
PEGUIS FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

PEGUIS FIRST NATION

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MARCH 31, 2023

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Peguis First Nation are the responsibility of management and have been approved by Chief and Council.

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

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

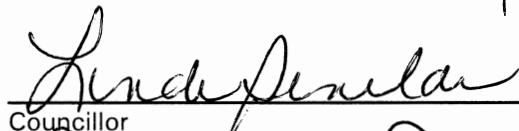
Chief and Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and is ultimately responsible for reviewing and approving the consolidated financial statements.

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

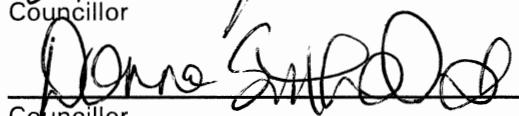
The external auditors, Baker Tilly HMA LLP, conduct an independent examination, in accordance with Canadian generally accepted auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of Peguis First Nation and meet when required.



Chief



Councillor



Councillor



Councillor



Councillor



Councillor

Councillor

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INDEPENDENT AUDITOR'S REPORT

To the Chief, Council and Membership
Peguis First Nation

Qualified Opinion

We have audited the accompanying consolidated financial statements of Peguis First Nation, which comprise the consolidated statement of financial position as at March 31, 2023, and the consolidated statements of operations, change in net debt and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except of the matters described in the Basis for Qualified Opinion Paragraph, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Peguis First Nation as at March 31, 2023, and its consolidated statement of operations, change in net debt and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

Ongoing discussions with the First Nation and Chief Peguis Investment Corporation are progressing, and as of the March 31, 2023 year-end, the fully allowed accounts receivable from Chief Peguis Investment Corporation remain unchanged. These receivables arise from the First Nation's debt-financing of funds for investments to its affiliates—Chief Peguis Investment Corporation, Peguis Development Corporation, and Chief Peguis Investment Trust. While conducting the audit, we encountered challenges in obtaining sufficient evidence regarding the valuation, completeness, and existence of the loans. Consequently, we have decided to maintain the allowance for receivables due from Chief Peguis Investment Corporation.

As of March 31, 2023, there is ongoing discussions with the receiver for Bridging Finance and the First Nation related to the loan settlement. The First Nation provisioned \$25 million for potential settlement. Due to disputed final settlement amounts and outcomes, we cannot obtain sufficient evidence to assess the completeness of the loan. Consequently, adjustments to interest expense, annual surplus, cash flows, demand loan, net debt, and accumulated surplus for the year ended March 31, 2023, cannot be conclusively determined at this time.

Due to the unavailability of accounting records for the Jordan's Principle entity, the financial information is not consolidated for the year ended March 31, 2023. Therefore, we were not able to report or determine whether any adjustments might be necessary for the entity's assets, liabilities, net debt, revenue, expenditures, annual surplus, accumulated surplus and cash flows from operations in these consolidated financial statements for the year ended March 31, 2023.

The financial statements also do not include completed budgeted information. The exclusion of such information is a departure from Canadian public sector accounting standards as the comparison of budgeted to actual results is a significant measurement of performance.

(continued.....)

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 Entity 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.

Material Uncertainty Related to 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 qualified in respect of this matter.

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

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

In preparing the consolidated financial statements, management is responsible for assessing Peguis 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 Peguis First Nation or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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.

(continued.....)

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 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 Peguis 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 Peguis 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 Peguis 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.

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.

Baker Tilly HMA LLP

Chartered Professional Accountants

Winnipeg, Manitoba
January 25, 2024

PEGUIS FIRST NATION

STATEMENT 1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MARCH 31

	2023	2022
FINANCIAL ASSETS		
Cash	\$ 10,944,208	\$ 12,918,245
Restricted cash (Note 4)	486,251	4,548,145
Accounts receivable (Note 5)	6,775,606	3,735,160
Inventories	479,317	609,703
Long-term investments (Note 6)	113,725	113,725
Total financial assets	<u>18,799,107</u>	<u>21,924,978</u>
LIABILITIES		
Demand loans (Note 7)	25,279,309	25,301,325
Accounts payable and accrued liabilities (Note 8)	7,432,487	4,552,108
Accrued termination entitlement (Note 9)		415,504
Deferred revenue (Note 10)	20,552,176	16,425,044
Long-term debt (Note 12)	<u>14,875,160</u>	<u>10,690,391</u>
Total liabilities	<u>68,139,132</u>	<u>57,384,372</u>
Net debt	<u>(49,340,025)</u>	<u>(35,459,394)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 11)	162,271,109	153,171,347
Prepaid expenses	<u>706,720</u>	<u>414,172</u>
Total non-financial assets	<u>162,977,829</u>	<u>153,585,519</u>
Accumulated surplus	\$ <u>113,637,804</u>	\$ <u>118,126,125</u>

Approved on behalf of Chief and Council



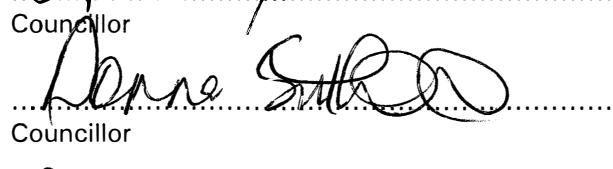
Chief

Councillor



Councillor

Councillor



Councillor

Councillor

Councillor

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PEGUIS FIRST NATION

STATEMENT 2

CONSOLIDATED STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31

	BUDGET (UNAUDITED)	2023	2022
REVENUE			
Indigenous Services Canada	\$ 80,018,690	\$ 72,069,281	
First Nations and Inuit Health	14,652,351	13,235,211	
Canada Mortgage and Housing Corporation	386,462	4,290,777	
Employment and Social Development Canada	2,425,566	2,819,169	
Canadian Heritage	333,880	182,927	
RCMP Housing	67,200	67,200	
Administration fees	4,347,385	3,757,129	
Ambulance fees	2,015,211	1,178,712	
Community trust funding	1,242,242	1,425,358	
Community services	138,217	363,885	
Gaming revenue	3,779,433	2,637,493	
Hockey, arena and fundraising	735,889	276,852	
Own Source development	2,859,873	4,003,403	
Province of Manitoba	2,250,032	1,255,464	
Red Eagle Bingo Committee		96,850	
Rental and user fees	1,385,210	1,452,412	
Sundry income, interchanges and cost recoveries	5,342,324	5,899,977	
Assembly of Manitoba Chiefs Secretariat Inc.	763,176	412,433	
Eliminations	<u>(4,888,294)</u>	<u>(3,860,299)</u>	
	<u>-</u>	<u>117,854,847</u>	<u>111,564,234</u>
EXPENDITURES			
Finance and administration	18,683,272	36,163,484	
Social development	9,675,541	8,790,284	
Training and development	3,256,955	3,482,730	
Education	22,753,053	22,658,989	
Health services	13,060,240	20,857,042	
Public works	24,178,084	3,024,101	
Community services	10,996,509	6,394,201	
Treaty land entitlement	458,598	477,384	
Senior centre	3,193,723	2,921,406	
Housing	7,541,569	10,784,014	
Own source development	5,655,820	3,074,191	
Special projects	1,921,291	962,955	
Gaming	5,856,807	2,389,781	
Eliminations	<u>(4,888,294)</u>	<u>(3,860,299)</u>	
	<u>-</u>	<u>122,343,168</u>	<u>118,120,263</u>
ANNUAL DEFICIT BEFORE OTHER ITEMS			
	<u>(4,488,321)</u>	<u>(6,556,029)</u>	
Debt adjustment on demand loans (<i>Note 7</i>)		111,072,762	
Bad debt for receivable from Chief Peguis Investment Corp.	<u>-</u>	<u>(22,254,864)</u>	
ANNUAL SURPLUS (DEFICIT)			
	<u>(4,488,321)</u>	<u>82,261,869</u>	
ACCUMULATED SURPLUS, <i>beginning of year</i>	<u>118,126,125</u>	<u>118,126,125</u>	<u>35,864,256</u>
ACCUMULATED SURPLUS, <i>end of year</i>	<u>\$ 118,126,125</u>	<u>\$ 113,637,804</u>	<u>\$ 118,126,125</u>

PEGUIS FIRST NATION

STATEMENT 3

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

YEAR ENDED MARCH 31

	BUDGET (UNAUDITED)	2023	2022
Annual surplus (deficit)	\$ _____ -	\$ (4,488,321)	\$ 82,261,869
Acquisition of tangible capital assets		(17,043,517)	(7,531,789)
Amortization of tangible capital assets		7,909,055	6,482,671
Disposal of tangible capital assets		34,700	6,172,700
Transfer of tangible capital assets from own source development	_____ -	_____ -	(924,891)
	_____ -	(9,099,762)	4,198,691
Acquisition of prepaid expenses		(706,720)	(414,172)
Use of prepaid expenses	_____ -	414,172	346,789
	_____ -	(292,548)	(67,383)
Use of inventories	_____ -	_____ -	17,258
CHANGE IN NET DEBT FOR YEAR		(13,880,631)	86,410,435
NET DEBT, <i>beginning of year</i>	(35,459,394)	(35,459,394)	(121,869,829)
NET DEBT, <i>end of year</i>	\$ (35,459,394)	\$ (49,340,025)	\$ (35,459,394)

PEGUIS FIRST NATION

STATEMENT 4

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31

	2 0 2 3	2 0 2 2
CASH FLOW FROM		
<i>OPERATING ACTIVITIES</i>		
Annual surplus (deficit)	\$(4,488,321)	\$ 82,261,869
Items not affecting cash:		
Amortization of capital assets	7,909,055	6,482,671
Debt adjustment on demand loans	- <u>(111,072,762)</u>	(22,328,222)
Changes in non-cash working capital balances		
Accounts receivable	(3,040,446)	30,500,222
Inventories	130,386	(592,445)
Long-term investments		1,069,874
Prepaid expenses	(292,548)	(67,383)
Accounts payable	2,880,379	(4,597,238)
Accrued termination entitlement	(415,504)	(2,012,417)
Deferred revenue	<u>4,127,132</u>	<u>5,031,536</u>
	<u>6,810,133</u>	<u>7,003,927</u>
<i>CAPITAL ACTIVITIES</i>		
Acquisition of tangible capital assets	(17,043,517)	(7,531,789)
Disposal of tangible capital assets	34,700	6,172,700
Transfer of tangible capital assets	- <u>(924,891)</u>	(2,283,980)
	<u>(17,008,817)</u>	<u>(2,283,980)</u>
<i>FINANCING ACTIVITIES</i>		
Demand and long term loan proceeds	6,865,383	1,121,533
Repayment of long-term debt	<u>(2,702,630)</u>	(787,175)
	<u>4,162,753</u>	<u>334,358</u>
NET INCREASE (DECREASE) IN CASH DURING YEAR	(6,035,931)	5,054,305
CASH, <i>beginning of year</i>	<u>17,466,390</u>	<u>12,412,085</u>
CASH, <i>end of year</i>	<u>\$ 11,430,459</u>	<u>\$ 17,466,390</u>
CASH COMPRISED OF		
Cash	\$ 10,944,208	\$ 12,918,245
Restricted cash	<u>486,251</u>	<u>4,548,145</u>
	<u>\$ 11,430,459</u>	<u>\$ 17,466,390</u>

PEGUIS FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

REPORTING ENTITY

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 followings 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 Midway
- Peguis Consult and Special Projects

The financial information for the above unincorporated departments and incorporated entities included in these financial statements is for the year ended March 31, 2023.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**MARCH 31, 2023****1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)******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, construction in progress and prepaid expenses.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, balances with banks net of bank overdrafts and term deposits having maturity of three months or less at acquisition which are held for the purpose of meeting short-term cash commitments.

RESTRICTED CASH

Restricted cash balances represent assets segregated for use for replacement reserves in accordance with Canada Mortgage and Housing Corporation and First Nations and Inuit Health operating agreements. Restricted cash includes trust funds held by Indigenous Services Canada and legal counsel and cash held as security for long term debt.

INVESTMENTS

Portfolio investments are recorded at fair market value. First Nation's investments in various commercial enterprises are accounted for using the modified equity method. Under the modified equity method, the cost of the investments are adjusted for First Nation's share of the commercial enterprises' income or loss less dividends.

NET ASSETS (DEBT)

The First Nation's financial statements are presented so as to highlight net debt as the measurement of financial position. The net assets (debt) of the First Nation is determined by its financial assets less liabilities. Net assets (debt) combined with non-financial assets comprises a second indicator of financial position, accumulated surplus.

TANGIBLE CAPITAL ASSETS

Tangible capital assets are stated at cost and recorded in the capital assets. 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. Crown lands received by Treaty Land Entitlement process are not recorded unless these are purchased by the First Nation.

Amortization of tangible capital assets is recorded on a straight line basis at the following annual rates:

Automotive	20%
Buildings	2.5 - 5%
Equipment	6 - 20%
Infrastructure	5%

Amortization is computed at one-half of the annual amortization in the year of acquisition.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**MARCH 31, 2023****1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)***

Social housing assets acquired under Canada Mortgage and Housing Corporation sponsored programs are amortized over their estimated useful lives at a rate equivalent to the annual principal reduction in the related long term debt.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the First Nation's ability to provide goods or services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the consolidated statement of operations.

Contributed tangible capital assets are recorded into revenues at their fair value on the date of donation, except in circumstances where fair value cannot reasonably be determined, in which case they are recognized at nominal value. Transfers of tangible capital assets from related parties are recorded at carrying value.

Certain assets which have historical or cultural value, including works of art, historical documents and historical and cultural artifacts are not recognized as tangible capital assets. Assets under construction are not amortized until the asset is available to be put into service.

SEGMENTS

The First Nation conducts its business through a number of reportable segments. These operating segments are established by senior management to facilitate the achievement of the First Nation's long-term objectives to aid in resource allocation decisions, and to assess operational performance.

REVENUE RECOGNITION

All revenue is recorded on the accrual basis whereby amounts received or recorded as receivable but not earned by the end of the fiscal year are recorded as deferred revenue.

Funding received under the terms of contribution agreements with the federal government is recognized as revenue once eligibility criteria have been met. Funding is recorded as deferred revenue if it has been restricted by the federal government for a stated purpose, such as a specific program or the purchase of tangible capital assets. Deferred revenue is recognized in revenue over time as the recognition criteria are met.

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.

ASSET RETIREMENT OBLIGATION

Liabilities are recognized for statutory, contractual or legal obligations associated with the retirement of tangible capital assets when those obligations result from the acquisition, construction, development or normal operation of the assets. The obligations are measured initially at management's best estimate at the present fair value of the estimated future cash flows required to settle the retirement obligation. In subsequent periods, the liability is adjusted for the accretion of discount and any changes in the amount or timing of the underlying future cash flows. The capitalized asset retirement cost is amortized on the same basis as the related asset and the discount accretion is included in determining the results of operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**MARCH 31, 2023****1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)******FINANCIAL INSTRUMENTS*****Measurement**

The First Nation measures all of its financial assets and financial liabilities at cost or amortized cost, except for the following, which are measured at fair value without any adjustment for transaction costs: derivatives, marketable securities in equity instruments that are quoted in an active market and marketable securities that the Nation has elected to measure at fair value. The effective interest rate method is used to determine interest revenue or expenses for financial instruments measured at amortized cost.

Financial assets measured at amortized cost include cash, accounts receivable and federal trust funds. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and long-term debt.

No financial assets are measured at fair value.

Transaction costs

Transaction costs attributable to financial instruments measured at fair value are recognized in the Statement of Operations in the period incurred. Transaction costs for financial instruments measured at cost or amortized cost are recognized in the original cost of the instrument.

Impairment

At the end of each reporting period, management assesses financial assets or groups of financial assets for evidence of objective impairment. An impairment loss is recognized in the Statement of Operations when there is a loss in value that is other than temporary. Future recoveries of impaired financial assets are recognized in the Statement of Operations when received.

USE OF ESTIMATES

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of financial statements and the reported amounts of certain revenue and expenses during the year. Actual results could differ from those estimates.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary.

Amortization is based on the estimated useful lives of tangible capital assets.

Capitalization of labour costs is based on an estimate of the proportionate share of direct labour and overhead labour.

Asset retirement obligations are estimated based on the present value of the required cost at retirement of specific assets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**MARCH 31, 2023****2. CHANGE IN ACCOUNTING POLICY*****ASSET RETIREMENT OBLIGATIONS***

On April 1, 2022, the First Nation adopted the PSAS Section (PS 3280) "Asset Retirement Obligations". The new standard includes the requirement for the recognition, measurement, presentation and disclosure of asset retirement obligations and is effective for year beginning on or after April 1, 2022. There was no significant impact on these consolidated financial statements as a result of the adoption of this standard as no legal or constructive obligations were identified.

FINANCIAL INSTRUMENTS

On April 1, 2022 the First Nation adopted the PSAS Section (PS3450) "Financial Instruments". The new standard establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. There was no significant impact on these consolidated financial statements as a result of the adoption of these standards.

As part of the adoption of PSAS 3450, on April 1, 2022, the First Nation was also required to adopt PSAS Section (PS 3041) "Portfolio Investments" which has removed the distinction between temporary and portfolio investments, PSAS Section (PS 2601) "Foreign Currency Translation" which requires unrealized gains and losses to be presented on the statement of re-measurement gains and losses and PSAS Section (PS 1201) "Financial Statement Presentation" which requires a new statement of re-measurement gains and losses separate from the statement of operations. The adoption of these standards/amendments had no significant impact on the First Nation's consolidated financial statements and there are no remeasurement gains and losses, so no statement has been presented.

3. GOING CONCERN UNCERTAINTY

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 the receiver for loan settlement. 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 members and will renegotiate the debt obligations with its lenders.

4. RESTRICTED CASH**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.

CMHC Replacement Reserve

As required as part of the First Nation's Canada Mortgage and Housing Corporation ("CMHC") Housing program, a separate bank account has been established for replacement of capital equipment and for major repairs to tangible capital assets. Under the terms of the agreements with CMHC, the replacement reserve is to be credited in the amount of \$49,183 (2022 - \$55,933) annually. The funds along with the accumulated interest must either be held in a separate bank account or invested in accounts or instruments secured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time. Withdrawals are charged to interest first and then principal. At March 31, 2023, \$18,348 (2022 - \$540,610) had been deposited into separate accounts leaving an under funded balance of \$546,496 (2022 - \$16,776).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

4. RESTRICTED CASH *(continued)*Ottawa Trust Fund

The Ottawa Trust Fund arises from monies derived from capital or revenue sources as outlined in Section 62 of the Indian Act. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada and are subject to audit by the Office of the Auditor General of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act. Revenue from the Ottawa Trust Fund is recognized in the year in which it is earned when it is measurable and collection is reasonably assured. Capital and revenue trust monies are transferred to the First Nation on the authorization of the Minister of Indigenous Services Canada, with the consent of the First Nation's Council.

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Externally Restricted Reserves		
BMO treasury accounts for housing	\$ 4,881	\$ 4,815
CMHC replacement reserve	18,348	540,610
PEM Hospital	<u>463,022</u>	<u>4,002,720</u>
	<u><u>\$ 486,251</u></u>	<u><u>\$ 4,548,145</u></u>

5. ACCOUNTS RECEIVABLE

	2 0 2 3	2 0 2 2
Indigenous Services Canada		
Current funding received after year-end	\$ 1,374,143	\$ 33,719
Accounts receivable - trade	7,637,902	3,610,488
Advances and loans receivable	41	734,492
Due from Chief Peguis Investment Corp (CPIC)	20,286,145	24,300,026
Due from related parties	1,674,497	711,284
GST receivable	515,995	507,966
Other receivables	<u>1,078,198</u>	<u>1,859,955</u>
	<u><u>32,566,921</u></u>	<u><u>31,757,930</u></u>
Less:		
Allowance for doubtful accounts - CPIC	(20,286,145)	(24,300,026)
Allowance for doubtful accounts	<u>(5,505,170)</u>	<u>(3,722,744)</u>
	<u><u>\$ 6,775,606</u></u>	<u><u>\$ 3,735,160</u></u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

6. LONG TERM INVESTMENTS

	2 0 2 3	2 0 2 2
Loans receivable from Chief Peguis Investment Trust	\$	\$
Demand promissory notes receivable in arrears, unsecured, non-interest bearing (originally repayable upon demand in 24 monthly installments of principal)	1,069,974	1,069,974
Investments		
Aseneskak Casino Limited Partnership	50,013	50,013
Aseneskak Company Inc. Class A Common Shares	13,607	13,607
Ambulance	100	100
Chief Peguis Industries Limited Partnership	1	1
Chief Peguis One Stop Limited Partnership	1	1
Chief Peguis Pharmacy Limited Partnership	1	1
Missinippi Rail Limited Partnership	<u>50,002</u>	<u>50,002</u>
	<u>1,183,699</u>	<u>\$ 1,183,699</u>
Allowance for decline in value	<u>(1,069,974)</u>	<u>(1,069,974)</u>
	<u><u>\$ 113,725</u></u>	<u><u>\$ 113,725</u></u>

The loans receivable is related to the sale of Peguis Hardware LP, Peguis Foods LP, and Peguis Midway LP 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 in partial repayment prior to 2020.

7. DEMAND LOANS

	2 0 2 3	2 0 2 2
Bridging Finance Inc., including accrued interest	\$ 25,000,000	\$ 25,000,000
Royal Bank of Canada demand housing loan	<u>279,309</u>	<u>301,325</u>
	<u><u>\$ 25,279,309</u></u>	<u><u>\$ 25,301,325</u></u>

The Royal Bank of Canada bank overdrafts and demand facilities are due on demand and bear interest at 5.65% (2022 - 1.36%) 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 20237. DEMAND LOANS *(continued)*

On December 30, 2022, a claim was filed by the receiver of Bridging Finance Inc. in relation to the demand loans in Manitoba Court of King's Bench, against Chief and Council, Peguis First Nation, Peguis Development Corporation, and Chief Peguis Investment Corporation in the amount of \$113 million in principal plus \$56 million dollars of interest. Chief and Council and Peguis First Nation obtained legal advice regarding this manner, challenging the validity of the authentication of the contracts, which it was deemed invalid. Thus, a Band Council Resolution Chronological no. FY 2022/2023 – 105 was passed and signed by Chief and Council to write down the loan to \$25 million dollars, not accruing any further interest or additional costs. As of March 31, 2023, discussions with the receiver for Bridging Finance are still ongoing, and settlement timelines, as well as potential outcomes, remain uncertain. To allow for conservatism for the potential future outcomes, the First Nation is reserving \$25 million for potential settlement.

8. ACCOUNTS PAYABLE

	2 0 2 3	2 0 2 2
Accounts payable - trade	\$ 4,528,326	\$ 3,047,567
Accrued liabilities	1,310,379	542,869
Government remittances	678,179	106,181
Group insurance payable	110,869	76,946
Pension payable	220,052	94,220
Accrued wages	53,155	408,780
Payables to related parties	<u>531,527</u>	<u>275,545</u>
	<u><u>\$ 7,432,487</u></u>	<u><u>\$ 4,552,108</u></u>

9. ACCRUED TERMINATION ENTITLEMENT

During the 2023 fiscal year, the termination entitlements were settled. Management believes that there will be no further actions by current or past employees to further contest the validity of the valuation, as outlined on their settlement agreement.

	2 0 2 3	2 0 2 2
Balance, <i>beginning of year</i>	\$ 415,504	\$ 2,427,921
Net increase (decrease) in termination entitlements	<u>(415,504)</u>	<u>(2,012,417)</u>
Balance, <i>end of year</i>	<u>\$ _____ -</u>	<u>\$ 415,504</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

10. DEFERRED REVENUE

	2 0 2 3	2 0 2 2
Indigenous Services Canada		
Basic Admin Gov Cap Dev	\$ 41,000	\$
Capital Housing (5 Units)	667,149	1,516,105
Community Dev Infrastructure Plan	25,000	
Cultural	22,245	
Elder's Six-Plex Construction	2,225,000	
Flood Preparation 2023-24	940,837	
FNs & Inuit - Skill Link Program	383,844	
FN Representative Service	1,055,590	
Housing	332,714	1,315,257
Professional and Institutional Development Program	29,000	
Planning On Reserve O & M Housing		70,000
Skill Link		232,193
Structural Mitigation	854,448	854,448
S500 and S501 Projects	1,254,188	
Water Systems	2,900,470	2,900,470
Well and Septic Field Study	1,733,051	1,691,760
Cultural	87,634	87,634
Fixed Contribution Tuition and Allowances		32,178
School Operations	419,456	
ISC - Institutional Care - Type 1	<u>25,233</u>	<u>29,105</u>
	<u>12,996,859</u>	<u>8,729,150</u>
First Nations and Inuit Health		
CDE Panning and Response	486,000	
Climate Change and Health Adaptation	81,025	81,025
Home and Community Care Policy Development	300,000	300,000
Home and Community Care Service Delivery	73,800	
Medical Transportation		192,526
Minor Projects	4,920	
Percy E. Moore Hospital and Renovation	2,231,738	3,427,778
Peguis AI-Care Treatment Centre	<u>2,164,322</u>	<u>1,882,987</u>
	<u>5,341,805</u>	<u>5,884,316</u>
Other		
Community Comprehensive Planning (CCP)		36,231
Culture and Language	512,779	116,573
Peguis Community Support Services		148,660
PowWow	52,000	
Selkirk Support Services		222,736
Selkirk Youth Hub		71,948
Septic Buddy Installation		27,848
Training and Employment	<u>1,648,733</u>	<u>1,187,582</u>
	<u>2,213,512</u>	<u>1,811,578</u>
	<u>\$ 20,552,176</u>	<u>\$ 16,425,044</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

11. CAPITAL ASSETS

2023

	Automotive	Buildings	Equipment	Land and infrastructure	Construction in progress	TOTAL
<i>Cost, beginning of year</i>	\$ 18,804,299	\$ 140,247,295	\$ 6,410,400	\$ 61,517,605	\$ 11,010,641	\$ 237,990,240
Additions	8,899,041	1,516,650	1,158,803	120,416	5,348,607	17,043,517
Disposals and adjustments	(37,263)	15,210,324	(23,172)	-	(15,210,324)	(60,435)
<i>Cost, end of year</i>	<u>27,666,077</u>	<u>156,974,269</u>	<u>7,546,031</u>	<u>61,638,021</u>	<u>1,148,924</u>	<u>254,973,322</u>
<i>Accumulated amortization, beginning of year</i>	12,784,827	49,438,889	5,249,833	17,345,344		84,818,893
Amortization	2,177,038	4,944,733	534,004	253,280		7,909,055
Disposals and adjustments	(20,092)	-	(5,643)	-	-	(25,735)
<i>Accumulated amortization, end of year</i>	<u>14,941,773</u>	<u>54,383,622</u>	<u>5,778,194</u>	<u>17,598,624</u>	<u>-</u>	<u>92,702,213</u>
<i>Net carrying amount, end of year</i>	<u>\$ 12,724,304</u>	<u>\$ 102,590,647</u>	<u>\$ 1,767,837</u>	<u>\$ 44,039,397</u>	<u>\$ 1,148,924</u>	<u>\$ 162,271,109</u>

2022

	Automotive	Buildings	Equipment	Land and infrastructure	Construction in progress	TOTAL
<i>Cost, beginning of year</i>	\$ 16,520,412	\$ 123,612,191	\$ 6,199,424	\$ 55,732,543	\$ 32,843,976	\$ 234,908,546
Additions	1,136,258	4,438,735	243,071	50,838	1,662,887	7,531,789
Disposals and adjustments	1,147,629	12,196,369	(32,095)	5,734,224	(23,496,222)	(4,450,095)
<i>Cost, end of year</i>	<u>18,804,299</u>	<u>140,247,295</u>	<u>6,410,400</u>	<u>61,517,605</u>	<u>11,010,641</u>	<u>237,990,240</u>
<i>Accumulated amortization, beginning of year</i>	10,566,129	44,657,933	5,114,063	17,200,383		77,538,508
Amortization	1,687,551	4,531,350	118,809	144,961		6,482,671
Disposals and adjustments	531,147	249,606	16,961	-	-	797,714
<i>Accumulated amortization, end of year</i>	<u>12,784,827</u>	<u>49,438,889</u>	<u>5,249,833</u>	<u>17,345,344</u>	<u>-</u>	<u>84,818,893</u>
<i>Net carrying amount, end of year</i>	<u>\$ 6,019,472</u>	<u>\$ 90,808,406</u>	<u>\$ 1,160,567</u>	<u>\$ 44,172,261</u>	<u>\$ 11,010,641</u>	<u>\$ 153,171,347</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

12. LONG TERM DEBT

	2 0 2 3	2 0 2 2
CMHC mortgage payable, interest at 1.86%, repayable in monthly installments of \$7,539 (P&I), due April 2024.	\$ 499,828	\$ 580,219
CMHC mortgage payable, interest at 1.01%, repayable in monthly installments of \$6,909 (P&I), due August 2026.	630,616	706,754
CMHC mortgage payable, interest at 1.87%, repayable in monthly installments of \$10,808 (P&I), due May 2024.	1,306,642	1,410,933
CMHC mortgage payable, interest at 1.13%, repayable in monthly installments of \$5,275 (P&I), due June 2026.	1,017,781	1,069,287
CMHC mortgage payable, interest at 3.29%, repayable in monthly installments of \$4,128 (P&I), due September 2027.	429,496	469,390
Mortgage payable, interest at nil, one time balloon payment of \$7,000,000, due September 2038, secured by a mortgage on land, recorded at initial present value and remeasured annually.	3,356,998	3,206,302
School bus loan payable, interest at 5.00%, repayable in monthly installments of \$3,577 (P&I), due March 2025.	74,563	129,950
School bus loan payable, interest at 7.99%, repayable in monthly installments of \$570 (P&I), due February 2023.		13,654
Vehicle loans and leases payable, interest ranging from 7.40% to 5.50%, repayable in monthly installments ranging from \$659 to \$10,828 (P&I), due at various time between August 2021 and October 2025.	7,456,185	2,945,524
CMHC advance, Proposal Development Funding for constructing a new affordable personal care home on the Peguis First Nation.	100,000	100,000
First People's Economic Growth Fund Inc. loan payable, interest-free, repayable in monthly installments of \$3,523 principal, maturing February 2024, secured by a general security agreement.		52,878
McKesson Canada Corporation loan payable, interest-free, repayable in monthly installments of \$250 principal, maturing January 2024, secured by a general security agreement.	3,051	5,500
	<u>\$14,875,160</u>	<u>\$10,690,391</u>

CMHC loans are secured by an ISC Ministerial Guarantee, a CMHC loan agreement and an assignment of fire insurance.

The scheduled principal amounts payable within the next five years to meet retirement provisions is estimated to be as follows:

March 31, 2024	\$ 3,046,442
2025	2,389,845
2026	1,654,313
2027	1,303,278
2028	863,153

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**MARCH 31, 2023****13. CONTINGENT LIABILITIES**

- a) The First Nation has signed agreements with various government bodies for funding of programs which may require that surpluses be returned. If any amounts become repayable, they will be accounted for in the year of determination.
- b) The First Nation has guaranteed a line of credit of \$75,000 for Peguis Hardware LP. At March 31, 2023, the limited partnership had \$75,000 of undrawn capacity under this facility (2022 - \$75,000).
- c) On December 30, 2022, a claim was filed by the receiver of Bridging Finance Inc. in relation to the demand loans described in Note 6 in Manitoba Court of King's Bench, against Chief and Council, Peguis First Nation, Peguis Development Corporation, and Chief Peguis Investment Corporation in the amount of \$113 million in principal plus \$56 million dollars of interest. Chief and Council and Peguis First Nation had sought legal advise challenging the validity of the authentication of all of the documents signed; the validity of parties to the Comprehensive Funding Agreement and whether arrangements are valid as to sections 89 and 90 of the Indian Act; and whether a creditor's reliance on section 89(1) waiver for a different and higher debt amount is valid. Peguis' legal counsel believes that the BMO Section 89 Waiver, with references to section 89 and 90 of the Act in the BMO Loan Documents, and that \$23 million which are linked to BMO Facilities are not protected by section 89(1) of the Act. The remaining balance of the loans obtained, required BFI to obtain fresh section 89 waivers as opposed to the one assigned to the BMO loan. Thus, Chief and Council have written down the loan to \$25 million dollars, not accruing any further interest or additional costs. It is unknown whether the claim or counterclaim will be successful and the ultimate liability of the First Nation is not presently determinable.
- d) The First Nation defends itself from claims from time to time based on its operations. Management believes it has valid defences to minimize risk of possible loss. In the event any claims are successful management will recognize the potential loss once amounts are confirmed or are reasonably estimated.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

14. RECONCILIATION OF INDIGENOUS SERVICES CANADA REVENUE

	2 0 2 3	2 0 2 2
Arrangement: #2021-MB-000013	\$ 98,227,083	\$ 93,768,653
Peguis Al-Care Government Funding	<u>3,169,230</u>	<u>3,117,378</u>
	101,396,313	96,886,031
Deferred from prior year		
I.S.C.	8,729,150	1,418,995
F.N.I.H.	<u>5,884,316</u>	<u>3,847,225</u>
Deferred to following year		
I.S.C.	(12,996,859)	(8,729,150)
F.N.I.H.	(5,341,805)	(5,884,316)
Flexible contribution funding transferred to Jordan's Principle		
Block contribution funding transferred to Peguis Development		
Corporation	(3,000,074)	(1,800,750)
	<u>-</u>	<u>(433,543)</u>
TOTAL I.S.C. REVENUE PER FINANCIAL STATEMENTS	<u>\$ 94,671,041</u>	<u>\$ 85,304,492</u>

REVENUE PER STATEMENT OF OPERATIONS (*Statement 2*)

Indigenous Services Canada	\$ 80,018,690	\$ 72,069,281
First Nations and Inuit Health	<u>14,652,351</u>	<u>13,235,211</u>
	<u>\$ 94,671,041</u>	<u>\$ 85,304,492</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

15. EXPENSES BY OBJECT

The following is a summary of expenses by object:

	2 0 2 3	2 0 2 2
Administration	\$ 3,616,866	\$ 4,584,684
Amortization	7,909,055	6,482,671
Bad debt	684,331	5,824,820
Bingo payouts	498,515	560,311
Contractors	15,851,867	4,523,862
Donations and programs	5,643,242	4,654,420
Equipment	2,984,114	39,683
Insurance	2,445,593	1,227,709
Interest and bank charges	645,091	2,414,338
Loss on investment		8,819,418
Materials and supplies	5,204,959	6,609,312
Medical travel	1,015,795	960,277
Office and administration	3,455,118	2,737,650
Other	2,427,034	1,319,671
Post secondary	4,522,876	4,249,882
Professional fees	3,280,259	4,956,139
Rent	2,425,074	2,974,185
Repairs and maintenance	7,347,081	5,906,635
Salaries and benefits	41,924,337	39,899,503
Social assistance	8,879,966	7,686,860
Training and development	2,164,412	2,256,845
Travel	1,796,266	931,068
Utilities	2,509,611	2,360,619
Eliminations	(4,888,294)	(3,860,299)
	<u>\$ 122,343,168</u>	<u>\$ 118,120,263</u>

16. RELATED PARTY TRANSACTIONS

In the normal course of business the First Nation enters into transactions with related parties. Related party transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Due to the significant volume of transactions between the First Nation and related parties aggregate revenue and expenditures derived from related parties is not determinable.

17. ECONOMIC DEPENDENCE

Peguis First Nation receives a major portion of its revenues pursuant to a funding arrangement with Indigenous Services Canada.

18. COMPARATIVE FIGURES

Certain prior year comparative figures have been reclassified where necessary to conform to the presentation adopted for the current year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

19. FINANCIAL INSTRUMENTS

Management of risks arising from financial instruments

Peguis First Nation's principal financial liabilities comprise of trade and other payables, loans and borrowings. The main purpose of these financial liabilities to finance and support Peguis' operations. Peguis has trade and other receivables, cash, and restricted cash that are derived directly from its operations. It also holds deposits and investments in government business partnerships as part of its investing activities.

Peguis' activities expose it to a variety of financial risks: credit risk, liquidity risk, market risk (including interest risk) and fair value risk. Peguis' overall management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on Peguis' financial performance. Risk management is the responsibility of the financial management team who have the appropriate skills, experience, and supervision. The financial management team identify, evaluate, and, where appropriate, mitigate financial risks. Material risks are monitored and are discussed regularly with Chief and Council.

The risks associated with Peguis' financial instruments are as follows:

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations.

Peguis is exposed to credit risk from the possibility that parties may default on their financial obligations, or if the government fails to meet its obligations in accordance with agreed terms. Peguis considers a financial asset in default when internal or external information indicates that it is unlikely to receive the outstanding contractual amounts in full. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Cash and cash equivalents, restricted cash, and portfolio investments are subject to credit risk however it is substantially reduced from these assets being held by low-risk institutions such as governments, and high-credit quality financial institutions that have been graded by third party agencies.

The credit risk associated with balances outstanding is minimized as the larger part of the balances would be from Provincial and Federal government funding, Peguis partners, and parties that sustain a good relationship with the organization. Security arrangements to secure funding are also arranged through multi year agreements between the government and Peguis. Additionally, accounts receivable is measured at amortized cost and analyzed by means of aging analysis. The maximum exposure to credit risk is represented by the carrying value of financial assets in the balance sheet.

Liquidity risk

Liquidity risk is the risk that Peguis will not be able to provide sufficient cash and cash equivalents to meet its financial obligations when they come due. Peguis meets its liquidity requirements by preparing cash flows from operations, anticipating investing and financing activities, and holding assets that can be readily converted into cash. As of year-end March 31, 2023, Peguis does not have sufficient assets from cash and cash equivalents and accounts receivable to cover the total outstanding accounts payable balance and the Demand Loan payable, respectively. Peguis has portfolio investments that are not readily convertible into cash, as well as credit facilities to meet temporary fluctuations in cash requirements.

To address the potential liquidity risk, management is actively working with the receiver to facilitate the settlement for the Bridging Finance Loan along with evaluating new economic development initiatives.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**MARCH 31, 2023****19. FINANCIAL INSTRUMENTS *(continued)*****Market risk related to financial statements**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is composed of currency risk, interest rate risk, and equity price risk.

Foreign currency risk

Foreign currency risk refers to the changes in cash flows or fair values as a result of fluctuations in the value of various foreign currencies and exposure. The functional currency of Peguis is the Canadian Dollar. Peguis First Nation does not engage in significant foreign currency transactions, nor does it hold any foreign investments; therefore, foreign currency risk is minimal and Peguis has not entered into any foreign exchange hedging contracts.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Peguis' exposure to rate risk primarily stems from holdings of debt instruments with a variable rate component.

Equity price risk

Equity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market price of equity instruments. Peguis' has investments in government business partnerships that are accounted for using the equity method however, equity price risk is minimal as these are privately held entities.

Fair value

The First Nation accounts for its portfolio investments at fair value. Financial instruments reported at fair value are then categorized under a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The three levels of the fair value hierarchy are as follows:

- Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that management has the ability to access at the measurement date
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 - Inputs that are not observable. There is little if any market activity. Inputs into the determination of fair value require significant judgement or estimation.

The First Nation has classified its portfolio investments accounted for at fair value as Level 1.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

20. SEGMENT DISCLOSURE

Peguis First Nation provides a range of services to its members. For management reporting purposes, operations and activities are reported by department. The presentation by segment is based on the same accounting policies as described in the summary of Significant Accounting Policies as described in Note 1. The segment results for the year are as follows:

	Finance and Administration		Social Development		Training and Development		Education		Health Services	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Revenues										
ISC	\$ 2,801,050	\$ 2,337,187	\$ 12,732,067	\$ 14,362,038	\$ 201,176	\$ 242,695	\$ 30,302,440	\$ 29,525,038	\$ 2,293,022	\$ 3,490,264
FNIH									10,762,736	12,187,942
CMHC										
ESDC										
Other	—	—	—	—	—	—	131,604	182,927	—	—
Subtotal	2,801,050	2,337,187	12,732,067	14,362,038	2,626,742	3,061,864	30,434,044	29,707,965	13,055,758	15,678,206
Other revenue	<u>5,907,506</u>	<u>115,378,108</u>	<u>138,217</u>	<u>319,477</u>	<u>685,752</u>	<u>589,034</u>	<u>674,062</u>	<u>2,084,651</u>	<u>811,012</u>	<u>1,624,680</u>
Total revenue	<u>8,708,556</u>	<u>117,715,295</u>	<u>12,870,284</u>	<u>14,681,515</u>	<u>3,312,494</u>	<u>3,650,898</u>	<u>31,108,106</u>	<u>31,792,616</u>	<u>13,866,770</u>	<u>17,302,886</u>
Expenses										
Amortization	4,650,034	3,444,729					2,032,844	2,037,329	53,000	53,183
Debt servicing	502,350	2,257,178	2,492	3,217			23	9,080	300	2,150
Other	9,446,357	49,940,313	9,270,761	8,465,845	1,815,667	1,867,068	11,192,089	10,204,620	5,309,329	7,479,509
Salaries and benefits	<u>4,084,531</u>	<u>2,776,128</u>	<u>402,288</u>	<u>321,222</u>	<u>1,441,288</u>	<u>1,615,662</u>	<u>9,528,097</u>	<u>10,407,960</u>	<u>7,697,611</u>	<u>13,322,200</u>
Total expenses	<u>18,683,272</u>	<u>58,418,348</u>	<u>9,675,541</u>	<u>8,790,284</u>	<u>3,256,955</u>	<u>3,482,730</u>	<u>22,753,053</u>	<u>22,658,989</u>	<u>13,060,240</u>	<u>20,857,042</u>
Surplus (Deficit)	<u>\$(9,974,716)</u>	<u>\$ 59,296,947</u>	<u>\$ 3,194,743</u>	<u>\$ 5,891,231</u>	<u>\$ 55,539</u>	<u>\$ 168,168</u>	<u>\$ 8,355,053</u>	<u>\$ 9,133,627</u>	<u>\$ 806,530</u>	<u>\$(3,554,156)</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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20. SEGMENT DISCLOSURE *(continued)*

	Public Works		Community Services		Treaty Land Entitlement		Senior Centre		Housing	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Revenues										
ISC	\$ 24,092,110	\$ 2,414,300	\$ 34,364	\$ 2,237,514	\$ 224,544	\$	\$ 2,817,639	\$ 2,594,865	\$ 4,744,822	\$ 8,883,132
FNIH									3,889,615	822,725
CMHC									386,462	4,290,777
ESDC										
Other	—	—	67,200	67,200	—	—	—	—	—	—
Subtotal	24,092,110	2,414,300	101,564	2,529,258	—	—	2,817,639	2,594,865	9,020,899	13,996,634
Other revenue	7,798	115,914	3,480,564	1,747,574	588,132	468,193	299,247	321,149	732,659	1,563,539
Total revenue	24,099,908	2,530,214	3,582,128	4,276,832	588,132	468,193	3,116,886	2,916,014	9,753,558	15,560,173
Expenses										
Amortization	53,150	324,342					4,300	4,300	352,219	517,231
Debt servicing	704	4,261	39,722	35,324					89,747	86,870
Other	20,076,055	2,112,651	4,250,188	3,636,507	83,473	191,910	926,403	812,043	5,323,395	8,479,299
Salaries and benefits	4,101,325	854,039	6,382,257	2,722,370	375,125	285,474	2,263,020	2,105,063	1,776,208	1,700,614
Total expenses	24,178,084	3,024,101	10,996,509	6,394,201	458,598	477,384	3,193,723	2,921,406	7,541,569	10,784,014
Surplus (Deficit)	\$ (78,176)	\$ (493,887)	\$ (7,414,381)	\$ (2,117,369)	\$ 129,534	\$ (9,191)	\$ (76,837)	\$ (5,392)	\$ 2,211,989	\$ 4,776,159

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023

20. SEGMENT DISCLOSURE *(continued)*

	Own Source Development		Special Projects		Gaming		Eliminations		TOTAL	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Revenues										
Federal Government										
ISC	\$	\$ 5,982,248	\$	\$	\$	\$	\$	\$	\$ 80,018,690	\$ 72,069,281
FNIH									14,652,351	13,235,211
CMHC									386,462	4,290,777
ESDC									2,425,566	2,819,169
Other	—	—	—	—	—	—	—	—	198,804	250,127
Subtotal	—	5,982,248	—	—	—	—	—	—	97,681,873	92,664,565
Other revenue	<u>4,040,196</u>	<u>5,076,914</u>	<u>2,309,674</u>	<u>622,478</u>	<u>5,386,449</u>	<u>3,921,019</u>	<u>(4,888,294)</u>	<u>(3,860,299)</u>	<u>20,172,974</u>	<u>129,972,431</u>
Total revenue	<u>4,040,196</u>	<u>11,059,162</u>	<u>2,309,674</u>	<u>622,478</u>	<u>5,386,449</u>	<u>3,921,019</u>	<u>(4,888,294)</u>	<u>(3,860,299)</u>	<u>117,854,847</u>	<u>222,636,996</u>
Expenses										
Amortization	382,763	263,562	4,929		104,624	109,187			7,909,055	6,482,671
Debt servicing	9,308	12,849			445	3,409			645,091	2,414,338
Other	3,142,008	500,663	1,623,438	585,073	4,293,816	1,163,413	(4,888,294)	(3,860,299)	71,864,685	91,578,615
Salaries and benefits	<u>2,121,741</u>	<u>2,297,117</u>	<u>292,924</u>	<u>377,882</u>	<u>1,457,922</u>	<u>1,113,772</u>	<u>—</u>	<u>—</u>	41,924,337	39,899,503
Total expenses	<u>5,655,820</u>	<u>3,074,191</u>	<u>1,921,291</u>	<u>962,955</u>	<u>5,856,807</u>	<u>2,389,781</u>	<u>(4,888,294)</u>	<u>(3,860,299)</u>	122,343,168	140,375,127
Surplus (Deficit)	<u>\$(1,615,624)</u>	<u>\$ 7,984,971</u>	<u>\$ 388,383</u>	<u>\$(340,477)</u>	<u>\$ (470,358)</u>	<u>\$ 1,531,238</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$(4,488,321)</u>	<u>\$ 82,261,869</u>