

MacPhee, Charla (AADNC/AANDC)

From: Sarah Brown <sarah@lmaca.ca>
Sent: Monday, November 9, 2020 3:23 PM
To: IM-AT / GI-AT (AADNC/AANDC)
Cc: Rod Lyons
Subject: Kingsclear First Nation 2020 audited financial statements
Attachments: 2020 financials.pdf

Categories: Charla

Please see attached for the 2020 audited financial statements for Kingsclear First Nation.

Sarah Brown, CPA CGA



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***** OFFICES NOW OPEN*****

Our office locations are now open to the public. The health and safety of our clients, employees, families and communities is still our primary concern. As such, we have implemented measures in accordance with public health and government guidelines to ensure your safety and the safety of our staff. Although drop-ins are now being accepted we would encourage clients to schedule an appointment with firm personnel, when possible. We are grateful to be your trusted advisor and are committed to supporting you as we all move forward.

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KINGSCLEAR FIRST NATION

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2020

KINGSCLEAR FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2020

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Independent Auditor's Report

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KINGSCLEAR FIRST NATION

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

MARCH 31, 2020

The accompanying consolidated financial statements of Kingsclear First Nation are the responsibility of Chief and Council. The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards and necessarily include estimates which are based on management's best judgments.

Management is also responsible for implementing and maintaining a system of internal controls designed to give reasonable assurance that transactions are appropriately authorized, assets are safeguarded from loss and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

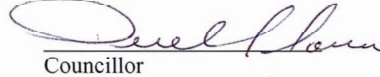
Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The consolidated financial statements have been reviewed and approved by Chief and Council.

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.


Chief

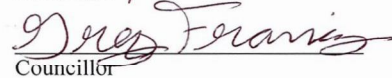
20 Oct 2020
Date


Councillor


Councillor


Councillor

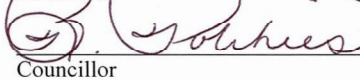
Councillor


Councillor

Councillor


Councillor

Councillor


Councillor

Councillor

Independent Auditor's Report

To the Chief and Council and members of
Kingsclear First Nation

Opinion

We have audited the consolidated financial statements of Kingsclear First Nation, which comprise the consolidated statement of financial position as at March 31, 2020, and the consolidated statements of operations and accumulated surplus, change in net debt, cash flows and the related schedules for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the First Nation as at March 31, 2020, and the results of its consolidated operations and its consolidated cash flows for the year then ended in accordance with PSAB.

Basis for Opinion

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

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

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

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

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

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

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

- ♦ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ♦ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the First Nation's internal control.
- ♦ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ♦ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the First Nation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.
- ♦ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Lenahan McCash + Associates

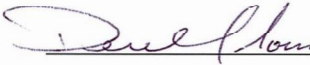
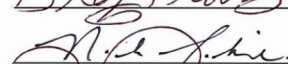
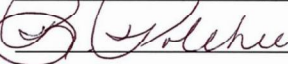
Chartered Professional Accountants

**Woodstock, New Brunswick
October 20, 2020**

KINGSCLEAR FIRST NATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MARCH 31, 2020

	2020	2019
Financial Assets		
Cash (Note 3)	\$ -	\$ 1,175,975
Restricted cash (Note 3)	533,720	728,784
Accounts receivable (Note 4)	3,188,005	4,525,568
Funds held in trust by Federal Government (Note 16)	9,191	9,014
Inventory (Note 10)	210,000	261,011
	<u>3,940,916</u>	<u>6,700,352</u>
Liabilities		
Cheques written in excess of bank deposits (Note 315)	335,843	-
Accounts payable and accrued liabilities (Note 8)	2,400,351	3,512,338
Accounts payable - ISC (Note 9)	594,614	639,561
Deferred revenue (Note 5)	1,149,145	913,853
Long-term debt (Note 6)	9,381,248	7,411,525
	<u>13,861,201</u>	<u>12,477,277</u>
Net debt	<u>(9,920,285)</u>	<u>(5,776,925)</u>
Non-financial Assets		
Tangible capital assets (Note 7)	26,714,455	23,805,177
Prepaid expenses (Note 14)	84,793	222,572
	<u>26,799,248</u>	<u>24,027,749</u>
Accumulated Surplus	<u>\$ 16,878,963</u>	<u>\$ 18,250,824</u>
Approved on behalf of the Kingsclear First Nation		
 , Chief	 , Councillor	
 , Councillor	_____ , Councillor	
 , Councillor	_____ , Councillor	
 , Councillor	_____ , Councillor	
 , Councillor	_____ , Councillor	
 , Councillor	_____ , Councillor	

The accompanying notes are an integral part of the financial statements

KINGSCLEAR FIRST NATION
CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT
FOR THE YEAR ENDED MARCH 31, 2020

	<u>2020</u>	<u>2019</u>
Surplus (deficit)	\$ (1,371,861)	\$ 2,728,855
Acquisition of tangible capital assets	(4,409,751)	(5,222,244)
Amortization of tangible capital assets	1,500,473	1,227,300
	(2,909,278)	(3,994,944)
(Increase) in prepaid expenses	137,779	(179,350)
(Increase) decrease in net debt	(4,143,360)	(1,445,439)
Net debt at beginning of year	(5,776,925)	(4,331,486)
Net debt at end of year	\$ (9,920,285)	\$ (5,776,925)

The accompanying notes are an integral part of the financial statements

KINGSCLEAR FIRST NATION

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

FOR THE YEAR ENDED MARCH 31, 2020

	2020	2020	2019
	Budget	Actual	Actual
Revenues			
Indigenous Services Canada	\$ 10,147,903	\$ 12,308,014	\$ 12,069,802
Convenience Store	17,204,458	16,563,517	17,608,293
VLT income	3,787,151	1,230,425	1,360,650
Health Canada	1,075,960	1,349,405	1,288,501
Rental income	716,870	683,302	758,403
Canada Mortgage and Housing Corporation	712,247	456,106	621,304
Wolastoqey Tribal Council Inc.	363,980	356,278	368,730
Fisheries and Oceans Canada	255,000	295,000	255,000
Other	3,602,902	3,483,399	3,863,088
	37,866,471	36,725,446	38,193,771
Expenditures			
Administration Program	2,270,298	2,866,114	2,284,832
Education Program	3,599,108	3,655,487	3,106,905
Social Program	2,164,624	2,292,269	2,339,689
Social Housing Program	612,146	960,380	1,127,017
Health Program	1,075,960	1,297,381	1,254,488
Fisheries Program	367,287	253,155	480,939
Job Creation Program	418,101	372,418	410,502
Forestry Program	582,335	324,702	533,570
Convenience Store	16,126,686	15,892,880	16,528,403
Capital Program	364,124	936,122	45,013
Adult Care Program	535,851	744,470	577,969
Child Maintenance Program	1,135,390	1,275,595	1,232,442
Child and Family Program	2,076,332	2,585,869	1,439,234
Operations and Maintenance Program	724,348	1,025,693	1,063,741
Economic Development Program	4,547,948	2,114,299	1,812,870
	36,600,538	36,596,834	34,237,614
Surplus before other expense	1,265,933	128,612	3,956,157
Other expense			
Amortization	(1,500,473)	(1,500,473)	(1,227,300)
Surplus (deficit)	(234,540)	(1,371,861)	2,728,855
Accumulated surplus at beginning of year	18,250,824	18,250,824	15,521,969
Accumulated surplus at end of year	\$ 18,016,284	\$ 16,878,963	\$ 18,250,824

The accompanying notes are an integral part of the financial statements

KINGSCLEAR FIRST NATION
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2020

	2020	2019
Cash flows from		
Operating activities		
Surplus (deficit)	\$ (1,371,861)	\$ 2,728,855
Items not affecting cash		
Amortization expense	1,500,473	1,227,300
	128,612	3,956,155
Change in non-cash operating working capital		
Accounts receivable	1,337,563	(777,219)
Inventory	51,011	20,439
Prepaid expenses	137,779	(179,350)
Funds held in trust by Federal Government	(177)	(104)
Accounts payable and accrued liabilities	(1,111,988)	1,045,027
Accounts payable - ISC	(44,946)	(131,697)
Deferred revenue	235,292	21,414
	733,146	3,954,665
Capital activities		
Acquisition of tangible capital assets	(4,409,750)	(5,222,245)
Financing activities		
Loan and mortgage advances	2,775,931	1,607,418
Repayment of loans and mortgages	(806,209)	(743,352)
	1,969,722	864,066
Decrease in cash and cash equivalents	(1,706,882)	(403,514)
Cash and cash equivalents, beginning of year	1,904,759	2,308,224
Cash and cash equivalents, end of year	\$ 197,877	\$ 1,904,710
Represented by		
Cash	\$ -	\$ 1,175,975
Bank indebtedness	(335,843)	-
Restricted cash	533,720	728,784
	\$ 197,877	\$ 1,904,759

The accompanying notes are an integral part of the financial statements

KINGSCLEAR FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2020

1. Subsequent event

Since March 31, 2020, the outbreak of the COVID-19 virus, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the travel bans, self-imposed quarantine periods, social and physical distancing, have caused disruptions to businesses locally, nationally and globally. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of this world economic event is unknown and therefore, the impact on the First Nation, if any, is not determinable.

2. 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) 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.

(b) 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.

(c) 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 is comprised of two components, non-financial assets and accumulated surplus.

(d) Inventory

Inventory is recorded at the lower of cost and net realizable value. Cost is determined on the FIFO basis. Net realizable value is the estimated selling price in the normal course of business.

KINGSCLEAR FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2020

2. Basis of Presentation and Significant Accounting Policies (continued)

(e) 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.

There are some assets that have been owned for a significant number of years, therefore some assumptions and amortization calculations were required to determine age and historical cost.

TCAs 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 basis over their estimated useful lives. The First Nation has determined a capitalization threshold of \$5,000. Any item purchased below this threshold will be recorded as an expense in the year the item is acquired. Amortization begins in the year the asset has been put to use. Assets under construction are not amortized until they are put into use.

Tangible capital assets recorded at a nominal amount of \$1 (because specific cost information could not be determined) include some roads, some of the water/sewer infrastructure, a few smaller buildings and approximately 5 hectares of land.

Buildings and housing	10-40yrs Straight line
Parking areas and pedestrian pedway	25yrs Straight line
Fire truck and buses	10yrs Straight line
Other vehicles	5yrs Straight line
Boats	10yrs Straight line
Equipment	5yrs Straight line
Gas tanks	15yrs Straight line
Roads	15yrs Straight line
Water and sewer facilities	30yrs Straight line

KINGSCLEAR FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2020

2. Basis of Presentation and Significant Accounting Policies (continued)

(f) 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.

(g) 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.

(h) 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 amounts 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.

(i) 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.

(j) Fishing licences

Fishing licences are recorded as expenses at acquisition cost. No acquisition costs have been incurred to date.

KINGSCLEAR FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2020

2. Basis of Presentation and Significant Accounting Policies (continued)

(k) Segment Disclosure

The financial statements of Kingsclear 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) Financial Instruments

The First Nation's financial instruments consist of cash, accounts receivable, 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 arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

3. Additional Information - Restricted Amounts

Moveable Assets Reserve (MAR)

Under the terms of the Health Services Transfer Agreement with Health Canada, an amount is to be maintained in a reserve for the replacement of qualifying tangible capital assets. Expenditures for replacement of qualifying tangible capital assets are charged to this reserve when incurred.

A separate bank account for this reserve is maintained by the First Nation, and is included with cash on the consolidated statement of financial position.

The moveable assets reserve is included with the accumulated surplus on the consolidated statement of financial position.

Replacement Reserve (RR)

Under the terms of the agreements with Canada Mortgage and Housing Corporation, an amount is to be maintained in a reserve for qualifying capital and maintenance expenditures related to the corresponding housing projects/units of the First Nation. These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments approved by CMHC from time to time. The funds in the account may only be used as approved by CMHC. Withdrawals are credited to interest first and then principal.

Separate bank accounts for this reserve are maintained by the First Nation, and are included with restricted cash on the consolidated statement of financial position.

The replacement reserve is included with accumulated surplus on the consolidated statement of financial position.

KINGSCLEAR FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2020

4. Cash

	2020	2019
Unrestricted accounts	\$ (335,843)	\$ 1,175,975
Restricted accounts:		
CMHC replacement reserve post '96 projects	501,224	601,241
CMHC replacement reserve pre '97 projects	29,374	29,374
Health - Movable Asset Reserve	3,123	98,169
	\$ 197,878	\$ 1,904,759

5. Accounts Receivable

	2020	2019
Indigenous Services Canada	\$ 1,367,800	\$ 2,681,004
Health Canada	-	128,972
Fisheries and Oceans Canada	65,500	107,970
Province of New Brunswick - Other	358,797	288
Province of New Brunswick - HST rebates	191,796	223,076
Province of New Brunswick - VLT rebates	-	10,645
First Nation Education Initiatives	-	62,960
Convenience Store excise tax rebates	273,329	465,813
Convenience Store trade receivables	45,305	45,080
Other	179,203	98,063
Individuals	705,540	464,622
Canada Mortgage and Housing Corporation	352,037	569,728
	3,520,658	4,858,221
Allowance for doubtful accounts	(332,653)	(332,653)
	\$ 3,188,005	\$ 4,525,568

KINGSCLEAR FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2020

6. Deferred revenue

	2020	2019
ISC - Education (PSSP)	\$ 324,000	\$ 253,243
Health Canada - Brighter Futures and NNADAP	74,031	-
Health Canada - Building Healthy Communities	-	33,331
Fitness center	-	2,000
18/19 P&ID	1,906	-
ISC - Capacity/Innovation	95,000	160,300
ISC - Community Readiness Program	311,470	-
Job Creation program	85,269	-
ISC - Inspection training	58,500	-
ISC - Construction	163,969	-
ISC - Lot servicing	35,000	-
ISC - Land Use Planning	-	19,927
ISC - Emergency Measurement Assistance	-	343,900
ISC - HR deferral	-	1,299
Ec Dev summer student wages	-	7,281
ISC - Govt Cap Development	-	92,572
	\$ 1,149,145	\$ 913,853

These amounts represent unexpended funds under contribution agreements and therefore may be subject to repayment to the funding source.

KINGSCLEAR FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2020

7. Long-term debt

	2020	2019
Canada Mortgage and Housing Corporation Various mortgages at interest rates from 0.96% to 2.39%, repayable in blended monthly installments ranging from \$302 to \$2,855, guaranteed by the Minister of Indigenous Services Canada. These loans are related to CMHC housing projects and have varying repayment terms and maturity dates.	\$ 3,909,448	\$ 3,602,337
Canadian Imperial Bank of Commerce Various mortgages at interest rates from 2.95% to 4.99%, repayable in blended monthly installments ranging from \$799 to \$2,726, guaranteed by the Minister of Indigenous Services Canada. These loans are related to CMHC housing projects and have varying repayment terms and maturity dates.	3,222,375	2,155,071
Canadian Imperial Bank of Commerce Prime plus 1.5% loan, repayable in monthly installments of \$1,808 plus interest, secured by a 2016 Bluebird school bus, due June 2020.	5,425	27,125
Taylor Petroleum 1985 Ltd. 0% loan, monthly loan payments are based on fuel purchases from the prior month at a rate of \$0.02 per litre, no specified security, matures July 2022.	229,426	430,130
John Deere Financial 4.5% loan, repayable in monthly installments of \$2,218 including interest, secured by a 2018 John Deere loader, due January 2022 with a residual amount of \$121,100 owing at maturity.	148,732	175,343
Canadian Imperial Bank of Commerce Prime plus 1% loan, repayable in monthly installments of \$10,000 plus interest, secured by convenience store assets, due June 2027.	870,000	990,000
Canadian Imperial Bank of Commerce Prime plus 1% demand loan, repayable in monthly installments of \$901 plus interest, secured by a 2018 Chevrolet Cargo Van, due February 2022.	20,713	31,519
Canadian Imperial Bank of Commerce 3.45%, interest only payment until November 2020, principal installments of \$5,333 begin in November 2020, secured by band owned commercial buildings, due February 2022.	314,667	-

KINGSCLEAR FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2020

7. Long-term debt, continued

	2020	2019
Canadian Imperial Bank of Commerce 3.45%, interest only payment until November 2020, principal installments of \$7,500 begin in November 2020, secured by band owned commercial buildings, due February 2022.	<u>660,462</u>	<u>-</u>
	9,381,248	7,411,525
Current portion	<u>829,696</u>	<u>813,656</u>
	<u>\$ 8,551,552</u>	<u>\$ 6,597,869</u>

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

2021	\$ 829,696
2022	688,439
2023	728,266
2024	611,619
2025	<u>\$ 613,904</u>

KINGSCLEAR FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2020

8. Tangible Capital Assets

	Cost	Additions	Accumulated amortization	2020 Net book value
Land	\$ 25,001	\$ -	\$ -	\$ 25,001
Buildings and housing	23,668,381	3,775,422	12,825,590	14,618,212
Fire truck and other vehicles	806,410	369,320	752,518	233,446
Gas tanks and equipment	5,720,090	144,623	1,878,275	4,161,204
Pedway	1,652,473	21,838	99,585	1,574,726
Water and sewer	6,884,629	58,393	1,811,511	5,131,511
Boats	144,786	-	135,450	9,336
Parking areas	28,000	40,154	19,428	48,726
Roads	2,312,389	-	1,400,096	912,293
	\$ 41,242,159	\$ 4,409,750	\$ 18,922,453	\$ 26,714,455

	Cost	Additions	Accumulated amortization	2019 Net book value
Land	\$ 25,001	\$ -	\$ -	\$ 25,001
Buildings and housing	21,158,892	2,509,489	11,953,437	11,714,944
Fire truck and other vehicles	703,346	103,064	648,436	157,974
Gas tanks and equipment	5,619,593	100,497	1,764,111	3,955,979
Pedway	-	1,652,473	33,049	1,619,423
Water and sewer	6,027,907	856,722	1,560,608	5,324,021
Boats	144,786	-	132,722	12,064
Parking areas	28,000	-	17,505	10,495
Roads	2,312,389	-	1,327,113	985,276
	\$ 36,019,914	\$ 5,222,245	\$ 17,436,981	\$ 23,805,177

KINGSCLEAR FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2020

9. Accounts payable and accrued liabilities

	2020	2019
Province of New Brunswick - tuition	\$ 340,754	\$ 404,751
Canada Revenue Agency - HST (recoverable)	(11,741)	99,829
Convenience store trade payables	494,901	303,043
Trade payables and accrued liabilities	1,531,737	2,471,215
Unclaimed royalties	44,700	233,500
	\$ 2,400,351	\$ 3,512,338

10. Accounts payable - Indigenous Services Canada

	2020	2019
2009-10 Basic needs	\$ 199,949	\$ 199,949
2010-11 Basic Needs	22,008	121,218
2010-11 Special Needs	-	36,585
2010-11 Preventative (CF)	-	24,205
2010-11 In-Home Care	131,130	131,130
2016-17 Basic Needs	63,236	126,474
2018-19 Tuition agreement	178,291	-
	\$ 594,614	\$ 639,561

11. Inventory

Inventory on hand for resale purposes relates to the convenience store, and is comprised of the following:

	2020	2019
Tobacco products	\$ 85,053	\$ 139,493
Gasoline and diesel	49,833	64,387
Grocery	57,037	43,374
Lotto	12,754	13,757
Other inventory items	5,323	-
	\$ 210,000	\$ 261,011

KINGSCLEAR FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2020

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 \$3,188,005 (2019 - \$4,525,568). 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 a significant portion 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 \$2,994,965 (2019 - \$4,151,900). 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 and maintains a responsible cash position. In the opinion of management, the liquidity risk exposure to the First Nation is moderate and is not material.

Interest rate risk

The First Nation is exposed to interest rate risk related to mortgages with floating interest 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.

13. Economic Dependence

Kingsclear First Nation receives a significant portion of its revenue pursuant to a funding agreement with Indigenous Services Canada.

KINGSCLEAR FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2020

14. Contingent liabilities

Kingsclear 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 its operations, the First Nation becomes involved in legal actions. Some of these potential liabilities may become actual liabilities when one or more future events occurs 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 the First Nation's financial statements. When the future event and/or ability to estimate involves more uncertainty, the action or claim is considered a contingent liability.

15. Prepaid expenses

	2020	2019
Child and family services	\$ -	\$ 2,404
Post secondary	35,400	27,000
Administration	49,393	187,415
Community health	-	3,703
Convenience store	-	2,050
	\$ 84,793	\$ 222,572

16. Expenses by object

	2020	2019
Wages and benefits	\$ 6,959,783	\$ 5,046,418
Cost of goods sold	14,193,280	14,664,720
Provincial tuition	835,120	843,839
Interest	128,961	277,605
Professional services	588,631	380,192
Royalties	297,703	532,943
Amortization	1,500,473	1,227,300
Insurance	239,871	233,751
Other	13,334,835	12,243,475
	\$ 38,078,657	\$ 35,450,243

KINGSCLEAR FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2020

17. Trust funds held by Federal Government

	March 31, 2019	Additions (interest)	Withdrawals	March 31, 2020
Revenue	\$ 3,746	\$ 177	\$ -	\$ 3,923
Capital	5,268	-	-	5,268
	<u>\$ 9,014</u>	<u>\$ 177</u>	<u>\$ -</u>	<u>\$ 9,191</u>

18. 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.

19. Annual surplus net of capital related revenues and amortization

	2020	2019
Annual surplus (deficit)	\$ (1,371,861)	\$ 2,728,855
Deduct: Federal government transfers for capital	(137,831)	(2,520,094)
Add: Amortization expense included in annual surplus	1,500,473	1,227,300
<u>Annual surplus net of capital related revenues and amortization</u>	<u>\$ (9,219)</u>	<u>\$ 1,436,061</u>

KINGSCLEAR FIRST NATION

CONSOLIDATED SUMMARY SCHEDULE OF OPERATIONS BY PROGRAM

FOR THE YEAR ENDED MARCH 31, 2020

	Page	ISC Funds	Other Revenue	Total Revenue	Total Expenditures	Amortization	Surplus (Deficit)
Administration Program	19	\$ 1,275,515	\$ 1,607,499	\$ 2,883,014	\$ 2,866,114	\$ -	\$ 16,900
Education Program	20	3,544,599	70,286	3,614,885	3,655,487	-	(40,602)
Social Program	21	2,192,749	-	2,192,749	2,292,269	-	(99,520)
Social Housing Program	22	-	1,211,287	1,211,287	960,380	-	250,907
Health Program	23	-	1,358,979	1,358,979	1,297,381	-	61,598
Fisheries Program	24	-	660,750	660,750	253,155	-	407,595
Job Creation Program	25	39,042	333,376	372,418	372,418	-	-
Forestry Program	26	-	324,702	324,702	324,702	-	-
Convenience Store	27	-	16,563,517	16,563,517	15,892,880	-	670,637
Capital Program	28	908,531	196,725	1,105,256	936,122	-	169,134
Adult Care Program	29	255,775	71,797	327,572	744,470	-	(416,898)
Child Maintenance Program	30	1,337,077	-	1,337,077	1,275,595	-	61,482
Child and Family Program	31	2,085,471	356,352	2,441,823	2,585,869	-	(144,046)
Operations and Maintenance Program	32	257,785	-	257,785	1,025,693	-	(767,908)
Economic Development Program	33	411,470	1,662,162	2,073,632	2,114,299	-	(40,667)
Totals		\$ 12,308,014	\$ 24,417,432	\$ 36,725,446	\$ 36,596,834	\$ (1,500,473)	\$ (1,371,861)

The accompanying notes are an integral part of the financial statements