

PEGUIS FIRST NATION

Consolidated Financial Statements
For the year ended March 31, 2020

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Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Peguis First Nation and all the information in this annual report are the responsibility of management and have been approved by the Chief and Council of Peguis First Nation. The preparation of periodic financial statements involves the use of estimates and approximations because the precise determination of financial information frequently depend on future events. The financial statements have been prepared by management within reasonable limits of materiality and within the framework of Canadian public sector accounting standards.

The First Nation maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the First Nation's assets are appropriately accounted for and adequately safeguarded.

The Peguis First Nation Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

BDO Canada LLP, Chartered Professional Accountants, as the First Nation's appointed external auditor, has audited the consolidated financial statements. The Independent Auditor's Report is addressed to the Members and appears on the following page. The opinion is based upon an examination conducted in accordance with Canadian auditing standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the consolidated financial statements are free of material misstatement and present fairly the financial position and results of operations of the First Nation in accordance with Canadian public sector accounting standards. BDO Canada LLP has full and free access to the Council. These statements were presented to the Finance Committee prior to approval.



Chief Glenn Hudson



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Independent Auditor's Report

To the Members of Peguis First Nation

Qualified Opinion

We have audited the accompanying consolidated financial statements of Peguis First Nation and its components ("the First Nation"), which comprise the consolidated statement of financial position as at March 31, 2020, and the consolidated statements of operations, changes in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of matters described in the Bases for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of Peguis First Nation as at March 31, 2020 and the results of its operations, its consolidated changes in net debt and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Bases for Qualified Opinion

The First Nation has had pending claims and funding disputes for flood expenditures in the amount of \$5,915,501 (\$11,415,502 in 2019) (Note 6), the valuation and collectibility of which is not susceptible of satisfactory audit verification as at the year end. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the First Nation and claimed to the funders. The First Nation has revalued the receivable by \$7,000,000 and an additional \$1,500,000 has been added for October severe storm recoveries during 2020. Therefore, we were not able to determine whether any adjustments might be necessary to other revenues, annual deficit, and cash flows from operations for the years ended March 31, 2020 and 2019, financial assets as at March 31, 2020 and 2019, and accumulated surplus as at March 31, 2020 and 2019. Our audit opinion on the consolidated financial statements for the year ended March 31, 2019 was modified accordingly because of the possible effects of this limitation in scope.

During the year, the First Nation has debt financed and loaned funds for investments to its affiliates, Chief Peguis Investment Corporation, Peguis Development Corporation and Chief Peguis Investment Trust in the amount of \$19,835,257 (Note 5). We were unable to obtain sufficient appropriate audit evidence over the recoverable value of these loans. Therefore, we were not able to determine whether any adjustments might be necessary to valuation impairment expenses, annual surplus, and cash flows from operations for the year ended March 31, 2020, accounts receivable and financial assets as at March 31, 2020, and accumulated surplus as at March 31, 2020. Our audit opinion on the consolidated financial statements for the year ended March 31, 2019 was modified accordingly because of the possible effects of this limitation in scope.

The First Nation has affiliates Peguis Development Corporation and Chief Peguis Investment Corporation who are managing construction contracts for their interests. The account payables related to these construction projects is not susceptible to satisfactory audit verification. We were unable to obtain sufficient appropriate audit evidence over the completeness of accounts payable. Therefore, we were not able to determine whether any adjustments might be necessary to expenses, annual surplus, net debt and cash flows from operations for the year ended March 31, 2020, accounts payable and tangible capital assets as at March 31, 2020, and accumulated surplus as at March 31, 2020.

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 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 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 qualified audit opinion.



Emphasis of Matter - Material Uncertainty for Going Concern

We draw attention to Note 3 to the financial statements which indicates that management has assessed that the First Nation's debt servicing requirements and level of third party debt indicate the existence of a material uncertainty that may cast doubt about the First Nation's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Emphasis of Matter - Restated Comparative Information

We draw attention to Note 23 to the financial statements, which explains that certain comparative information presented for the year ended March 31, 2019 has been restated. Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation and fair presentation of these 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 unless management either intends to liquidate the First Nation or to cease operations, or has no realistic alternative but to do so.

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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient audit evidence regarding the financial information of the entities or business activities within the First Nation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

BDO Canada LLP

Chartered Professional Accountants


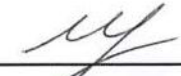



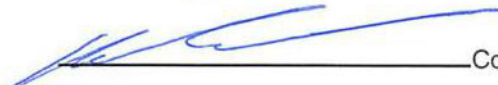
Winnipeg, Manitoba
January 22, 2021

PEGUIS FIRST NATION
Consolidated Statement of Financial Position

March 31	2020	2019
		Restated
Financial Assets		
Cash and bank	\$ 7,020,877	\$ 2,074,293
Restricted cash (Note 4)	1,993,044	3,565,925
Accounts receivable (Notes 5 and 23)	21,035,266	11,912,227
Due from government and government organizations (Note 6)	12,194,281	19,328,258
Long-term investments (Note 7)	1,183,599	1,069,974
	43,427,067	37,950,677
Liabilities		
Demand loans (Note 8)	122,727,910	91,554,439
Accounts payable (Note 9)	10,594,123	8,806,754
Accrued termination entitlement (Note 10)	2,486,851	2,059,198
Unexpended funding (Note 11)	8,819,969	10,593,511
Long-term debt (Note 12)	9,123,125	8,135,131
	153,751,978	121,149,033
Net debt	(110,324,911)	(83,198,356)
Non-financial Assets		
Tangible capital assets (Note 13)	151,902,814	130,792,756
Inventories	41,732	42,798
Prepaid expenses	39,986	58,854
	151,984,532	130,894,408
Accumulated surplus (Note 14)	\$ 41,659,621	\$ 47,696,052

Commitments and contingencies (Note 16)

Approved by the First Nation:

 _____ Chief	 _____ Councillor
_____ Councillor	 _____ Councillor
 _____ Councillor	 _____ Councillor
 _____ Councillor	

PEGUIS FIRST NATION

Consolidated Statement of Operations

For the year ended March 31

2020

2019

	Budget	Actual	Actual (Restated)
Revenue			
First Peoples Development Inc.	\$ 1,553,466	\$ 2,425,688	\$ 2,192,785
Gaming revenue	4,380,000	4,442,382	4,736,051
Federal Government Transfers - Operating (Note 15)	48,322,926	56,035,024	53,896,413
Federal Government Transfers - Capital (Note 15)	10,638,502	9,100,000	8,754,733
Provincial Government Transfers - Operating (Note 15)	400,000	1,716,934	1,500,921
Rental and tuition recoveries	-	510,623	757,951
Other income (Note 18)	14,237,760	20,997,590	17,068,965
	79,532,654	95,228,241	88,907,819
Expenses			
Social Services	6,869,396	6,780,337	6,975,328
School Operations	8,358,045	7,673,672	7,024,392
Band Administration	9,776,448	18,417,359	9,682,147
PHP, PS and Special Programs	6,429,376	5,253,156	3,554,800
VLT Operation o/a Peguis Gaming Commission	4,377,757	3,806,284	3,828,367
Medical Services Set Programs	4,901,669	4,449,008	4,199,285
Medical Services Flexible Funding Model	1,887,123	3,448,268	2,714,858
Set Funded Programs - Education	2,404,267	2,891,396	4,513,690
Capital Housing	2,753,871	2,415,770	3,274,818
Tobacco Tax	-	614,333	593,640
Treaty Committee	3,362,589	2,808,642	2,793,982
Training and Employment	1,889,133	3,771,228	3,358,597
Personal Care Home	2,601,197	2,341,673	2,290,776
Al-Care Treatment Centre	1,788,851	2,087,163	1,953,970
Roads and Public Works	2,187,628	1,756,875	1,549,661
Plant and Teacherages	1,269,576	1,511,463	2,193,430
Student Transportation	1,427,164	1,429,235	1,542,584
Emergency Operations Centre	-	348,545	304,789
TLE Office	700,464	1,016,550	1,147,396
Set Funded Programs - Band	1,179,938	440,152	1,875,954
CMHC RRAP	-	-	2,738
Fisher Ambulance Service	597,179	765,327	777,781
Institutional Care - Type 1	-	468,330	468,330
CMHC Projects	1,023,395	996,558	875,435
Lands and Membership	293,609	422,607	508,113
Sump Pump	-	55,505	249,303
Elders Gathering	-	1,464	-
Fire Hall	-	227,670	177,519
Cultural	-	194,701	129,200
Community Services	960,000	3,249,865	3,151,224
Summer Work Experience	-	371,184	233,124
Skills Link	-	4,185	147,984
Radio Payroll	-	84,225	60,984
Policing and Security	-	1,712	7,865
Women's Project	-	87,242	66,196
Traditional Health - Trust	-	163,660	190,381
Elderly Persons Home	-	35,924	40,078
Moveable Asset Reserve	-	-	23,401
Housing	-	7,700	3,716,058
Economic Development	384,000	2,000,000	410,668
PIPD	-	99,558	101,844
Red Eagle Bingo Committee	-	272,482	75,812
PFN Environmental Training	-	(3,743)	201,863
Community Garden	-	3,946	-
Housing 6 Plex	-	1,924	-
Plishka	-	25,080	-
Renovation Project	-	423,730	-
Elders Preconstruction - Enbridge	-	1,095	21,228
Construction of Multi-Units	-	43,105	42,609
S500 and S501 Projects	-	13,471	1,170
HRV	-	43,100	-
Severe storm emergency	-	2,370,075	-
Lot Servicing	-	-	4,500
Financing Initiative	13,092,395	15,045,524	10,835,278
Circle of Care	-	261,436	-
Hometown Hockey	-	264,921	-
	80,515,070	101,264,672	87,893,150
Annual surplus (deficit)	\$ (982,416)	(6,036,431)	1,014,669
Accumulated surplus, beginning of year		47,696,052	46,681,383
Accumulated surplus, end of year		\$ 41,659,621	\$ 47,696,052

PEGUIS FIRST NATION
Consolidated Statement of Changes in Net Debt

For the year ended March 31	2020		2019
	Budget	Actual	Actual (Restated)
Annual surplus (deficit)	\$ (982,416)	\$ (6,036,431)	\$ 1,014,669
Acquisition of tangible capital assets	(10,638,502)	(25,947,665)	(43,813,884)
Inventories	-	1,066	2,365
Prepaid expenses	-	18,868	(28,441)
Amortization of tangible capital assets	2,852,130	4,837,607	4,278,815
Decrease in net debt	<u>\$ (8,768,788)</u>	(27,126,555)	(38,546,476)
Net debt, beginning of year		<u>(83,198,356)</u>	(44,651,880)
Net debt, end of year		<u>\$ (110,324,911)</u>	\$ (83,198,356)

PEGUIS FIRST NATION Consolidated Statement of Cash Flows

For the year ended March 31	2020	2019 Restated
Net Inflow (Outflow) of Cash Related to the Following Activities:		
Operating Activities		
Annual surplus (deficit)	\$ (6,036,431)	\$ 1,014,669
Adjustments for items not affecting cash		
Amortization of capital assets	4,837,607	4,278,815
	<u>(1,198,824)</u>	5,293,484
Net change in non-cash working capital balances (Note 19)	<u>(1,527,648)</u>	(14,803,190)
Cash used in operating activities	<u>(2,726,472)</u>	(9,509,706)
Capital Activities		
Purchase of capital assets	<u>(25,947,665)</u>	(43,813,884)
Investing Activities		
Investment acquisition	<u>(113,625)</u>	-
Financing Activities		
Demand and long term loan proceeds	32,915,337	48,611,599
Long-term debt repayment	<u>(753,872)</u>	(1,418,754)
Cash provided by financing activities	<u>32,161,465</u>	47,192,845
Increase (decrease) in cash and cash equivalents	3,373,703	(6,130,745)
Cash, beginning of year	5,640,218	11,770,963
Cash and bank, end of year	\$ 9,013,921	\$ 5,640,218
Represented by		
Cash and bank	\$ 7,020,877	\$ 2,074,293
Restricted cash	<u>1,993,044</u>	<u>3,565,925</u>
	\$ 9,013,921	\$ 5,640,218
Supplementary Information		
Interest paid	\$ 106,749	\$ 562,936

PEGUIS FIRST NATION

Notes to Consolidated Financial Statements

For the year ended March 31, 2020

1. Summary of Significant Accounting Policies

a) Basis of Accounting

These financial statements were prepared using the accrual basis of accounting in accordance with Canadian public sector accounting standards. The accrual basis recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipts of goods or services and the creation of a legal obligation to pay.

b) Basis of Consolidation

The Peguis First Nation reporting entity includes the Peguis First Nation government and all related entities which are accountable to Peguis First Nation and are either owned or controlled by Peguis First Nation.

These financial statements consolidate the assets, liabilities and results of operations for Peguis First Nation and use accounting standards which lend themselves to consolidation. All inter-entity balances have been eliminated on consolidation, but in order to present the results of operations for each specific segment, transactions amongst programs have been eliminated on the segment disclosures separately.

The following entities' results of operations are included in these financial statements under the full consolidation method:

Unincorporated Departments

Peguis School Board
Peguis Health Services
Peguis Training and Employment
Peguis Gaming Commission
Peguis Treaty Committee
Peguis Recreation Committee
Peguis Arena Committee
Peguis TLE Implementation Office

Subsidiaries and Incorporated Non-Profits (100% owned/controlled)

Peguis Senior Centre Inc.
Fisher Ambulance Service Ltd.
Peguis Al-Care Treatment Centre Board of Directors Inc.
6223291 Manitoba Ltd.
6780734 Manitoba Ltd.
Peguis Housing Authority Inc.
CP Industries Limited Partnership
Chief Peguis One Stop Limited Partnership
Chief Peguis Pharmacy Limited Partnership
The Tobacco Store Limited Partnership
Selkirk One Stop Limited Partnership

PEGUIS FIRST NATION

Notes to Consolidated Financial Statements

For the year ended March 31, 2020

1. Summary of Significant Accounting Policies (continued)

c) Investments

Investments in loans and portfolio investments are initially recorded at cost. Valuation allowances are used to reflect loans receivable at the lower of cost and net recoverable value.

d) 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 are the transfer of assets that are recognized and released by the payor government and are not representative of the full benefit of the recipient government's treaty entitlements. Government transfers are not the result of an exchange transaction, are not expected to be repaid in the future or are the result of a direct financial return.

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that the 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.

e) Tangible Capital Assets

Tangible capital assets are stated at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at purchased fair value at the time of the contribution, with a corresponding amount recorded as revenue. Crown lands received by Treaty Land Entitlement process are not recorded unless these are purchased by the First Nation (75,756 acres).

Amortization based on the estimated useful life of the asset is recorded once the asset is available for productive use as follows:

Infrastructure	5% straight-line basis
Buildings	20 to 40 years straight-line basis
Equipment	6 % to 20% straight-line basis
Automotive	20% straight-line basis

PEGUIS FIRST NATION

Notes to Consolidated Financial Statements

For the year ended March 31, 2020

1. Summary of Significant Accounting Policies (continued)

f) Measurement Uncertainty

The preparation of consolidated financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year. Actual results could differ from management's best estimates as additional information becomes available in the future.

Measurement uncertainty exists specifically in the determination of accounts receivable, loans receivable and long-term investments, useful life capital assets, termination entitlements and unexpended funding. The recovery of eligible costs and reconciliation of funding provided for emergency flood operations and other restricted funding is dependent upon future events.

g) Employee Future Benefits

The First Nation maintains a defined contribution pension plan for its personnel. Expenses for this plan are equal to the First Nation's required contribution for the year.

The First Nation also offers termination benefits to its employees upon voluntary or involuntary termination of employment. The liability for this plan is determined using the projected benefit method and based on best estimate assumptions based on the employees' projected tenure and salary. The First Nation's expense is recorded as the change in the liability for the year.

h) Restricted Cash

Restricted cash balances represent assets segregated for use for replacement reserves in accordance with CMHC and FNIHB operating agreements. Restricted cash includes trust funds held by ISC and legal counsel and cash held as security for long term debt.

i) Liability for Contaminated Sites

Liabilities for remediation of a contaminated site are recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the First Nation is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. At each financial reporting date, the First Nation reviews the carrying amount of any liability and remeasures.

j) Provision for Losses on Loan Guarantees

A provision for losses on loan guarantees is recorded when it is determined that the loss is likely and the amount of the provision can be estimated. The provision is reviewed on an ongoing basis and changes in the provision are recorded as expense in the year they become known.

PEGUIS FIRST NATION

Notes to Consolidated Financial Statements

For the year ended March 31, 2020

2. Nature of Entity

The First Nation is a non-profit, non-taxable entity and is engaged in the social, cultural, educational and economic development of First Nation citizens of Peguis First Nation. The First Nation provides services such as fire, ambulance, public works, community planning, parks and recreation, library and other general government operations. These financial statements do not include the following:

Peguis First Nation TLE Trust

Peguis First Nation (Peguis) entered into a Treaty Entitlement Agreement with the governments of Canada and Manitoba for the purpose of acquiring up to 166,794 acres of additional reserve lands. Under the agreement, Peguis agreed to create the Peguis First Nation Trust (the "Trust") to manage and administer certain monies to be paid for the purchase of land and other implementation administration. An additional sum was to be received for community purposes as set out in the agreement. The Trust is commonly known as the Peguis First Nation Treaty Land Entitlement (TLE) Trust. The Trust was created September 7, 2007 with Peguis, as settlor and beneficiary. The Trust is managed and controlled by an independently elected Board of Trustees.

Peguis First Nation Surrender Claim Trust

Peguis submitted a claim to Her Majesty the Queen in right of Canada (Canada) under Canada's Specific Claims Policy with respect to the purported surrender by Peguis, on or about September 24, 1907, of its rights and interests in the land referred to as the St. Peters Reserve. Peguis and Canada entered into a settlement agreement in order to settle the claim submitted by Peguis to Canada. The Trust was settled on June 15, 2009. The Trust is managed and controlled by an independently elected Board of Trustees.

Chief Peguis Investment Trust

The Trust was created June 1, 2012 with Peguis, as settlor and beneficiary. The Trust is managed and controlled by Board of Trustees who were initially appointed from Trustees elected for the other trusts. All subsequent Trustees will be elected. The Trust owns the shares of Peguis Development Corporation ("PDC"), Chief Peguis Investment Corporation ("CPIC") and general partners of Peguis Foods Limited Partnership, Peguis Hardware Limited Partnership, and Peguis Midway Limited Partnership.

PEGUIS FIRST NATION

Notes to Consolidated Financial Statements

For the year ended March 31, 2020

3. Going Concern Uncertainty

The First Nation has financed significant investments and other operating costs for its affiliates in the past several years. As at March 31, 2020, the First Nation's demand debt related to these investments total \$122,379,225 including accrued interest calculated at prime plus 11% (13.95% effective rate). Subsequent to year end the servicing requirement for the demand debt was modified to temporarily reduce interest payments to \$300,000 a month if the community is under a state of emergency. During this modification, unpaid interest continues to accrue at the initial interest rate and principal repayment has been deferred. The loan facilities mature and are payable in full on the earliest of: (i) June 30, 2021; (ii) a default under the agreement or (iii) demand by the lender in partial or full demand. The burden of the interest rate and the potential necessity to repay the lender on demand at any time may impact the First Nation's ability to fulfill its financial and fiduciary obligations.

On March 11, 2020, the World Health Organization declared the outbreak of the coronavirus (COVID-19) a pandemic resulting in economic uncertainties impacting the First Nation. As the impacts of COVID-19 continue, there could be further impact on the First Nation, its members, employees, suppliers and other third party business associates that could impact the timing and amounts realized on the First Nation's assets and future ability to deliver services and projects. While the First Nation is confident that essential services will continue to be delivered and it will continue as a going concern, it is unknown if the return from investments or repayments of loans from affiliates will enable the First Nation to fulfill its debt obligations.

The First Nation's ability to continue delivering non-essential services and employ related staff, will depend on the funding available from its various government funders and also on its ability to generate sufficient returns from its business investments and on the successful negotiation with a new lender for long term credit facilities. The First Nation will continue to focus on managing its cashflows and leveraging existing cash reserves and available credit facilities to ensure it is able to continue providing essential services to its citizens and will renegotiate the debt obligations with its lenders.

PEGUIS FIRST NATION Notes to Consolidated Financial Statements

For the year ended March 31, 2020

4. Restricted Cash

Restricted cash and cash equivalents includes funds restricted by agreements with funders. Under the terms of the agreements with CMHC, the replacement reserve account is to be credited in the amount of \$55,933 (\$59,383 in 2019) annually. These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation (CDIC) or as may otherwise be approved by CDIC from time to time. The funds in the account may only be used as approved by CMHC. Withdrawals are charged to interest first and then principal.

	2020	2019
Externally Restricted Reserves		
BMO treasury accounts for housing (i)	\$ 4,914	\$ 101,061
PEM Hospital	723,917	3,074,947
CMHC Operating and Replacement Reserve	1,262,242	388,508
ISC Trust (ii)	1,971	1,409
	\$ 1,993,044	\$ 3,565,925

(i) BMO Treasury Accounts for Housing

Under the terms of the Funding direction with the Peguis Surrender Trust, \$3,500,000 was to be placed into a treasury account for future project development. These funds have been utilized to enhance housing projects.

(ii) ISC Funds Held in Trust

The restricted cash balance contains the surplus of monies held in trust for Peguis First Nation by the Department of Indigenous Services Canada. The change in the trust balance during the year was as follows:

	2020	2019
Trust balance, beginning of year	\$ 1,409	\$ 3,596
Interest earned	562	(2,187)
Trust balance, end of year	\$ 1,971	\$ 1,409

PEGUIS FIRST NATION Notes to Consolidated Financial Statements

For the year ended March 31, 2020

5. Accounts Receivable

	2020	2019
		Restated
Accounts receivable - trade	\$ 3,735,795	\$ 1,682,502
Advances and loans receivable	398,819	190,861
Other receivables	47,802	137,641
Due from (to) related parties, net	1,626,686	(681,212)
Due from CPIC	19,081,069	14,922,751
Allowance for doubtful accounts - CPIC	(2,045,162)	(2,045,162)
Allowance for doubtful accounts	(1,809,743)	(2,295,154)
	\$ 21,035,266	\$ 11,912,227

The amount due from CPIC represents loans receivable which are unsecured, non-interest bearing and has no specific terms of repayment.

6. Due from Government and Government Organizations

	2020	2019
GST receivable	\$ 388,045	\$ 341,469
Indigenous Services Canada		
Current funding received after year-end	6,934,466	6,401,117
Kapyong court costs	456,268	886,912
Province of Manitoba tobacco tax rebates	-	283,258
Flooding receivables	11,415,502	11,415,502
Allowance for doubtful accounts	(7,000,000)	-
	\$ 12,194,281	\$ 19,328,258

7. Long-term Investments

The investment balance reported represents the investments in loans:

	2020	2019
Loans Receivable from CPIT		
Demand promissory notes receivable in arrears, unsecured, non-interest bearing (originally repayable upon demand in 24 monthly instalments of principal).	\$ 1,069,974	\$ 1,069,974
Investments		
Mississippi Rail Limited Partnership	50,002	-
Aseneskak Casino Limited Partnership	50,013	-
Aseneskak Company Inc. Class A Common Shares	13,607	-
CP Industries Limited Partnership	1	-
Chief Peguis One Stop Limited Partnership	1	-
Chief Peguis Pharmacy Limited Partnership	1	-
	\$ 1,183,599	\$ 1,069,974

PEGUIS FIRST NATION Notes to Consolidated Financial Statements

For the year ended March 31, 2020

7. Long-term Investments (continued)

The loans receivable is related to three businesses: Peguis Hardware LP, Peguis Foods LP, and Peguis Midway LP that were sold to Chief Peguis Investment Trust in 2014 for the sum of \$1,600,000 in aggregate. The original loan amount was demanded in previous years resulting to partial repayment. As at March 31, 2020 and 2019, the loans receivable has not been demanded.

8. Demand Loans

	2020	2019
Royal Bank of Canada demand housing loan	\$ 348,685	\$ 368,789
Bridging Finance Inc., including accrued interest	122,379,225	91,185,650
	\$122,727,910	\$ 91,554,439

The Royal Bank of Canada bank overdrafts and demand facilities are due on demand and bear interest at 2.70%. They are secured by a Directional Payment Agreement acknowledged by the Federal Government agencies covering all funding.

The Bridging Finance Inc. demand loan is due on demand and bears interest at the bank of Montreal Prime Rate plus 11%. The facility may be prepaid in full or partially at any time. The demand loan is secured by a general security agreement, registered mortgages on land, assignment of leases and rents, assignment of all property and perils insurance.

In June 2020 the servicing requirement of the loan was modified to temporarily reduce interest payments to \$300,000 a month while the community is under state of emergency. During the modification, unpaid interest continues to accrue at the initial interest rate and principal repayment has been deferred. The loan facilities mature and are payable in full on the earliest of: (i) June 30, 2021; (ii) a default under loan agreement or (iii) demand by the lender in partial or full demand.

9. Accounts Payable

	2020	2019
Accounts payable - trade	\$ 1,815,925	\$ 1,953,747
Accrued expenses	6,070,909	4,344,692
Holdback payable	1,109,748	599,961
Group insurance payable	14,095	15,306
Pension payable	72,860	99,481
Salaries and wages payable	204,968	109,141
Mortgage guarantee provision (Note 16)	1,202,966	1,549,171
Government remittances	102,652	135,255
	\$ 10,594,123	\$ 8,806,754

PEGUIS FIRST NATION Notes to Consolidated Financial Statements

For the year ended March 31, 2020

10. Employee Future Benefits

Accrued Termination Entitlement

Accrued termination obligations are based on an actuarial valuation as at March 31, 2020.

The First Nation's contractual commitment for the termination entitlement for employees is to pay out 1 week of salary for each year of service upon voluntary or involuntary termination of employment, if the employee has full-time status of employment and has completed one full year of service, subject to certain maximum entitlements.

The significant actuarial assumptions adopted in measuring the First Nation's accrued termination entitlement include actual periods of service, including fractional years and projected salaries to the date of termination. Significant assumptions include a discount rate of 5.0% (4.5% in 2019), a rate of salary increase of 4.5% (4.5% in 2019) plus an age related merit/promotion scale, probability of termination and retirement.

An analysis of the changes in the employee benefits payable is as follows:

	2020	2019
Balance, beginning of year	\$ 2,059,198	\$ 2,047,966
Net increase in termination entitlements	427,653	11,232
Balance, end of year	\$ 2,486,851	\$ 2,059,198

Pension Plan

The expense for the First Nation's pension plan for the year was \$894,798 (\$783,978 in 2019). The plan is funded equally by the First Nation and the First Nation's employees at rates of 5.0% to 5.5% of the employee's salaries. The funds are invested in mutual funds as directed by the First Nation's individual employees' investment directives.

11. Unexpended Funding

The unexpended funding balance represents funding advances provided to Peguis First Nation by the Department of Indigenous and Services Canada and the Government of Canada and other sources.

	2020	2019
Deferred revenue - opening	\$ 10,593,511	\$ 12,076,261
Add: Current deferral	8,559,453	6,712,940
Less: Deferred revenue recognized	(10,332,995)	(8,195,690)
Deferred revenue - ending	\$ 8,819,969	\$ 10,593,511

PEGUIS FIRST NATION
Notes to Consolidated Financial Statements

For the year ended March 31, 2020

11. Unexpended Funding (continued)

The balance of deferred revenue consists of the following:

	2020	2019
Indigenous Services Canada		
Business Planning	\$ 62,823	\$ 62,823
NTR3 Recovery	89,050	89,050
Natural Resources Canada	18,000	18,000
Flood Recovery	-	330,219
Water Treatment Plant	18,239	4,321,718
Trust Funding from Lands Management	45,000	45,000
Sump Pump Diverter	-	36,000
Community Well Being	956,381	801,384
Infrastructure Construction - Landfill	376,250	500,000
Electrical Systems Upgrades	-	43,100
Cost Sharing	-	93,575
Housing Capacity Development	145,500	20,000
Capital Investments	147,000	400,000
Halted Funds for Band	664,607	-
Community Involvement Capacity	29,225	-
Emergency Income Assistance	180,021	-
Emergency Household Cleaning Supplies	123,875	-
Emergency General Support	119,222	-
Community Support Readiness	163,863	-
MacPherson Bridge Project	170,000	-
Lands Designation	56,502	-
2014 Flood Repairs Project	1,500,000	-
COVID-19 Funding	180,023	-
Response 2019 Flood Preparedness	862,860	-
Health Canada		
Trust Capital Funding	192,500	80,000
Percy E. Moore Hospital and Renovation	639,439	3,074,920
Other		
Peguis Senior Centre	-	87,797
Training & Employment	634,916	-
Peguis Al-Care Treatment Centre	387,854	363,445
Trust monies - Community Services	823,992	-
Trust monies - Housing	226,480	226,480
Peguis School Board	6,347	-
	\$ 8,819,969	\$ 10,593,511

PEGUIS FIRST NATION Notes to Consolidated Financial Statements

For the year ended March 31, 2020

12. Long-term Debt

	2020	2019
CMHC mortgage payable at 1.86%, due January 2029, monthly payments of \$7,539 principal and interest, secured by an ISC Ministerial Guarantee, a CMHC loan agreement and an assignment of fire insurance.	\$ 736,633	\$ 812,630
CMHC mortgage payable at 1.01%, due February 2031, monthly payments of \$6,921 principal and interest, secured by an ISC Ministerial Guarantee, a CMHC loan agreement and an assignment of fire insurance.	858,190	932,168
Demand mortgage payable at 2.65%, due January 2021, monthly payments of \$7,268 principal and interest, secured by an ISC Ministerial Guarantee, supported by the CMHC insurance and loan agreement and assignment of fire insurance.	28,366	113,295
CMHC mortgage payable at 1.87%, due May 2034, monthly payments of \$10,808 principal and interest, secured by an ISC Ministerial Guarantee, supported by the CMHC insurance and loan agreement, and an assignment of fire insurance	1,613,849	975,165
\$100,000 advance provided by CMHC as Proposal Development Funding for constructing a new affordable personal care home on the Peguis First Nation.	99,862	99,862
Mortgage payable at 1.84%, due August 2032, monthly payments of \$4,128 principal and interest, secured by an ISC Ministerial Guarantee, supported by the CMHC insurance and loan agreement and assignment of fire insurance.	549,735	588,783
CMHC mortgage payable at 1.30%, due December 2040, monthly payments of \$5,370 principal and interest, secured by an ISC Ministerial Guarantee, supported by the CMHC insurance and loan agreement, and an assignment of fire insurance.	1,171,788	1,220,657
Mortgage payable at 0.00%, due September 2038, one time balloon payment of \$7,000,000 due at maturity. Secured by a mortgage on land. Recorded at initial present value and remeasured annually.	2,252,258	2,121,769
Vehicle loan payable at 5.50%, due November 2019, monthly payments of \$1,065 principal and interest.	-	8,350
Vehicle loan payable at 5.50%, due January 2020, monthly payments of \$1,293 principal and interest.	-	12,608
Vehicle loan payable at 7.99%, due February 2023, monthly payments of \$570.46 principal and interest.	39,449	-
Carried forward	\$ 7,350,130	\$ 6,885,287

PEGUIS FIRST NATION
Notes to Consolidated Financial Statements

For the year ended March 31, 2020

12. Long-term Debt (continued)

	2020	2019
Brought forward	\$ 7,350,130	\$ 6,885,287
Vehicle loan payable at 5.50%, due June 2019, monthly payments of \$2,729 principal and interest.	-	8,111
Vehicle loan payable at 6.58%, due December 2020, monthly payments of \$3,632.42 principal and interest.	26,804	54,354
Vehicle loan payable at 5.00%, due February 2022, monthly payments of \$3,576.67 principal and interest.	104,400	141,099
Vehicle loan payable 7.50%, due March 2021, monthly payments of \$4,770 principal and interest.	50,141	101,508
Vehicle loan payable 7.50%, due March 2021, monthly payments of \$2,081 principal and interest.	23,293	45,691
Vehicle loan payable 5.50%, due February 2025, monthly payments of \$3,286.94 principal and interest.	172,100	-
Vehicle lease payable 6.45%, due June 2023, monthly payments of \$916.16 principal and interest.	30,581	37,990
Vehicle lease payable 6.45%, due June 2023, monthly payments of \$936.49 principal and interest.	29,554	37,824
Vehicle lease payable 6.45%, due July 2023, monthly payments of \$935.90 principal and interest.	28,524	36,788
Vehicle lease payable 6.45%, due July 2023, monthly payments of \$936.49 principal and interest.	29,524	37,794
Vehicle lease payable 6.79%, due June 2023, monthly payments of \$1,026.81 principal and interest.	31,209	39,729
Vehicle lease payable 6.45%, due July 2023, monthly payments of \$837.97 principal and interest.	28,977	35,863
Vehicle lease payable 5.90%, due May 2023, monthly payments of \$867.95 principal and interest.	28,422	36,422
Vehicle lease payable 5.90%, due June 2023, monthly payments of \$838.59 principal and interest.	27,213	35,268
Vehicle lease payable 6.45%, due June 2023, monthly payments of \$1,157.16 principal and interest.	37,934	48,536
Vehicle lease payable 6.45%, due June 2023, monthly payments of \$1,152.65 principal and interest.	39,893	49,807
Carried forward	\$ 8,038,699	\$ 7,632,071

PEGUIS FIRST NATION
Notes to Consolidated Financial Statements

For the year ended March 31, 2020

12. Long-term Debt (continued)

	<u>2020</u>	<u>2019</u>
Brought forward	\$ 8,038,699	\$ 7,632,071
Vehicle lease payable 6.45%, due June 2023, monthly payments of \$1,154.21 principal and interest.	37,660	47,588
Vehicle lease payable 6.45%, due June 2023, monthly payments of \$1,307.09 principal and interest.	42,586	53,822
Vehicle lease payable 6.45%, due May 2023, monthly payments of \$1,819.42 principal and interest.	65,252	82,135
Vehicle lease payable 5.90%, due August 2023, monthly payments of \$720.81 principal and interest.	25,152	31,872
Vehicle lease payable 5.90%, due August 2023, monthly payments of \$658.79 principal and interest.	23,009	28,849
Vehicle lease payable 7.40%, due August 2021, monthly payments of \$1,869.60 principal and interest.	26,296	46,937
Vehicle lease payable 5.90%, due December 2023, monthly payments of \$1,913.86 principal and interest.	73,347	90,733
Vehicle lease payable 5.90%, due February 2024, monthly payments of \$1,133.26 principal and interest.	43,367	54,006
Vehicle lease payable 5.90%, due January 2024, monthly payments of \$1,378.06 principal and interest.	53,723	67,118
Vehicle lease payable 5.90%, due February 2024, monthly payments of \$1,439.16 principal and interest.	56,648	-
Vehicle lease payable 5.90%, due March 2023, monthly payments of \$4,082.46 principal and interest.	100,763	-
Vehicle lease payable 5.90%, due March 2024, monthly payments of \$1,467.20 principal and interest.	59,525	-
Vehicle lease payable 5.90%, due March 2023, monthly payments of \$3,335.91 principal and interest.	135,980	-
Vehicle lease payable 5.90%, due June 2024, monthly payments of \$782.85 principal and interest.	34,237	-
Vehicle lease payable 5.90%, due June 2024, monthly payments of \$771.03 principal and interest.	33,715	-
Vehicle lease payable 5.90%, due September 2022, monthly payments of \$786.84 principal and interest.	19,901	-
Carried forward	<u>\$ 8,869,860</u>	<u>\$ 8,135,131</u>

PEGUIS FIRST NATION
Notes to Consolidated Financial Statements

For the year ended March 31, 2020

12. Long-term Debt (continued)

	2020	2019
Brought forward	\$ 8,869,860	\$ 8,135,131
Vehicle lease payable 5.90%, due September 2022, monthly payments of \$786.84 principal and interest.	20,236	-
Vehicle lease payable 5.90%, due September 2024, monthly payments of \$1,328.69 principal and interest.	58,765	-
Vehicle lease payable 5.90%, due September 2024, monthly payments of \$1,407.69 principal and interest.	62,517	-
Vehicle lease payable 5.90%, due November 2024, monthly payments of \$1,338.20 principal and interest.	63,951	-
Vehicle lease payable 5.90%, due December 2022, monthly payments of \$1,563.95 principal and interest..	47,796	-
	\$ 9,123,125	\$ 8,135,131
Interest expense for the year on long-term debt	\$ 94,806	\$ 93,488

The future minimum payments for the next five years and thereafter assuming callable debt is not demanded are:

2021	\$ 998,372
2022	882,081
2023	816,374
2024	523,788
2025	416,467
Thereafter	5,486,043
	\$ 9,123,125

PEGUIS FIRST NATION Notes to Consolidated Financial Statements

For the year ended March 31, 2020

13. Tangible Capital Assets

Included in capital assets is a total of \$56,864,458 of assets under construction. These capital assets will be amortized once they are in use.

	2020				
	Land and Infrastructure	Buildings	Equipment	Automotive	Total
Cost, beginning of year	\$ 48,188,465	\$ 133,356,271	\$ 5,010,044	\$ 11,784,610	\$ 198,339,390
Additions	6,675,489	17,477,999	360,919	1,433,258	25,947,665
Cost, end of year	54,863,954	150,834,270	5,370,963	13,217,868	224,287,055
Accumulated amortization, beginning of year	(16,764,204)	(37,823,061)	(4,737,946)	(8,221,423)	(67,546,634)
Amortization	(289,365)	(3,212,511)	(293,506)	(1,042,225)	(4,837,607)
Accumulated amortization, end of year	(17,053,569)	(41,035,572)	(5,031,452)	(9,263,648)	(72,384,241)
Net carrying amount, end of year	\$ 37,810,385	\$ 109,798,698	\$ 339,511	\$ 3,954,220	\$ 151,902,814

	2019				
	Land and Infrastructure	Buildings	Equipment	Automotive	Total
Cost, beginning of year	\$ 43,494,735	\$ 95,923,789	\$ 4,968,925	\$ 10,138,057	\$ 154,525,506
Additions	4,693,730	28,861,860	41,119	1,646,553	35,243,262
Cost end of year before restatement	48,188,465	124,785,649	5,010,044	11,784,610	189,768,768
Restatement (Note 23)		8,570,622			8,570,622
Cost, end of year	48,188,465	133,356,271	5,010,044	11,784,610	198,339,390
Accumulated amortization, beginning of year	(16,472,144)	(34,722,636)	(4,653,879)	(7,419,160)	(63,267,819)
Amortization	(292,060)	(3,100,425)	(84,067)	(802,263)	(4,278,815)
Accumulated amortization, end of year	(16,764,204)	(37,823,061)	(4,737,946)	(8,221,423)	(67,546,634)
Net carrying amount, end of year	\$ 31,424,261	\$ 95,533,210	\$ 272,098	\$ 3,563,187	\$ 130,792,756

PEGUIS FIRST NATION Notes to Consolidated Financial Statements

For the year ended March 31, 2020

14. Accumulated Surplus

The First Nation segregates its accumulated surplus in the following categories:

	2020	2019
Investment in tangible capital assets	\$142,779,689	\$114,087,003
Current funds	(101,591,109)	(66,890,501)
Replacement Reserve funds		
CMHC	486,526	464,880
Health Canada MAR	(15,485)	34,670
	\$ 41,659,621	\$ 47,696,052

		CMHC	FNIHB MAR	2020	2019	
Replacement Reserves						
Balance, beginning of year	\$	464,880	\$	34,670	\$	474,608
Allocations		49,183		36,409		80,078
Adjustment to reserves		-		-		9,000
Expenses		(27,537)		(86,564)		(64,136)
Balance, end of year	\$	486,526	\$	(15,485)	\$	499,550

The replacement reserve balance consists of a net accumulation of the levy on operations, recoveries collected and expenditures paid for by the reserve since inception in accordance with the agreement with Canada Mortgage and Housing Corporation (CMHC).

15. Government Transfers

	2020			2019		
	Operating	Capital	Total	Operating	Capital	Total
Federal Government Transfers						
ISC	\$ 45,358,741	\$ 9,100,000	\$ 54,458,741	\$ 44,434,352	\$ 8,754,733	\$ 53,189,085
Health Canada	10,185,976	-	10,185,976	8,890,067	-	8,890,067
CMHC	423,107	-	423,107	504,794	-	504,794
RCMP Housing	67,200	-	67,200	67,200	-	67,200
	56,035,024	9,100,000	65,135,024	53,896,413	8,754,733	62,651,146
Provincial government transfers	1,716,934	-	1,716,934	1,500,921	-	1,500,921
	\$ 57,751,958	\$ 9,100,000	\$ 66,851,958	\$ 55,397,334	\$ 8,754,733	\$ 64,152,067

PEGUIS FIRST NATION
Notes to Consolidated Financial Statements

For the year ended March 31, 2020

15. Government Transfers (continued)

Indigenous Services Canada (ISC) Revenue Reconciliation

	<u>2020</u>	<u>2019</u>
ISC cash release confirmation	\$ 51,712,397	\$ 52,168,580
Plus: Prior year deferral of Wastewater	-	3,480,000
Plus: Prior year deferral of Water Treatment Plant	4,161,365	-
Plus: Prior year deferral of Housing Renovations	400,000	-
Plus: Prior year deferral of Cost Sharing	93,575	-
Plus: Prior year deferral of Electrical Systems	43,100	-
Plus: Prior year deferral of Community Well Being	801,384	-
Plus: Prior year deferral of Sump Pump Diverter	36,000	259,775
Plus: Prior year deferral Renovations and Additions	-	250,000
Plus: Prior year deferral of Flood Recovery	330,219	-
Plus: Prior year deferral of Soil Remediation	-	620,469
Plus: Prior year deferral of Flood Recovery	-	1,035,600
Plus: Prior year deferral of Percy E. Moore Hospital	2,351,030	1,554,438
Less: Current year deferral of Electrical Systems	-	(43,100)
Less: Current year deferral of Cost Sharing	-	(93,575)
Less: Current year deferral of Housing Capacity	(125,500)	(20,000)
Less: Current year deferral of 2018 Housing Renovations	-	(400,000)
Less: Current year deferral of Halted Funds	(664,607)	-
Less: Current year deferral of Capacity Funding	(29,225)	-
Less: Current year deferral of Income Assistance	(180,021)	-
Less: Current year deferral of Household Cleaning Supplies	(123,875)	-
Less: Current year deferral of Emergency General Support	(119,222)	-
Less: Current year deferral of Community Support Readiness	(163,863)	-
Less: Current year deferral of MacPherson Bridge Project	(170,000)	-
Less: Current year deferral of Land Designation Funding	(18,502)	-
Less: Current year deferral of Flood Repairs Project	(1,500,000)	-
Less: Current year deferral of COVID19 Funding	(180,023)	-
Less: Current year deferral of 2019 Flood Preparedness	(862,860)	-
Less: Current year deferral of Water Treatment Plant	-	(4,321,718)
Less: Current year deferral of Community Well Being	(956,381)	(801,384)
Less: Current year deferral of Landfill	(376,250)	(500,000)
Total ISC revenue reported	\$ 54,458,741	\$ 53,189,085

The First Nation is party to a multi-year Canada First Nation Funding arrangement that expires and is due for renewal annually after April 1, 2019.

PEGUIS FIRST NATION Notes to Consolidated Financial Statements

For the year ended March 31, 2020

15. Government Transfers (continued)

Peguis First Nation allocated its block funding across other programs as follows:

	2020	2019
<u>Elementary/Secondary</u>		
Peguis School Operations	\$ 11,727,917	\$ 7,319,398
Student Transportation	1,364,187	1,100,863
	\$ 13,092,104	\$ 8,420,261
 <u>Post-Secondary</u>		
Band Support	\$ 3,000,000	\$ 2,000,000
Post-secondary and Special Programs	7,961,342	6,475,846
	\$ 10,961,342	\$ 8,475,846

16. Commitments and Contingencies

The First Nation has guaranteed on-reserve mortgages for its members. As at March 31, 2020, \$1,202,966 (\$1,549,171 in 2019) has been guaranteed by the First Nation. Of this amount \$1,202,966 of the loans were in default at year end and as the First Nation does not exercise security on these balances a provision for this amount has been recorded in the First Nation's records.

The First Nation has guaranteed a line of credit of \$75,000 for Peguis Hardware LP. At March 31, 2020, the limited partnership had \$75,000 of undrawn capacity under this facility. (\$25,000 in 2019).

The First Nation has guaranteed a line of credit of \$100,000 for Peguis Midway LP. At March 31, 2020, the limited partnership had \$5,000 of undrawn capacity under this facility. (\$5,000 in 2019).

The First Nation has guaranteed First Peoples Economic Growth Fund loans for Peguis Pharmacy LP and Peguis Foods LP with balances \$165,583 and \$373,093.

The First Nation has been named in a countersuit with a former advisor for contingency and other billings. Legal counsel has advised that it is unlikely that the countersuit will be successful. The First Nation's claim against the advisor may provide a recovery of \$3,200,000 to \$5,000,000 of costs already paid. A provision for this claim has not been made in the financial statements as this is dependent upon future events.

The First Nation committed to a joint venture agreement for renovation and build out of a facility that will encumber approximately \$11,000,000 to \$25,000,000.

PEGUIS FIRST NATION Notes to Consolidated Financial Statements

For the year ended March 31, 2020

17. Subsequent Event

Subsequent to year end, the First Nation received over \$4.5 million through the Bridge Financing Inc. facility to various assets that were currently in construction at year end. These assets include buildings and other property under construction.

18. Other Income

	<u>2020</u>	<u>2019</u>
Administration fees	\$ 2,646,206	\$ 461,334
Ambulance fees	536,292	592,560
Community trust funding	10,228,425	7,227,272
Concessions	131,894	120,911
Construction services	51,624	3,693,218
Community services	1,068,115	1,126,114
Daycare, donations and other grant	246,243	204,116
Hockey, arena and fundraising	830,858	651,688
Interest revenue	4,488	17,214
Red Eagle Bingo Committee	217,909	112,213
School operations	448,165	414,224
Sundry income, interchanges and cost recoveries	4,049,974	1,870,990
Tobacco revenue	537,397	577,111
	<u>\$ 20,997,590</u>	<u>\$ 17,068,965</u>

19. Net Change in Non-cash Working Capital Balances

	<u>2020</u>	<u>2019</u>
Accounts receivable, including receivables due from government	\$ (1,989,062)	\$ (15,704,141) Restated
Prepaid expenses	18,868	(28,441)
Inventories	1,066	2,365
Account payable	1,787,369	312,279
Trust assets/liabilities, net	-	2,086,266
Unexpended funding	(1,773,542)	(1,482,750)
Accrued termination entitlement	427,653	11,232
	<u>\$ (1,527,648)</u>	<u>\$ (14,803,190)</u>

PEGUIS FIRST NATION Notes to Consolidated Financial Statements

For the year ended March 31, 2020

20. Budget

The Management Action Plan (Budget) adopted by Council was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Public Sector Accounting Standards now require a full accrual basis. The budget expensed capital expenditures rather than including capitalizing the assets. As a result, the budget figures presented in the consolidated statements of operations and change in net debt represent the Financial Plan were without adjustments for capital programs:

Management Action Plan (Budget) deficit for the year	\$ (11,620,918)
Add: Capital expenditures	<u>10,638,502</u>
 Budget deficit per statement of operations	 <u>\$ (982,416)</u>

21. Expenses by Object

	2020	2019
Amortization	\$ 4,837,607	\$ 4,278,815
Contractors	9,561,793	8,200,161
Donations	1,801,428	1,687,060
Interest and bank charges	15,297,339	11,118,548
Medical travel	1,724,508	1,785,609
Office and administration	3,227,864	1,927,038
Other	20,340,017	18,601,063
Post secondary	1,553,524	1,453,423
Professional fees	2,479,863	2,150,179
Repairs and maintenance	3,109,660	2,246,416
Salaries and benefits	29,560,910	26,864,999
Social assistance	6,520,635	6,434,028
Travel	1,249,524	1,145,811
	<u>\$101,264,672</u>	<u>\$ 87,893,150</u>

22. Comparative Figures

Certain prior year's figures have been restated to conform to the current year's presentation.

PEGUIS FIRST NATION

Notes to Consolidated Financial Statements

For the year ended March 31, 2020

23. Restatement

During the year, certain constructed assets by CPIC have been determined to be owned and controlled by the First Nation. As such, loans recorded previously as due from CPIC which should have been restated as tangible capital assets of the First Nation as at March 31, 2019. Impact of the restatement is as follows:

March 31, 2019	As Previously Reported	Adustment	As Restated
Statement of Financial Position			
Accounts receivable	\$ 20,482,849	\$ 8,570,622	\$ 11,912,227
Net debt	(74,627,734)	(8,570,622)	(83,198,356)
Tangible capital assets	122,222,134	8,570,622	130,792,756

24. Segmented Information

First Nation is a diversified community that provides a wide range of services to its members. For management reporting purposes the Peguis First Nation's operations and activities are organized and reported by Program. Programs were created for the purpose of recording specific activities to attain certain objectives in accordance with specific regulations, restrictions or limitations.

The services are provided by the several entities of Peguis First Nation. These activities can also be categorized into segments. The following segments have been identified and as such are separately disclosed:

Public Works

Public Works contains all activities that relate to the maintenance of buildings and land of the First Nation.

Social Development and Income Assistance

Social Development contains activities that provide financial support or support by other means to Band members that are aimed at developing both the individual as well as the community.

Finance & Administration

Finance & Administration contains activities that are needed to run the Peguis Indian Band organization.

PEGUIS FIRST NATION Notes to Consolidated Financial Statements

For the year ended March 31, 2020

24. Segmented Information (continued)

Health Services

Health Services contains activities that provide medical services to Band members.

Education

Education Services contains activities that provide education to Band members for primary, secondary schooling and sponsorship to attend post secondary institutions.

Training & Development

Training & Development contains activities that provide financial support or support by other means to Band members and organizations situated on the First Nation reserve that is aimed at developing personal skills and businesses.

Housing

Housing contains activities that provide housing and repairs and maintenance to Band members' housing and other related infrastructure and construction services to third parties.

Gaming

Gaming contains activities that provide gaming services to both Band members and non-Band members.

PEGUIS FIRST NATION
Notes to Consolidated Financial Statements

For the year ended March 31

24. Segmented Information (continued)

										2020
	Public Works	Social Development	Finance & Administration	Health Services	Education	Training & Development	Housing	Gaming	Eliminations	Total
Revenue										
ISC	\$ 6,649,473	\$ 7,751,469	\$ 5,166,529	\$ 7,477,935	\$21,833,491	\$ 78,166	\$ 5,501,678	\$ -	\$ -	\$ 54,458,741
Sundry and other federal	405,181	1,354,748	13,753,727	11,056,410	642,825	6,355,610	1,115,092	7,627,380	(1,541,473)	40,769,500
	<u>7,054,654</u>	<u>9,106,217</u>	<u>18,920,256</u>	<u>18,534,345</u>	<u>22,476,316</u>	<u>6,433,776</u>	<u>6,616,770</u>	<u>7,627,380</u>	<u>(1,541,473)</u>	<u>95,228,241</u>
Expenses										
General program	5,082,057	10,452,233	29,723,878	5,028,995	6,047,559	4,722,978	1,521,604	6,011,546	(1,541,473)	67,049,377
Amortization	182,813	-	1,848,723	74,908	2,081,858	-	351,973	116,179	-	4,656,454
Salaries	710,446	424,363	4,043,330	8,918,350	10,629,505	1,507,118	1,606,046	1,719,683	-	29,558,841
	<u>5,975,316</u>	<u>10,876,596</u>	<u>35,615,931</u>	<u>14,022,253</u>	<u>18,758,922</u>	<u>6,230,096</u>	<u>3,479,623</u>	<u>7,847,408</u>	<u>(1,541,473)</u>	<u>101,264,672</u>
Annual surplus (deficit)	\$ 1,079,338	\$ (1,770,379)	\$16,695,675)	\$ 4,512,092	\$ 3,717,394	\$ 203,680	\$ 3,137,147	\$ (220,028)	\$ -	\$ (6,036,431)
	Public Works	Social Development	Finance & Administration	Health Services	Education	Training & Development	Housing	Gaming	Eliminations	Total
Revenue										
ISC	\$ 4,934,478	\$ 7,791,247	\$ 6,018,353	\$10,328,445	\$18,873,618	\$ 644,803	\$ 4,598,141	\$ -	\$ -	\$53,189,085
Sundry and other federal	479,950	1,136,132	8,257,278	9,736,582	819,094	3,532,245	8,652,960	7,907,705	(4,803,212)	35,718,734
	<u>5,414,428</u>	<u>8,927,379</u>	<u>14,275,631</u>	<u>20,065,027</u>	<u>19,692,712</u>	<u>4,177,048</u>	<u>13,251,101</u>	<u>7,907,705</u>	<u>(4,803,212)</u>	<u>88,907,819</u>
Expenses										
General program	3,385,078	9,980,723	18,434,722	4,313,340	6,710,260	2,950,330	9,748,367	5,961,922	(4,803,212)	56,681,530
Amortization	182,813	-	1,335,264	138,607	2,086,303	-	488,014	115,618	-	4,346,619
Salaries	791,884	310,823	3,098,432	8,206,913	10,032,333	1,468,102	1,390,893	1,565,621	-	26,865,001
	<u>4,359,775</u>	<u>10,291,546</u>	<u>22,868,418</u>	<u>12,658,860</u>	<u>18,828,896</u>	<u>4,418,432</u>	<u>11,627,274</u>	<u>7,643,161</u>	<u>(4,803,212)</u>	<u>87,893,150</u>
Annual surplus (deficit)	\$ 1,054,653	\$ (1,364,167)	\$ (8,592,787)	\$ 7,406,167	\$ 863,816	\$ (241,384)	\$ 1,623,827	\$ 264,544	\$ -	\$ 1,014,669