

**PINAYMOOTANG FIRST NATION
INDEPENDENT AUDITOR'S REPORT
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2020**

PINAYMOOTANG FIRST NATION

MARCH 31, 2020

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of the Pinaymootang First Nation are the responsibility of management and have been approved by the 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 Chartered Professional Accountants of Canada and as such include certain amounts based on estimates or judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the consolidated financial statements are presented fairly, in all material respects.

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

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

The Chief and Council review the First Nation's consolidated financial statements and recommends their approval to the membership. Chief and Council meet 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, to review the consolidated financial statements and the external auditor's report. The Chief and Council also consider and submit for approval by the Members, the engagement of the external auditors.

The consolidated financial statements have been audited by Fort Group Chartered Professional Accountants Inc. in accordance with Canadian generally accepted auditing standards on behalf of the members. Fort Group Chartered Professional Accountants Inc. have full and free access to Chief and Council.



Chief Garnet Woodhouse

INDEPENDENT AUDITOR'S REPORT

To The Members of Pinaymootang First Nation and Chief and Council:

Opinion

We have audited the accompanying financial statements of Pinaymootang First Nation, which comprise the consolidated statement of financial position as at March 31 2020, and the consolidated statements of operations and accumulated surplus, changes in net debt and cash flow for the year then ended, and the notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Pinaymootang First Nation as at March 31 2020, and the results of its operations and its cash flow for the year then ended, in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the organization 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 opinion.

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

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the organization or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities 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.

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 the organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization 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 representing the underlying transactions and events in a manner that achieved fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the organization to express an opinion on the non-consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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



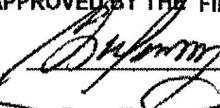
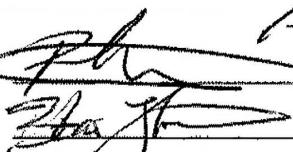
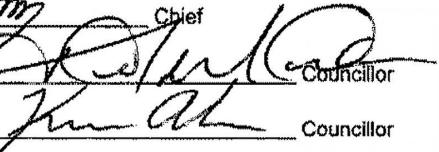
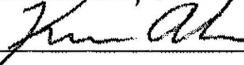
Winnipeg, Manitoba
December 16, 2020

**CHARTERED PROFESSIONAL
ACCOUNTANTS INC.**

PINAYMOOTANG FIRST NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2020

	2020	2019
FINANCIAL ASSETS		
Cash (Note 2)	\$ 1,489,435	1,760,829
Trust funds held by the federal government (Note 3)	13,310	12,799
Accounts receivable (Note 4)	556,213	165,159
Due from government and other government organizations (Note 5)	836,533	606,625
Inventories for resale (Note 6)	<u>114,973</u>	<u>127,624</u>
	<u>3,010,464</u>	<u>2,673,036</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 7)	6,094,464	3,450,621
Due to government and other governmental organizations (Note 8)	227,189	242,370
Demand loans (Note 9)	4,482,757	1,200,000
Deferred revenue (Note 10)	241,404	307,507
Long-term debt (Note 11)	10,182,790	10,869,308
CMHC forgivable loans (Note 12)	<u>39,980</u>	<u>60,940</u>
	<u>21,268,584</u>	<u>16,130,746</u>
NET DEBT	<u>(18,258,120)</u>	<u>(13,457,710)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 14)	65,861,538	61,567,784
Prepaid expenses and deferred charges	<u>176,537</u>	<u>21,962</u>
	<u>66,038,075</u>	<u>61,589,746</u>
ACCUMULATED SURPLUS	<u>\$ 47,779,955</u>	<u>48,132,036</u>

APPROVED BY THE FIRST NATION:

 Chief
 Councillor  Councillor
 Councillor  Councillor

PINAYMOOTANG FIRST NATION
CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
YEAR ENDED MARCH 31, 2020

	2020		2019
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
	(Note 17)		
REVENUE			
Federal government transfers - operating (Note 19)	\$ 2,602,002	10,981,849	9,141,740
Federal government transfers - capital (Note 19)	26,908	6,106,643	11,465,946
Provincial government transfers - operating (Note 19)	855,972	863,571	799,747
Provincial government transfers - capital (Note 19)	378,124	2,467,588	2,258,747
Economic activities	11,966,649	16,699,359	12,262,929
Other revenue	<u>185,370</u>	<u>385,017</u>	<u>771,688</u>
	<u>16,015,025</u>	<u>37,504,027</u>	<u>36,700,797</u>
EXPENSES			
Health	1,124,554	3,416,791	2,905,979
Education	-	49,109	116,706
Social services	-	3,086,171	3,061,939
Economic development	14,400	690,594	760,298
Public works	-	679,026	966,329
Housing	35,000	703,761	2,574,151
Band government	-	10,395,858	2,198,184
Private enterprises	11,124,509	16,507,595	12,570,738
Elimination adjustments	-	(609,454)	(613,097)
Interest	-	445,487	357,327
Amortization of tangible capital assets	<u>267,249</u>	<u>2,491,170</u>	<u>2,349,283</u>
	<u>12,565,712</u>	<u>37,856,108</u>	<u>27,247,837</u>
ANNUAL SURPLUS (DEFICIT)	3,449,313	(352,081)	9,452,960
ACCUMULATED SURPLUS, BEGINNING OF YEAR,	<u>48,132,036</u>	<u>48,132,036</u>	<u>38,679,076</u>
ACCUMULATED SURPLUS, END OF YEAR	\$ 51,581,349	<u>47,779,955</u>	<u>48,132,036</u>

PINAYMOOTANG FIRST NATION
CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT
YEAR ENDED MARCH 31, 2020

	<u>Budget</u>	<u>2020 Actual</u>	<u>2019 Actual</u>
ANNUAL SURPLUS (DEFICIT)	<u>\$ 3,449,313</u>	<u>(352,081)</u>	<u>9,452,960</u>
Tangible capital assets			
Acquisition of tangible capital assets	-	(10,388,611)	(14,826,189)
Amortization of tangible capital assets	-	2,491,170	2,349,283
Assets under construction completed	-	3,321,988	2,550,585
Loss on disposal of tangible capital assets	<u>-</u>	<u>281,699</u>	<u>93,147</u>
	<u>-</u>	<u>(4,293,754)</u>	<u>(9,833,174)</u>
Other non-financial assets			
Consumption (acquisition) of prepaid expenses	<u>-</u>	<u>(154,575)</u>	<u>106,408</u>
DECREASE (INCREASE) IN NET DEBT	3,449,313	(4,800,410)	(273,806)
NET DEBT, BEGINNING OF YEAR	<u>(13,457,710)</u>	<u>(13,457,710)</u>	<u>(13,183,904)</u>
NET DEBT, END OF YEAR	<u>\$ (10,008,397)</u>	<u>(18,258,120)</u>	<u>(13,457,710)</u>

PINAYMOOTANG FIRST NATION
CONSOLIDATED STATEMENT OF CASH FLOW
YEAR ENDED MARCH 31, 2020

	<u>2020</u>	<u>2019</u>
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Annual surplus (deficit)	\$ (352,081)	9,452,960
Add back non-cash item(s):		
Amortization of tangible capital assets	2,491,170	2,349,283
Loss on disposal of tangible capital assets	<u>281,699</u>	<u>93,147</u>
	2,420,788	11,895,390
Change in non-cash working capital:		
Accounts receivable	(391,054)	225,634
Due from government and other government organizations	(229,908)	714,160
Inventories for resale	12,651	(49,289)
Accounts payable and accrued liabilities	2,643,843	219,918
Due to government and other governmental organizations	(15,181)	-
Deferred revenue	(66,103)	(377,124)
CMHC forgivable loans	(20,960)	(20,960)
Prepaid expenses and deferred charges	<u>(154,575)</u>	<u>106,408</u>
	4,199,501	12,714,137
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(10,388,611)	(14,826,189)
Assets under construction completed	<u>3,321,988</u>	<u>2,550,585</u>
	(7,066,623)	(12,275,604)
FINANCING ACTIVITIES		
Demand loan advances (repayments)	3,282,757	(3,607,292)
Long-term debt advances (repayments)	<u>(686,518)</u>	<u>5,050,133</u>
	2,596,239	1,442,841
INCREASE (DECREASE) IN CASH	(270,883)	1,881,374
CASH (BANK INDEBTEDNESS), BEGINNING OF YEAR	<u>1,773,628</u>	<u>(107,746)</u>
CASH, END OF YEAR	<u>1,502,745</u>	<u>1,773,628</u>
CASH IS REPRESENTED BY:		
Cash	1,489,435	1,760,829
Cash in Ottawa Trusts	<u>13,310</u>	<u>12,799</u>
	\$ 1,502,745	1,773,628

PINAYMOOTANG FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting and Going Concern

The Pinaymootang First Nation ("First Nation") follows the ISC accounting guidelines as set out in the "Year End Reporting Handbook for funding agreements covering fiscal year 2019-2020" which requires that the consolidated financial statements be prepared in accordance with Canadian generally accepted accounting principles for governments, as defined in the Chartered Professional Accountants of Canada Public Sector Accounting Handbook.

The safety measures to combat COVID-19 (Coronavirus) and the government response continue to evolve and change quickly. It is Council's opinion that the First Nation has adequately adapted to the impact of this pandemic and will continue to maintain operations for the foreseeable future. While Council will continue to monitor and evaluate the implications of the pandemic, it is difficult to predict the extent and duration this pandemic could have on the future finances and operations of the First Nation.

(b) Reporting Entity

The First Nation is a non-profit Indian Band as defined by Indigenous Services Canada (ISC). The objective of the First Nation is to operate as the governing entity in providing services on the reserve in all areas. The First Nation reporting entity includes all related entities which are accountable to the First Nation and are either owned or controlled by the First Nation.

(c) Basis of Consolidation

All controlled entities are fully consolidated on a line-by-line basis. This method combines the accounts of distinct organizations. It requires uniform accounting policies for the organizations. Inter-organizational balances and transactions are eliminated under this method. This method reports the organizations as if they were one organization. These consolidated financial statements include the financial assets, liabilities, net debt, non-financial assets, accumulated surplus, revenue and expenses for the following entities controlled or owned by the First Nation:

Pinaymootang First Nation
Pinaymootang First Nation Arena and Lottery
Pinaymootang First Nation CMHC Housing Authority
Pinaymootang First Nation Grocery Store and Gas Bar
Pinaymootang First Nation Health Authority
Pinaymootang First Nation Human Resource Development Strategy
Powder Horn Creek Restaurant & Gas
Wabung Abinoochi'ak Day Care Centre
Pinaymootang First Nation Motel and Entertainment Centre

(d) 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, prepaid expenses and inventories of supplies.

PINAYMOOTANG FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Inventory

Inventories for resale are stated at the lower of cost and net realizable value with cost being determined using the first-in, first-out method.

(f) Tangible Capital Assets

Tangible capital assets include acquired, built, developed and improved tangible capital assets, whose useful life extends beyond one year and which are intended to be used on an ongoing basis for producing goods or delivering services.

Tangible capital assets are reported at gross cost.

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.

Amortization of tangible capital assets is recognized as an expense in the Statement of Operations.

Amortization is provided for on a straight-line basis at the rates in the table that follows. One-half of the annual amortization is charged in the year of acquisition and in the year of disposal.

Buildings	25 - 50 years
Housing	40 years
Infrastructure	20 - 50 years
Equipment and signage	3 - 10 years
Vehicles	5 - 10 years
Computers	5 years
Roads	40 years

(g) Deferred Revenue

Deferred revenue represents unspent Government transfers for programs where eligibility criteria have not been met at year end. The unspent revenue is carried forward to be recognized as eligibility criteria is met or until the funder deems the surplus to be repayable at which time an amount payable is recognized.

(h) Revenue Recognition

Government transfers

Transfers from the Government of Canada are recognized as revenue in the year the entitlement has been authorized, when any eligibility criteria have been met and when the amount can be reasonably estimated.

Other revenue

Restricted other revenue is recognized as revenue in the year in which the related expenses are incurred and when the amount can be reasonably estimated and collection is reasonably assured.

Unrestricted other revenue is recognized when:

- services have been performed, or
- goods have been delivered, or
- the amount has been received or is receivable, and when the amount can be reasonably estimated and collection is reasonably assured.

PINAYMOOTANG FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Net Debt

The First Nation's consolidated financial statements are presented so as to highlight net debt as the measurement of financial position. The net debt of the First Nation is determined by its liabilities less its financial assets. Net debt is comprised of two components, non-financial assets and accumulated surplus.

(j) Segmented Information

The First Nation discloses segmented results of operations for the year in note 22 to the consolidated financial statements. The First Nation has segregated its activities into the following segments based on distinguishable groups of activities.

Health

Pinaymootang Health Authority

Education

Pinaymootang Education

Social

Social services

Economic Development

Economic development program

Human Resource Development Strategy

Public Works

Community services

Operations and maintenance

Policing, security and protection

Housing

CMHC housing

Capital housing projects

Band Government

Band administration

Capital projects

Legal Settlements

Private Enterprises

Pinaymootang Arena and VLT

Pinaymootang Grocery Store and Gas Bar

Pinaymootang Motel and Entertainment Centre

Powder Horn Creek Restaurant & Gas

Wabung Abinoochi'ak Day Care Centre

(k) Measurement Uncertainty

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting periods presented. Actual results could differ from these estimates.

PINAYMOOTANG FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(I) Financial Instruments

Financial instruments held by the First Nation include cash, bank indebtedness, accounts receivable, accounts payable and accrued liabilities, amounts due to/from government and other government organizations, demand loans and long term debt. The First Nation initially measures its financial instruments at fair value when the asset or liability is first recognized. The First Nation subsequently measures its financial instruments at cost or amortized cost. Amortized cost is the amount at which the financial instrument is measured at initial recognition less principal repayments, plus or minus the cumulative of any difference between that initial amount and the maturity amount, and minus any reduction for impairment.

2. CASH

	<u>2020</u>	<u>2019</u>
Unrestricted - operating	\$ 1,486,368	1,757,534
Externally restricted - CMHC	<u>3,067</u>	<u>3,295</u>
	<u><u>\$ 1,489,435</u></u>	<u><u>1,760,829</u></u>

The First Nation has a demand line of credit for \$150,000 (2019 - \$150,000) available from First Nations Bank of Canada, of which nil (2019 - \$34,044) was utilized at the year-end. This line of credit bears interest at prime plus 1.85% and is secured by future funding of Indigenous and Northern Affairs Canada.

Restrictions on cash

The First Nation is subject to restrictions placed on its cash due to an agreement with CMHC as disclosed in Note 15 to these consolidated financial statements. As at March 31, 2020, \$3,067 (2019 - \$3,295) was restricted for expenditures to be approved by CMHC.

3. TRUST FUNDS HELD BY THE FEDERAL GOVERNMENT

	<u>March 31, 2019</u>	<u>Additions 2020</u>	<u>Withdrawals 2020</u>	<u>March 31, 2020</u>
Revenue	\$ 12,657	511	-	13,168
Capital	<u>142</u>	<u>-</u>	<u>-</u>	<u>142</u>
	<u><u>\$ 12,799</u></u>	<u><u>511</u></u>	<u><u>-</u></u>	<u><u>13,310</u></u>

The trust funds arise 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. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act.

PINAYMOOTANG FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020

4. ACCOUNTS RECEIVABLE

	<u>2020</u>	<u>2019</u>
Trade receivables	\$ 556,213	165,159

5. DUE FROM GOVERNMENT AND OTHER GOVERNMENT ORGANIZATIONS

	<u>2020</u>	<u>2019</u>
Federal Government		
Indigenous Services Canada (Schedule 73)	\$ 637,376	436,505
CMHC	44,389	96,784
Health Canada	29,043	1,683
Province of Manitoba	<u>125,725</u>	<u>71,653</u>
	<u><u>\$ 836,533</u></u>	<u><u>606,625</u></u>

6. INVENTORIES FOR RESALE

	<u>2020</u>	<u>2019</u>
Pinaymootang First Nation Grocery Store and Gas Bar	\$ 64,980	93,704
Powderhorn Creek Restaurant and Gas Bar	<u>49,993</u>	<u>33,920</u>
	<u><u>\$ 114,973</u></u>	<u><u>127,624</u></u>

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2020</u>	<u>2019</u>
Trade payables	\$ 692,488	2,626,995
Accrued salaries and benefits	79,992	75,153
Accrued legal settlement fees	4,433,224	-
Accrued hydro	61,693	98,515
Accrued professional fees	201,146	263,679
Other accrued liabilities	<u>625,921</u>	<u>386,279</u>
	<u><u>\$ 6,094,464</u></u>	<u><u>3,450,621</u></u>

8. DUE TO GOVERNMENT AND OTHER GOVERNMENT ORGANIZATIONS

	<u>2020</u>	<u>2019</u>
Indigenous Services Canada		
Debt management #789	\$ 227,189	227,189
Excess pumphouse funding accrued as repayable	<u>-</u>	<u>15,181</u>
	<u><u>\$ 227,189</u></u>	<u><u>242,370</u></u>

PINAYMOOTANG FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020

9. DEMAND LOANS

	<u>2020</u>	<u>2019</u>
First Nations Bank demand loan, interest at FNB's prime rate plus 2.40%, repayable in full from the Comprehensive Settlement Agreement funds.	\$ 4,482,757	-
First Nations Bank demand loan, interest at prime plus 2.40%, repayable in monthly installments of \$50,000 commencing August 1, 2019.	- \$ 4,482,757	1,200,000
		<u>1,200,000</u>

10. DEFERRED REVENUE

	<u>Balance March 31, 2019</u>	<u>Funding Received 2020</u>	<u>Revenue Recognized/ Repaid 2020</u>	<u>Balance March 31, 2020</u>
Federal Government				
Health Canada	\$ 22,475	13,813	22,475	13,813
Basic Needs	- 2,911,501	- 2,911,501	2,760,660	150,841
Indigenous Services Canada				
Band Hall (NTMB - 001)	88,377	- 340,558	88,377	- 340,558
Community Based Initiative (NPCV-001)	98,548	- 340,558	439,106	- 340,558
Jordan's Principle (NPEF-001)	13,404	- 44,908	13,404	- 44,908
Skills Link (NP21-001)	7,294	- 44,908	52,202	- 44,908
Prepaid deposits - private enterprise	1,880	- 1,330	1,880	- 1,330
	<u>231,978</u>	<u>3,312,110</u>	<u>3,378,104</u>	<u>165,984</u>
Province of Manitoba				
Housing and Renovations	75,529	- 225,164	49,112	26,417
Daycare Construction	- 75,529	- 225,164	176,161	49,003
	<u>75,529</u>	<u>225,164</u>	<u>225,273</u>	<u>75,420</u>
	<u>\$ 307,507</u>	<u>3,537,274</u>	<u>3,603,377</u>	<u>241,404</u>

PINAYMOOTANG FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020

11. LONG-TERM DEBT

	<u>2020</u>	<u>2019</u>
Peace Hills Trust Mortgage payable, interest at 3.75%, repayable in blended monthly installments of \$5,557, due September 1, 2019, secured by a Ministerial Guarantee, CMHC undertaking to insure and assignment of fire insurance.	\$ -	37,347
CMHC mortgage payable, interest at 2.39%, repayable in blended monthly installments of \$5,528, due March 1, 2023, secured by a Ministerial Guarantee and assignment of fire insurance.	741,238	789,282
CMHC mortgage payable, interest at 2.39%, repayable in blended monthly installments of \$8,049, due March 1, 2023, secured by a Ministerial Guarantee and assignment of fire insurance.	1,079,260	1,149,212
CMHC mortgage payable, interest at 1.12%, repayable in blended monthly installments of \$2,325, due May 1, 2020, secured by a Ministerial Guarantee and assignment of fire insurance.	381,150	404,636
CMHC mortgage payable, interest at 1.11%, repayable in blended monthly installments of \$4,018, due April 1, 2021, secured by a Ministerial Guarantee and assignment of fire insurance.	703,266	743,431
CMHC mortgage payable, interest at 1.43%, repayable in blended monthly installments of \$2,857, due April 1, 2022, secured by a Ministerial Guarantee and assignment of fire insurance.	517,249	543,930
CMHC mortgage payable, interest at 2.48%, repayable in blended monthly installments of \$2,648, due August 1, 2023, secured by a Ministerial Guarantee and assignment of fire insurance.	469,878	489,763
CMHC mortgage payable, interest at 1.12%, repayable in blended monthly installments of \$2,236, due May 1, 2020, secured by a Ministerial Guarantee and assignment of fire insurance.	<u>478,865</u>	<u>500,204</u>
Sub total	<u>\$ 4,370,906</u>	<u>4,657,805</u>

PINAYMOOTANG FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020

11. LONG-TERM DEBT (Continued)

	<u>2020</u>	<u>2019</u>
Sub total	\$ 4,370,906	4,657,805
Loan payable, First Nations Bank, interest at prime plus 2.05%, repayable in monthly principal payments of \$3,445, due November 1, 2020, secured by a promissory note signed by the Band, a general security agreement, assignment of insurance and a Band Council Resolution.	-	6,629
Capital lease, Brandt Finance, interest at 9.30%, repayable in blended monthly installments of \$2,107, due August 1, 2020, secured by a promissory note signed by the Band, a general security agreement, assignment of insurance and a Band Council Resolution.	11,424	34,551
Loan payable, Manitoba Lotteries Corporation, interest at 2.35%, repayable in weekly installments of \$1,393, due October 26, 2023, secured by 25 video lottery terminals.	259,292	374,234
Loan payable, Manitoba Lotteries Corporation, interest at 2.35%, repayable in blended weekly installments of \$446, due June 19, 2020, secured by 8 video lottery terminals.	4,891	27,684
Loan payable, Manitoba Lotteries Corporation, interest at 2.35%, repayable in blended weekly installments of \$893, due June 10, 2020, secured by 12 video lottery terminals.	9,796	55,449
CMHC mortgage payable, interest at 3.43%, repayable in blended monthly installments of \$5,593, due February 1, 2024, secured by a Ministerial Guarantee and assignment of fire insurance.	967,198	1,006,789
Loan payable, Bank of Montreal, interest at 5.94%, repayable in monthly installments of 35,272, due January 1, 2024 and secured by a general security agreement, assignment of insurance over the Pinaymootang Motel and Entertainment Centre and a Band Council Resolution.	<u>4,559,283</u>	<u>4,706,167</u>
	<u>\$ 10,182,790</u>	<u>10,869,308</u>

**PINAYMOOTANG FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020**

11. LONG-TERM DEBT (Continued)

The principal portion of long-term debt is repayable for the years ended as follows:

March 31, 2021	\$ 577,430
2022	555,375
2023	573,074
2024	559,380
2025	536,809
Thereafter	<u>7,380,722</u>

\$ 10,182,790

12. CMHC FORGIVABLE LOANS

The First Nation has received forgivable Residential Rehabilitation Assistance Program (RRAP) housing loans from CMHC. These loans will be forgiven over a period of 2 - 5 years as long as the First Nation continues to inhabit the housing. Should the First Nation default on the terms of the loans, the unearned principal of the forgivable loans plus interest at rates between 5.0% and 7.5% will become due and payable. During the year, no new RRAP loans were received (2019 - nil) and \$20,960 (2019 - \$20,960) of RRAP loans were forgiven.

13. CONTINGENT LIABILITY

The First Nation is contingently liable to repay Indigenous Services Canada \$155,012 regarding a defaulted CMHC loan and related accrued interest. Indigenous Services Canada has agreed to treat this amount as a contingent liability pending their investigation into the accuracy of the amount.

One claim has been brought forward against the First Nation. This is a judgment against the band (E. Anthony Ross vs. client) on August 10, 2005 in the amount of \$2,150,000, of which \$950,000 has been paid and \$1,200,000 is setup as an accrued legal settlement fee. On March 13, 2019 funds were released to the First Nations legal counsel, however the funds were returned due to the settlement not being finalized. The liability is expected to be resolved in the 2021 fiscal year.

The First Nation, Government of Canada and the Province of Manitoba are negotiating a Comprehensive Settlement Agreement (CSA) which will include all parties dropping all legal action taken against each other as a result of flooding on the First Nation. The CSA has been agreed to in principal in December of 2014 but as of audit report date, the document has not been finalized.

PINAYMOOTANG FIRST NATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020

14. TANGIBLE CAPITAL ASSETS

	COST			ACCUMULATED AMORTIZATION				NET BOOK VALUE		
	Opening Balance	Additions	Transfers / Disposals	Closing Balance	Opening Balance	Amortization	Disposals and Write Offs	Closing Balance	Total 2020	Total 2019
Tangible Capital Assets										
Land	\$ 233,146	-	-	233,146	-	-	-	-	233,146	233,146
Buildings	27,731,333	2,224,102	-	29,955,435	12,524,214	753,184	-	13,277,398	16,678,037	15,207,119
Housing	36,561,396	1,400,593	(351,883)	37,610,106	16,551,327	799,884	(70,184)	17,281,027	20,329,079	20,010,069
Infrastructure	10,712,735	-	-	10,712,735	2,137,733	260,882	-	2,398,615	8,314,120	8,575,002
Equipment	2,400,314	166,150	-	2,566,464	1,772,548	203,252	-	1,975,800	590,664	627,766
Vehicles	3,770,876	525,393	-	4,296,269	2,355,007	342,463	-	2,697,470	1,598,799	1,415,869
Computers	102,260	53,055	-	155,315	101,120	11,409	-	112,529	42,786	1,140
Roads	5,714,261	45,320	-	5,759,581	1,772,868	120,096	-	1,892,964	3,866,617	3,941,393
	<u>87,226,321</u>	<u>4,414,613</u>	<u>(351,883)</u>	<u>91,289,051</u>	<u>37,214,817</u>	<u>2,491,170</u>	<u>(70,184)</u>	<u>39,635,803</u>	<u>51,653,248</u>	<u>50,011,504</u>
Assets Under Construction										
Buildings	<u>11,556,280</u>	<u>5,973,998</u>	<u>(3,321,988)</u>	<u>14,208,290</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,208,290</u>	<u>11,556,280</u>
TOTAL	\$98,782,601	10,388,611	(3,673,871)	105,497,341	37,214,817	2,491,170	(70,184)	39,635,803	65,861,538	61,567,784

**PINAYMOOTANG FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020**

15. CMHC HOUSING AUTHORITY REPLACEMENT RESERVE

Under the terms of the agreement with CMHC, the replacement reserve account is to be credited with an amount of \$85,265 annually. These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time. The funds in the account may only be used as approved by CMHC. Withdrawals are credited to interest first and then principal. At March 31, 2020, the replacement reserve was underfunded by \$577,249 (2019 - \$566,597) due to the fact that the replacement reserve assets total \$1,580 (2019 - \$89,728) while the replacement reserve liability is \$578,829 (2019 - \$656,325).

16. RISK MANAGEMENT

(a) Credit Risk

Credit risk is the risk that a counterparty will default on its financial liabilities. Financial assets which potentially subject the First Nation to credit risk and concentrations of credit risk consist principally of cash and accounts receivable. Management manages credit risk associated with accounts receivable by pursuing collections when they are due.

(b) Interest Rate Price Risk

It is management's opinion that the First Nation is exposed to interest rate price risk due to long-term debt being at a fixed rate.

(c) Liquidity Risk

Liquidity risk is the risk that the First Nation will not be able to meet its financial obligations related to financial liabilities as they come due. Financial liabilities consist of accounts payable and accrued liabilities and long-term debt. Accounts payable and accrued liabilities are paid in the normal course of operations and except under certain exceptions, no later than three months. See Note 11 for the repayment schedule of long-term debt. The First Nation has insufficient financial assets to meet or settle its current liabilities.

The First Nation's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet liabilities when due. At March 31, 2020, the First Nation has a bank balance of \$1,489,435 (2019 - \$1,760,829) and a net debt position of \$18,258,120 (2019 - \$13,457,710). Management of the First Nation are working to reduce the debt through careful management of expenditures. Additionally, \$14,665,547 (2019 - \$12,069,308) of the debt relates to long-term debt and demand loans, which is primarily comprised of loans on the CMHC housing project and the Motel and Entertainment Centre. The related assets are recorded under non-financial assets on the consolidated statement of financial position.

17. BUDGET INFORMATION

The unaudited budget figures have been provided for comparison purposes and have been derived from the estimates approved by Chief and Council.

18. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to reflect the financial statement presentation adopted for the current year.

PINAYMOOTANG FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020

19. GOVERNMENT TRANSFERS

	<u>2020</u>		
	<u>Operating</u>	<u>Capital</u>	<u>Total</u>
Indigenous Services Canada	\$ 5,884,057	5,921,913	11,805,970
Province of Manitoba	863,571	2,467,588	3,331,159
Canada Mortgage and Housing Corporation	392,397	20,960	413,357
Health Canada	3,904,471	163,770	4,068,241
First Peoples Development	<u>800,924</u>	-	<u>800,924</u>
	<u><u>\$ 11,845,420</u></u>	<u><u>8,574,231</u></u>	<u><u>20,419,651</u></u>
	<u>2019</u>		
	<u>Operating</u>	<u>Capital</u>	<u>Total</u>
Indigenous Services Canada	\$ 4,996,502	11,104,205	16,100,707
Province of Manitoba	799,747	2,258,747	3,058,494
Canada Mortgage and Housing Corporation	322,330	20,960	343,290
Health Canada	3,099,582	340,781	3,440,363
First Peoples Development	<u>723,326</u>	-	<u>723,326</u>
	<u><u>\$ 9,941,487</u></u>	<u><u>13,724,693</u></u>	<u><u>23,666,180</u></u>

PINAYMOOTANG FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020

20. EXPENSES BY OBJECT

	<u>2020</u>	<u>2019</u>
Accreditation	\$ 38,001	46,721
Administration and office	761,242	736,637
Amortization	2,491,170	2,349,283
Bad debts	103,111	7,247
Band support	3,675,488	236,517
Bank charges and interest	68,508	62,725
Capital and equipment	107,337	212,271
Contract fees and services	98,654	305,881
Fuel	193,358	176,205
Fuel for resale	3,968,969	3,645,612
Housing and renovations	384,779	2,088,170
Insurance	404,882	326,469
Interest on long-term debt	445,486	387,967
Lottery tickets	62,362	99,657
MLC commissions	205,208	125,377
Operations and maintenance	1,011,421	840,898
Other expenses	559,016	523,447
Professional fees	4,446,671	301,213
Rental expenditures	64,300	9,865
Social assistance	2,586,773	2,559,686
Supplies and materials	2,377,333	2,350,330
Telephone and communications	71,946	66,740
Training	192,132	90,521
Travel	465,229	474,805
Utilities	219,074	172,839
VLT dollars out	8,305,512	4,740,850
Wages and benefits	<u>4,548,146</u>	<u>4,309,904</u>
	<u>\$ 37,856,108</u>	<u>27,247,837</u>

21. CONTINGENT ASSET

The First Nation, Government of Canada and the Province of Manitoba are negotiating a Comprehensive Settlement Agreement (CSA) which will include all parties dropping all legal action taken against each other as a result of flooding on the First Nation. The CSA has been agreed to in principle but as of auditor's report date, the agreement has not been finalized. Of the proposed amount totalling \$75,078,354, \$29,175,774 remains unpaid at year-end. The unpaid amount has not been recognized during the current year as the receipt of the additional settlement funding is not certain. Of the unpaid amount, \$20,485,774 is expected to be paid for the establishment of a Trust Arrangement in accordance with the CSA.

PINAYMOOTANG FIRST NATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020

22. SEGMENTED INFORMATION

	HEALTH			EDUCATION			SOCIAL		
	Budget 2020	2020	2019	Budget 2020	2020	2019	Budget 2020	2020	2019
REVENUES									
Federal Government									
Operating Transfers	\$ 2,099,609	3,904,470	3,099,584	-	48,968	32,020	-	3,000,710	3,211,790
Capital Transfers	26,908	163,770	340,781	-	-	83,582	-	-	-
Provincial Government									
Operating Transfers	759,972	50,000	-	-	-	-	-	-	-
Capital Transfers	378,124	-	-	-	-	-	-	-	-
Economic Activities	418,049	-	-	-	-	-	-	-	-
Other	163,770	8,315	11,724	-	-	21,841	-	-	-
	<u>3,846,432</u>	<u>4,126,555</u>	<u>3,452,089</u>	<u>-</u>	<u>48,968</u>	<u>137,443</u>	<u>-</u>	<u>3,000,710</u>	<u>3,211,790</u>
EXPENSES									
Wages and benefits	894,206	2,257,021	1,600,286	-	12,101	4	-	203,448	238,941
Debt servicing	-	-	-	-	-	-	-	-	-
Amortization	267,249	351,588	276,607	-	208,527	193,697	-	-	-
Other	230,348	1,159,770	1,305,693	-	37,008	116,702	-	2,882,723	2,822,998
	<u>1,391,803</u>	<u>3,768,379</u>	<u>3,182,586</u>	<u>-</u>	<u>257,636</u>	<u>310,403</u>	<u>-</u>	<u>3,086,171</u>	<u>3,061,939</u>
ANNUAL SURPLUS (DEFICIT)	\$ 2,454,629	358,176	269,503	-	(208,668)	(172,960)	-	(85,461)	149,851
ADJUSTMENTS									

- (i) The imputed value of Band supported housing provided to band members totaling \$318,658 (2019 - \$297,511) is included as an expense in the Basic Needs program and as Band Support and as rental income in the CMHC Housing Authority program.
- (ii) Of the total current year Band other revenue, the following amounts have been recorded as expenses in the sub entities and as an other revenue in the Band; \$192,034 (2019 - \$142,381) in Band Government.
- (iii) Of the total current year Grocery Store and Gas Bar economic activities revenue, the following amounts have been recorded as expenses in the other entities and as economic activities revenue in Grocery Store and Gas Bar; \$98,762 (2019 - \$173,205) Band Government.

PINAYMOOTANG FIRST NATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020

22. SEGMENTED INFORMATION

	ECONOMIC DEVELOPMENT			PUBLIC WORKS			HOUSING		
	Budget 2020	2020	2019	Budget 2020	2020	2019	Budget 2020	2020	2019
REVENUES									
Federal Government									
Operating Transfers	-	739,136	673,646	-	459,947	427,182	295,454	392,397	322,330
Capital Transfers	-	-	-	-	2,358,007	258,919	-	2,027,538	8,661,200
Provincial Government									
Operating Transfers	-	-	-	-	33,571	17,423	-	-	-
Capital Transfers	-	-	-	-	-	-	-	2,291,427	2,236,923
Economic Activities	-	-	-	-	-	-	-	-	-
Other	-	2,000	34,000	-	-	53,847	-	373,270	496,125
	<u>741,136</u>	<u>707,646</u>	<u>2,000</u>	<u>-</u>	<u>2,851,525</u>	<u>757,371</u>	<u>295,454</u>	<u>5,084,632</u>	<u>11,716,578</u>
EXPENSES									
Wages and benefits	-	139,614	218,150	-	333,967	344,023	-	30,735	30,720
Debt servicing	-	-	-	-	-	-	-	94,854	118,791
Amortization	-	227	379	-	112,112	107,423	-	740,731	992,026
Other	14,400	550,980	542,148	-	345,059	622,306	35,000	673,026	2,512,791
	<u>14,400</u>	<u>690,821</u>	<u>760,677</u>	<u>-</u>	<u>791,138</u>	<u>1,073,752</u>	<u>35,000</u>	<u>1,539,346</u>	<u>3,654,328</u>
ANNUAL SURPLUS (DEFICIT)	(14,400)	50,315	(53,031)	-	2,060,387	(316,381)	260,454	3,545,286	8,062,250

PINAYMOOTANG FIRST NATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020

22. SEGMENTED INFORMATION

	BAND GOVERNMENT			PRIVATE ENTERPRISE			ADJUSTMENTS		
	Budget 2020	2020	2019	Budget 2020	2020	2019	Budget 2020	2020	2019
REVENUES									
Federal Government									
Operating Transfers	-	2,191,437	898,398	206,939	244,784	217,871	-	-	-
Capital Transfers	-	1,557,328	2,380,383	-	-	-	-	-	-
Provincial Government									
Operating Transfers	-	-	185,917	96,000	780,000	596,407	-	-	-
Capital Transfers	-	-	-	-	176,161	21,824	-	-	-
Economic Activities	-	-	39,700	11,548,600	16,798,121	12,396,434	-	(98,762)	(173,205)
Other	-	471,467	551,856	21,600	40,657	42,187	-	(510,692)	(439,892)
	-	4,220,232	4,056,254	11,873,139	18,039,723	13,274,723	-	(609,454)	(613,097)
EXPENSES									
Wages and benefits	-	618,505	505,876	964,250	1,267,278	1,366,323	-	-	-
Debt servicing	-	65,570	37,156	-	285,063	232,019	-	-	-
Amortization	-	671,850	378,626	-	406,135	400,525	-	-	-
Other	-	9,777,353	1,692,308	10,160,259	15,240,317	11,204,415	-	(609,454)	(613,097)
	-	11,133,278	2,613,966	11,124,509	17,198,793	13,203,282	-	(609,454)	(613,097)
ANNUAL SURPLUS (DEFICIT)	-	(6,913,046)	1,442,288	748,630	840,930	71,441	-	-	-

PINAYMOOTANG FIRST NATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020

22. SEGMENTED INFORMATION

	CONSOLIDATED TOTAL		
	Budget 2020	2020	2019
REVENUES			
Federal Government			
Operating Transfers	2,602,002	10,981,849	8,882,821
Capital Transfers	26,908	6,106,643	11,724,865
Provincial Government			
Operating Transfers	855,972	863,571	799,747
Capital Transfers	378,124	2,467,588	2,258,747
Economic Activities	11,966,649	16,699,359	12,262,929
Other	185,370	385,017	771,688
	<u>16,015,025</u>	<u>37,504,027</u>	<u>36,700,797</u>
EXPENSES			
Wages and benefits	1,858,456	4,862,669	4,304,323
Debt servicing	-	445,487	387,966
Amortization	267,249	2,491,170	2,349,283
Other	10,440,007	30,056,782	20,206,265
	<u>12,565,712</u>	<u>37,856,108</u>	<u>27,247,837</u>
ANNUAL SURPLUS (DEFICIT)	<u>3,449,313</u>	<u>(352,081)</u>	<u>9,452,960</u>