
PEGUIS FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2024

PEGUIS FIRST NATION

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2024

INDEPENDENT AUDITOR'S REPORT

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

CONSOLIDATED STATEMENT OF FINANCIAL POSITION STATEMENT 1

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS STATEMENT 2

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT STATEMENT 3

CONSOLIDATED STATEMENT OF CASH FLOWS STATEMENT 4

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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, 2024, and the consolidated statements of operations and accumulated surplus, change in net debt and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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, 2024, 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, 2024 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, 2024, 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, 2024, 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, 2024. 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, 2024.

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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the 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.

Baker Tilly HMA LLP

Chartered Professional Accountants

Winnipeg, Manitoba
December 24, 2024

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.

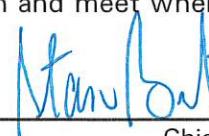
The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada and as such include amounts that are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

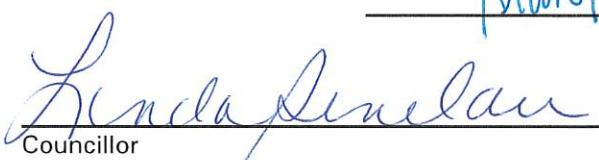
Chief and Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and is ultimately responsible for reviewing and approving the consolidated financial statements.

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.

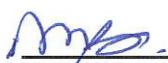
The external auditors, Baker Tilly HMA LLP, conduct an independent examination, in accordance with Canadian generally accepted auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of Peguis First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



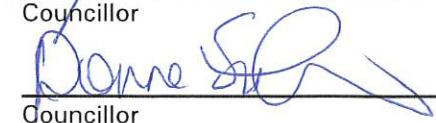
Chief



Councillor



Councillor



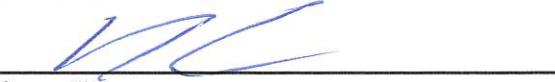
Councillor



Councillor



Councillor



Councillor

PEGUIS FIRST NATION

STATEMENT 1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MARCH 31

2024 2023

FINANCIAL ASSETS

Cash	\$ 13,527,548	\$ 10,944,208
Restricted cash (Note 4)	650,496	486,251
Accounts receivable (Note 5)	9,232,519	6,775,606
Inventories	369,862	479,317
Long-term investments (Note 6)	(142,619)	113,725
Total financial assets	<u>23,637,806</u>	<u>18,799,107</u>

LIABILITIES

Demand loans (Note 7)	25,259,671	25,279,309
Accounts payable and accrued liabilities (Note 8)	9,418,169	7,432,487
Deferred revenue (Note 9)	19,456,830	20,552,176
Long-term debt (Note 11)	<u>12,521,949</u>	<u>14,875,160</u>
Total liabilities	<u>66,656,619</u>	<u>68,139,132</u>
Net debt	<u>(43,018,813)</u>	<u>(49,340,025)</u>

NON-FINANCIAL ASSETS

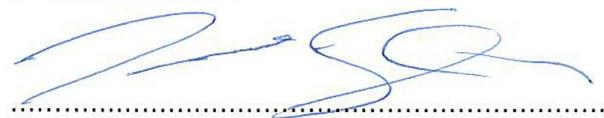
Tangible capital assets (Note 10)	157,248,320	162,271,109
Prepaid expenses	<u>738,797</u>	<u>706,720</u>
Total non-financial assets	<u>157,987,117</u>	<u>162,977,829</u>
Accumulated surplus	<u>\$ 114,968,304</u>	<u>\$ 113,637,804</u>

Approved on behalf of Chief and Council

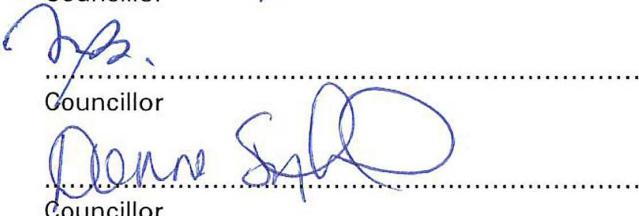
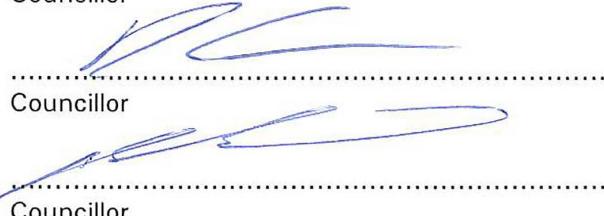


Chief


Linda Simulac
Councillor



Councillor


Councillor
Councillor

Councillor

PEGUIS FIRST NATION

STATEMENT 2

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

YEAR ENDED MARCH 31

	BUDGET (UNAUDITED)	2024	2023
REVENUE			
Indigenous Services Canada <i>(Note 13)</i>	\$ 66,339,164	\$ 80,018,690	
First Nations and Inuit Health <i>(Note 13)</i>	13,088,263	14,652,351	
Canada Mortgage and Housing Corporation	402,739	386,462	
Employment and Social Development Canada	2,229,435	2,425,566	
RCMP Housing	67,200	67,200	
Canadian Heritage	643	333,880	
Province of Manitoba	516,017	2,250,032	
Administration fees	6,169,990	4,347,385	
Ambulance fees	1,783,938	2,015,211	
Community trust funding	954,325	1,242,242	
Community services	141,875	138,217	
Gaming revenue	3,862,390	3,779,433	
Hockey, arena and fundraising	627,954	735,889	
Own Source development	2,541,903	2,859,873	
Rental and user fees	1,088,074	1,385,210	
Sundry income, interchanges and cost recoveries	4,225,474	5,342,324	
Assembly of Manitoba Chiefs Secretariat Inc.	266,711	763,176	
Eliminations	<u>-</u> <u>(6,270,236)</u>	<u>(4,888,294)</u>	
	<u>-</u>	<u>98,035,859</u>	<u>117,854,847</u>
EXPENDITURES			
Finance and administration	17,828,722	18,683,272	
Social development	9,210,329	9,675,541	
Training and development	3,061,134	3,256,955	
Education	25,616,769	22,753,053	
Health services	13,957,498	13,060,240	
Public works	6,937,416	24,178,084	
Community services	5,172,363	10,996,509	
Treaty land entitlement	482,935	458,598	
Senior centre	2,890,132	3,193,723	
Housing	6,703,663	7,541,569	
Own source development	3,377,363	5,655,820	
Special projects	1,643,225	1,921,291	
Gaming	6,094,046	5,856,807	
Eliminations	<u>-</u> <u>(6,270,236)</u>	<u>(4,888,294)</u>	
	<u>-</u>	<u>96,705,359</u>	<u>122,343,168</u>
ANNUAL SURPLUS (DEFICIT)		1,330,500	(4,488,321)
ACCUMULATED SURPLUS, <i>beginning of year</i>	<u>113,637,804</u>	<u>113,637,804</u>	<u>118,126,125</u>
ACCUMULATED SURPLUS, <i>end of year</i>	<u>\$ 113,637,804</u>	<u>\$ 114,968,304</u>	<u>\$ 113,637,804</u>

PEGUIS FIRST NATION

STATEMENT 3

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

YEAR ENDED MARCH 31

	BUDGET (UNAUDITED)	2 0 2 4	2 0 2 3
Annual surplus (deficit)	\$ _____ -	\$ <u>1,330,500</u>	\$(<u>4,488,321</u>)
Acquisition of tangible capital assets		(<u>4,604,734</u>)	(<u>17,043,517</u>)
Amortization of tangible capital assets		<u>8,709,354</u>	<u>7,909,055</u>
Disposal of tangible capital assets	<u>-</u>	<u>918,169</u>	<u>34,700</u>
	<u>-</u>	<u>5,022,789</u>	(<u>9,099,762</u>)
Acquisition of prepaid expenses		(<u>738,797</u>)	(<u>706,720</u>)
Use of prepaid expenses	<u>-</u>	<u>706,720</u>	<u>414,172</u>
	<u>-</u>	(<u>32,077</u>)	(<u>292,548</u>)
CHANGE IN NET DEBT FOR YEAR		<u>6,321,212</u>	(<u>13,880,631</u>)
NET DEBT, <i>beginning of year</i>	(<u>49,340,025</u>)	(<u>49,340,025</u>)	(<u>35,459,394</u>)
NET DEBT, <i>end of year</i>	<u>\$(<u>49,340,025</u>)</u>	<u>\$(<u>43,018,813</u>)</u>	<u>\$(<u>49,340,025</u>)</u>

PEGUIS FIRST NATION

STATEMENT 4

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31

	2 0 2 4	2 0 2 3
CASH FLOW FROM		
<i>OPERATING ACTIVITIES</i>		
Annual surplus (deficit)	\$ 1,330,500	\$(4,488,321)
Items not affecting cash:		
Amortization of capital assets	<u>8,709,354</u>	<u>7,909,055</u>
	<u>10,039,854</u>	<u>3,420,734</u>
Changes in non-cash working capital balances		
Accounts receivable	(2,456,913)	(3,040,446)
Inventories	109,455	130,386
Long-term investments	256,344	
Prepaid expenses	(32,077)	(292,548)
Accounts payable	1,985,682	2,880,379
Accrued termination entitlement	(415,504)	
Deferred revenue	<u>(1,095,346)</u>	<u>4,127,132</u>
	<u>8,806,999</u>	<u>6,810,133</u>
<i>CAPITAL ACTIVITIES</i>		
Acquisition of tangible capital assets	(4,604,734)	(17,043,517)
Disposal of tangible capital assets	<u>918,169</u>	<u>34,700</u>
	<u>(3,686,565)</u>	<u>(17,008,817)</u>
<i>FINANCING ACTIVITIES</i>		
Demand and long term loan proceeds	583,164	6,865,383
Repayment of long-term debt	<u>(2,956,013)</u>	<u>(2,702,630)</u>
	<u>(2,372,849)</u>	<u>4,162,753</u>
NET INCREASE (DECREASE) IN CASH DURING YEAR	2,747,585	(6,035,931)
CASH, <i>beginning of year</i>	<u>11,430,459</u>	<u>17,466,390</u>
CASH, <i>end of year</i>	<u>\$ 14,178,044</u>	<u>\$ 11,430,459</u>
CASH COMPRISED OF		
Cash	\$ 13,527,548	\$ 10,944,208
Restricted cash	<u>650,496</u>	<u>486,251</u>
	<u>\$ 14,178,044</u>	<u>\$ 11,430,459</u>

PEGUIS FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2024

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 AI-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, 2024.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**MARCH 31, 2024****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, 2024****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.

REVENUErecognition**Government Transfers**

Government transfers are recognized as revenue when the transfer is authorized and all eligibility criteria are met, except to the extent that funding stipulations give rise to an obligation that meets the definition of a liability. Transfers with stipulations that result in a liability are recorded as deferred revenue on the statement of financial position and are subsequently recognized as revenue in the statement of operations as the liability is settled.

Fees, Rental, Sales and Other Revenue

Revenues are recognized for transactions with performance obligations when or as the performance obligations are satisfied by delivering the promised goods or services to the payor. If a transaction has multiple performance obligations the transaction price is allocated to each distinct good or service based on the stand-alone selling price as the basis of allocation. For transactions without performance obligations, revenues are recognized when the authority to claim or retain an inflow of economic resources and a past transaction or event that gives rise to an asset is present.

The components of hybrid transactions containing those with and without performance obligations are recognized separately. Variable or contingent consideration, concessionary terms and non-cash consideration in the determination of the transaction price, are considered when these elements are present.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**MARCH 31, 2024****1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)***

For transactions when acting as Principal and with control of the goods or services prior to satisfying the performance obligation to the payor, revenue is recognized on a gross basis. For instances when acting as Agent and is only arranging for the provision of goods and services to a payor on behalf of another party, only the fee or commission, if any, is recognized as revenue.

Refund liabilities are recognized when there is an expectation to refund some, or all of the consideration received from a payor.

Taxation

Revenue from taxation is recognized when tax amount is authorized by Council, a taxable event has occurred, and the amount meets the definition of an asset. Taxes received in advance of the recognition criteria being met are recorded as a liability until the recognition criteria are satisfied.

Voluntary and Non-Reciprocal Contributions

These amounts which are substantially comprised of donations and non-government grants and are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. If there are external restrictions associated with the amount, revenue is recognized when the terms of the restrictions 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, 2024****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, 2024****2. CHANGE IN ACCOUNTING POLICY**

Effective April 1, 2023, the new accounting standard PS 3400 Revenue was adopted on a prospective basis. The standard outlines how revenue should be recognized, measured, and disclosed. It differentiates between transactions with performance obligations (exchange transactions) and those without (non-exchange transactions), providing guidance on when and how revenue is recognized in each case.

Revenue from transactions with performance obligations should be recognized when or as the First Nation satisfies a performance obligation by providing the promised goods or services to a payor.

Revenue from transactions with no performance obligations should be recognized when the First Nation:

- has the authority to claim or retain an inflow of economic resources; and
- identifies a past transaction or event that gives rise to an asset

The adoption of PS 3400 did not have a significant impact on the financial statements.

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 \$49,850 (2023 - \$49,183) 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, 2024, \$628,275 (2023 - \$18,348) had been deposited into separate accounts.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2024

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.

	2 0 2 4	2 0 2 3
Externally Restricted Reserves		
BMO treasury accounts for housing	\$ 5,062	\$ 4,881
CMHC replacement reserve	<u>628,275</u>	18,348
PEM Hospital	<u>17,159</u>	<u>463,022</u>
	<u><u>\$ 650,496</u></u>	<u><u>\$ 486,251</u></u>

5. ACCOUNTS RECEIVABLE

	2 0 2 4	2 0 2 3
Indigenous Services Canada		
Current funding received after year-end	\$ 2,019,800	\$ 1,374,143
Accounts receivable - trade	<u>7,166,132</u>	7,637,902
Advances and loans receivable	<u>632,849</u>	41
Due from Chief Peguis Investment Corp (CPIC)	<u>20,093,358</u>	20,286,145
Due from related parties	<u>1,058,121</u>	1,674,497
GST receivable	<u>568,661</u>	515,995
Other receivables	<u>1,180,355</u>	<u>1,078,198</u>
	<u><u>32,719,276</u></u>	<u><u>32,566,921</u></u>
Less:		
Allowance for doubtful accounts - CPIC	(20,093,358)	(20,286,145)
Allowance for doubtful accounts	<u>(3,393,399)</u>	<u>(5,505,170)</u>
	<u><u>\$ 9,232,519</u></u>	<u><u>\$ 6,775,606</u></u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2024

6. LONG-TERM INVESTMENTS

	2 0 2 4	2 0 2 3
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	(192,724)	63,620
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>927,355</u>	<u>\$ 1,183,699</u>
Allowance for decline in value	<u>(1,069,974)</u>	<u>(1,069,974)</u>
	<u><u>\$(142,619)</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 4	2 0 2 3
Bridging Finance Inc., including accrued interest	\$ 25,000,000	\$ 25,000,000
Royal Bank of Canada demand housing loan	<u>259,671</u>	<u>279,309</u>
	<u><u>\$ 25,259,671</u></u>	<u><u>\$ 25,279,309</u></u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 20247. DEMAND LOANS *(continued)*

The Royal Bank of Canada bank overdrafts and demand facilities are due on demand and bear interest at 6.74% (2023 - 5.65%). 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.

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, 2024, 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. Total balance of indebtedness as of March 31, 2024, including principal and interest, is \$215 million (2023 - \$169 million).

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2 0 2 4	2 0 2 3
Accounts payable - trade	\$ 4,947,788	\$ 4,528,326
Accrued liabilities	1,328,768	1,310,379
Government remittances	619,673	678,179
Group insurance payable	79,439	110,869
Pension payable	138,595	220,052
Accrued wages	274,921	53,155
Payables to related parties	<u>2,028,985</u>	<u>531,527</u>
	<u><u>\$ 9,418,169</u></u>	<u><u>\$ 7,432,487</u></u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2024

9. DEFERRED REVENUE

	Balance, beginning of year	Funding received 2024	Revenue recognized 2024	Balance, end of year
Indigenous Services Canada				
Basic Admin Gov Cap Dev	\$ 41,000	\$ 70,000	\$ 111,000	\$ 359,156
Capital Housing (5 Units)	667,149		307,993	25,000
Community Dev Infrastructure	25,000			101,879
Cultural	22,245	87,634	8,000	468,147
Elder's Six-Plex Construction	2,225,000		1,756,853	
Flood Preparation 2023-24	940,837	364,236	1,305,073	
FNs & Inuit - Skill Link Program	383,844	132,740	150,268	366,316
FN Representative Service	1,055,590			1,055,590
Housing	332,714		123,564	209,150
Professional and Institutional	29,000	50,000	79,000	
Structural Mitigation	854,448			854,448
S500 and S501 Projects	1,254,188		66,383	1,187,805
Water Systems	2,900,470			2,900,470
Water O & M		555,401	280,875	274,526
Well and Septic Field Study	1,733,051			1,733,051
Cultural	87,634			87,634
School Operations	419,456	22,789,463	23,208,919	
ISC - Institutional Care - Type 1	25,233		25,233	
Planning Risk Management		118,500	29,286	89,214
Capacity Innovation		70,000		70,000
Construction New Housing		1,624,350		1,624,350
CFS Renovations		789,302		789,302
Flood Recovery 2022-23		3,253,145	2,761,883	491,262
ESE Implen/Expan Ad Edu	-	657,013		657,013
	<u>12,996,859</u>	<u>30,561,784</u>	<u>30,214,330</u>	<u>13,344,313</u>
First Nations and Inuit Health				
CDE Planning and Response	486,000		486,000	
Climate Change and Health	81,025			81,025
Home and Community Care				
Policy Development	300,000		300,000	
Home and Community Care				
Service Delivery	73,800		73,800	
Minor Projects	4,920		4,920	
Percy E. Moore Hospital	2,231,738		510,114	1,721,624
Peguis AI-Care Treatment	<u>2,164,322</u>	<u>3,545,612</u>	<u>3,629,988</u>	<u>2,079,946</u>
	<u>5,341,805</u>	<u>3,545,612</u>	<u>5,004,822</u>	<u>3,882,595</u>
Other				
CMHC RRAP		300,000	2,634	297,366
Culture and Language	512,779		643	512,136
PowWow	52,000		52,000	
Training and Employment	<u>1,648,733</u>	<u>2,261,984</u>	<u>2,490,297</u>	<u>1,420,420</u>
	<u>2,213,512</u>	<u>2,561,984</u>	<u>2,545,574</u>	<u>2,229,922</u>
	<u>\$ 20,552,176</u>	<u>\$ 36,669,380</u>	<u>\$ 37,764,726</u>	<u>\$ 19,456,830</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2024

10. TANGIBLE CAPITAL ASSETS

2024

	Automotive	Buildings	Equipment	Land and infrastructure	Construction in progress	TOTAL
<i>Cost, beginning of year</i>	\$ 27,666,077	\$ 156,974,269	\$ 7,546,031	\$ 61,638,021	\$ 1,148,924	\$ 254,973,322
Additions	420,549	795,684	319,868		3,068,633	4,604,734
Disposals and adjustments	(5,912,223)	168,375	4,825,679	-	-	(918,169)
<i>Cost, end of year</i>	<u>22,174,403</u>	<u>157,938,328</u>	<u>12,691,578</u>	<u>61,638,021</u>	<u>4,217,557</u>	<u>258,659,887</u>
<i>Accumulated amortization, beginning of year</i>	14,941,773	54,383,622	5,778,194	17,598,624		92,702,213
Amortization	2,425,244	5,238,230	700,093	345,787		8,709,354
Disposals and adjustments	(4,041,112)	(248,619)	4,003,995	285,736	-	-
<i>Accumulated amortization, end of year</i>	<u>13,325,905</u>	<u>59,373,233</u>	<u>10,482,282</u>	<u>18,230,147</u>	<u>-</u>	<u>101,411,567</u>
<i>Net carrying amount, end of year</i>	<u>\$ 8,848,498</u>	<u>\$ 98,565,095</u>	<u>\$ 2,209,296</u>	<u>\$ 43,407,874</u>	<u>\$ 4,217,557</u>	<u>\$ 157,248,320</u>

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>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2024

11. LONG-TERM DEBT

2024 2023

2023

CMHC mortgage payable, interest at 1.86%, repayable in monthly installments of \$7,539 (Principal & Interest), due April 2024.	\$ 417,953	\$ 499,828
CMHC mortgage payable, interest at 1.01%, repayable in monthly installments of \$6,909 (Principal & Interest), due August 2026.	553,720	630,616
CMHC mortgage payable, interest at 1.87%, repayable in monthly installments of \$10,808 (Principal & Interest), due May 2024.	1,200,443	1,306,642
CMHC mortgage payable, interest at 1.13%, repayable in monthly installments of \$5,275 (Principal & Interest), due June 2026.	965,718	1,017,781
CMHC mortgage payable, interest at 3.29%, repayable in monthly installments of \$4,128 (Principal & Interest), due September 2027.	389,920	429,496
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.	3,679,972	3,356,998
School bus loan payable, interest at 5.00%, repayable in monthly installments of \$3,577 (Principal & Interest), due March 2025.	38,312	74,563
Vehicle loans and leases payable, interest ranging from 7.40% to 5.50%, repayable in monthly installments ranging from \$659 to \$10,828 (Principal & Interest), due at various time between August 2021 and October 2025.	5,065,911	7,456,185
CMHC advance, Proposal Development Funding for constructing a new affordable personal care home on the Peguis First Nation. The agreement commenced on May 20, 2015, non-interest bearing and due on demand.	100,000	100,000
Advance payment under Partner Program Agreement entered into between Pharmacy Brands Canada and Peguis Pharmacy. The non-interest bearing agreement will be in operations for 10 years commencing November 1, 2023 and continue until October 31, 2033.	110,000	
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
	\$12,521,949	\$14,875,160

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**MARCH 31, 2024****11. LONG-TERM DEBT *(continued)***

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 and thereafter to meet retirement provisions is estimated to be as follows:

March 31, 2025	\$ 2,725,689
2026	2,168,582
2027	1,545,063
2028	1,044,292
2029	764,883
Thereafter	4,273,440

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**MARCH 31, 2024****12. 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, 2024, the limited partnership had \$75,000 of undrawn capacity under this facility (2023 - \$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, 2024

13. RECONCILIATION OF INDIGENOUS SERVICES CANADA REVENUE

	2 0 2 4	2 0 2 3
Arrangement: #2021-MB-000013	\$ 81,022,241	\$ 98,227,083
Peguis Al-Care Government Funding	<u>3,545,612</u>	<u>3,169,230</u>
	<u>84,567,853</u>	101,396,313
Deferred from prior year		
I.S.C.	12,996,859	8,729,150
F.N.I.H.	5,341,805	5,884,316
Deferred to following year		
I.S.C.	(13,344,313)	(12,996,859)
F.N.I.H.	(3,882,595)	(5,341,805)
Flexible contribution funding transferred to Jordan's Principle	<u>(6,252,182)</u>	<u>(3,000,074)</u>
TOTAL I.S.C. REVENUE PER FINANCIAL STATEMENTS	<u>\$ 79,427,427</u>	<u>\$ 94,671,041</u>

REVENUE PER STATEMENT OF OPERATIONS (*Statement 2*)

Indigenous Services Canada	\$ 66,339,164	\$ 80,018,690
First Nations and Inuit Health	<u>13,088,263</u>	<u>14,652,351</u>
	<u>\$ 79,427,427</u>	<u>\$ 94,671,041</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2024

14. EXPENSES BY OBJECT

The following is a summary of expenses by object:

	2 0 2 4	2 0 2 3
Administration	\$ 5,904,878	\$ 3,616,866
Amortization	8,709,354	7,909,055
Bad debt	163,993	684,331
Bingo payouts	627,475	498,515
Community initiatives and contributions	5,046,647	5,643,242
Contractors	7,311,312	15,851,867
Equipment	742,337	2,984,114
Insurance	1,734,250	2,445,593
Interest	1,115,899	645,091
Materials and supplies	1,893,091	5,204,959
Medical travel	874,475	1,015,795
Office and administration	2,719,680	3,455,118
Other	1,813,885	2,427,034
Post secondary	4,362,248	4,522,876
Professional fees	2,703,499	3,280,259
Rent	2,187,583	2,425,074
Repairs and maintenance	3,759,699	7,347,081
Salaries and benefits	37,835,229	41,924,337
Social assistance	7,964,853	8,879,966
Training and development	1,830,813	2,164,412
Travel	1,307,649	1,796,266
Utilities	2,366,746	2,509,611
Eliminations	(6,270,236)	(4,888,294)
	<u>\$ 96,705,359</u>	<u>\$ 122,343,168</u>

15. 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.

16. ECONOMIC DEPENDENCE

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

17. 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, 2024

18. 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, 2024, Peguis does not have sufficient assets from cash and cash equivalents and accounts receivable to cover the total outstanding accounts payable and the demand loans 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, 2024****18. 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 judgment 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, 2024

19. 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	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Revenues										
ISC	\$ 2,843,057	\$ 2,801,050	\$ 13,271,879	\$ 12,732,067	\$ 248,211	\$ 201,176	\$ 32,126,095	\$ 30,302,440	\$ 12,383,145	\$ 2,293,022
FNIH										
CMHC										
ESDC										
Other	—	—	—	—	2,229,435	2,425,566	—	131,604	—	—
Subtotal	2,843,057	2,801,050	13,271,879	12,732,067	2,477,646	2,626,742	32,126,095	30,434,044	12,383,145	13,055,758
Other revenue	5,878,688	5,907,506	141,875	138,217	520,905	685,752	654,902	674,062	569,483	811,012
Total revenue	8,721,745	8,708,556	13,413,754	12,870,284	2,998,551	3,312,494	32,780,997	31,108,106	12,952,628	13,866,770
Expenses										
Amortization	5,100,046	4,650,034					2,578,648	2,032,844	116,730	53,000
Debt servicing	829,562	502,350	12,072	2,492			17,325	23		300
Other	7,989,401	9,446,357	8,775,203	9,270,761	1,739,695	1,815,667	12,299,849	11,192,089	6,309,876	5,309,329
Salaries and benefits	3,909,710	4,084,531	423,054	402,288	1,321,439	1,441,288	10,720,947	9,528,097	7,530,891	7,697,611
Total expenses	17,828,719	18,683,272	9,210,329	9,675,541	3,061,134	3,256,955	25,616,769	22,753,053	13,957,497	13,060,240
Surplus (Deficit)	\$(9,106,974)	\$(9,974,716)	\$ 4,203,425	\$ 3,194,743	\$(62,583)	\$ 55,539	\$ 7,164,228	\$ 8,355,053	\$(1,004,869)	\$ 806,530

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2024

19. SEGMENT DISCLOSURE *(continued)*

	Public Works		Community Services		Treaty Land Entitlement		Senior Centre		Housing	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Revenues										
ISC	\$ 8,267,531	\$ 24,092,110	\$ 29,041	\$ 34,364	\$	\$	\$ 2,612,882	\$ 2,817,639	\$ 6,940,468	\$ 4,744,822
FNIH			234,649						470,469	3,889,615
CMHC									402,739	386,462
ESDC										
Other	—	—	—	67,200	—	—	—	—	—	—
Subtotal	8,267,531	24,092,110	263,690	101,564	—	—	2,612,882	2,817,639	7,813,676	9,020,899
Other revenue	13,816	7,798	2,560,424	3,480,564	492,759	588,132	207,065	299,247	1,619,552	732,659
Total revenue	8,281,347	24,099,908	2,824,114	3,582,128	492,759	588,132	2,819,947	3,116,886	9,433,228	9,753,558
Expenses										
Amortization			399,663	324,342	3,042		5,691	4,300	356,611	352,219
Debt servicing	59	704	130,682	39,722					126,107	89,747
Other	4,377,500	20,076,055	1,529,819	4,250,188	89,622	83,473	843,833	926,403	4,029,441	5,323,395
Salaries and benefits	2,559,858	4,101,325	3,112,199	6,382,257	390,271	375,125	2,040,608	2,263,020	2,191,504	1,776,208
Total expenses	6,937,417	24,178,084	5,172,363	10,996,509	482,935	458,598	2,890,132	3,193,723	6,703,663	7,541,569
Surplus (Deficit)	\$ 1,343,930	\$ (78,176)	\$ (2,348,249)	\$ (7,414,381)	\$ 9,824	\$ 129,534	\$ (70,185)	\$ (76,837)	\$ 2,729,565	\$ 2,211,989

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2024

19. SEGMENT DISCLOSURE (continued)

	Own Source Development		Special Projects		Gaming		Eliminations		TOTAL	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Revenues										
Federal Government										
ISC	\$	\$	\$	\$	\$	\$	\$	\$	\$ 66,339,164	\$ 80,018,690
FNIH									13,088,263	14,652,351
CMHC									402,739	386,462
ESDC									2,229,435	2,425,566
Other	—	—	67,200	—	—	—	—	—	67,200	198,804
Subtotal	—	—	67,200	—	—	—	—	—	82,126,801	97,681,873
Other revenue	2,389,824	4,040,196	1,588,930	2,309,674	5,541,069	5,386,449	(6,270,236)	(4,888,294)	15,909,056	20,172,974
Total revenue	2,389,824	4,040,196	1,656,130	2,309,674	5,541,069	5,386,449	(6,270,236)	(4,888,294)	98,035,857	117,854,847
Expenses										
Amortization	40,886	382,763	12,600	4,929	95,437	104,624			8,709,354	7,909,055
Debt servicing	66	9,308			26	445			1,115,899	645,091
Other	1,583,988	3,142,008	1,235,303	1,623,438	4,511,583	4,293,816	(6,270,236)	(4,888,294)	49,044,877	71,864,685
Salaries and benefits	1,752,423	2,121,741	395,322	292,924	1,487,001	1,457,922	—	—	37,835,227	41,924,337
Total expenses	3,377,363	5,655,820	1,643,225	1,921,291	6,094,047	5,856,807	(6,270,236)	(4,888,294)	96,705,357	122,343,168
Surplus (Deficit)	\$(987,539)	\$(1,615,624)	\$ 12,905	\$ 388,383	\$(552,978)	\$(470,358)	\$ —	\$ —	\$ 1,330,500	\$(4,488,321)