs	714,596	638,113
Repairs, supplies and services	4,871,739	2,057,666
Interest and bank charges	853,472	478,522
Professional services	556,667	186,907
Other	-	26,287
Amortization	1,913,888	1,684,899
	\$ 22,846,298	\$ 17,091,739

NATOAGANEK FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

17. Annual surplus net of capital related revenues and amortization

	2023	2022
Annual surplus (deficit)	\$ 3,328,173	\$ 4,055,386
Deduct: Federal government transfers for capital (Page 30)	(5,209,357)	(785,351)
Deduct: Provincial government transfers for capital (Page 30)	(14,762)	(3,698)
Add: Amortization expense included in annual surplus (deficit)	1,913,888	1,684,899
Annual surplus net of capital related revenues and amortization	\$ 17,942	\$ 4,951,236

18. Intangible assets

The First Nation records all purchased commerical fishing licenses and permits as intangible assets. During the prior year, the First Nation purchased a snow crab fishing license at a total cost of \$13,166,769.