

Pelican Lake First Nation

Consolidated Financial Statements
March 31, 2019

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of Pelican Lake 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 Canadian Institute of Chartered Professional Accountants and as such include amounts that are the best estimates and judgments of management.


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

The 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.

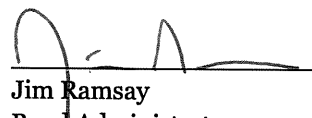
The Chief and Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to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

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

On behalf of Pelican Lake First Nation:



Peter Bill
Chief



Jim Ramsay
Band Administrator

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Independent auditor's report

To the Chief and Council of Pelican Lake First Nation

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Pelican Lake First Nation and its subsidiaries (together, the First Nation) as at March 31, 2019 and the results of its operations, changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

What we have audited

The First Nation's consolidated financial statements comprise:

- the consolidated statement of financial position as at March 31, 2019;
- the consolidated statement of operations for the year then ended;
- the consolidated statement of changes in net debt for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the First Nation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control

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as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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



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

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

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Saskatoon, Saskatchewan
November 29, 2019


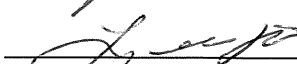
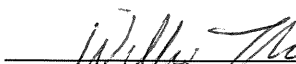

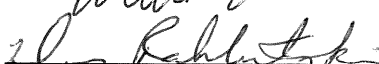
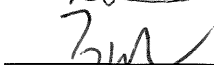

Pelican Lake First Nation

Consolidated Statement of Financial Position

As at March 31, 2019

	2019 \$	2018 \$
Financial assets (note 8)		
Cash (note 2)	959,655	3,142,043
Accounts receivable (note 3)	1,015,540	211,867
Trust funds held by federal government (note 4)	196,676	71,942
Due from government (note 5)	576,522	-
Inventories	197,103	223,657
Investments in government business enterprises (note 6)	104,121	104,121
	<u>3,049,617</u>	<u>3,753,630</u>
Financial liabilities		
Bank overdrafts (note 2)	2,112,103	1,854,002
Accounts payable and accrued liabilities	750,411	465,111
Deferred revenue (note 7)	1,632,118	2,854,968
Long-term debt (note 8)	7,128,050	7,770,541
	<u>11,622,682</u>	<u>12,944,622</u>
Net debt	<u>(8,573,065)</u>	<u>(9,190,992)</u>
Non-financial assets		
Tangible capital assets (note 19)	22,410,410	18,658,777
Prepaid expenses	66,321	70,605
	<u>22,476,731</u>	<u>18,729,382</u>
Accumulated surplus (note 14)	<u>13,903,666</u>	<u>9,538,390</u>
Employee future benefits (note 9)		
Contingent liabilities (note 10)		

Approved by the Chief and Council

	Chief		
	Councillor		Councillor
	Councillor		Councillor
	Councillor		Councillor

The accompanying notes are an integral part of these consolidated financial statements.

Pelican Lake First Nation

Consolidated Statement of Operations

For the year ended March 31, 2019

	Budget \$ (note 17)	2019 \$	2018 \$
Revenue			
Federal government transfers for operating (note 11)	9,147,752	10,174,570	8,514,932
Federal government transfers for capital (note 11)	3,500,000	4,532,179	799,620
Pelican Lake Mall and Store	3,900,000	3,920,515	3,843,812
Agency Chiefs Tribal Council	1,323,020	1,742,896	790,794
A.C. Forestry Ltd.	540,000	553,559	544,320
First Nations Trust	553,819	518,242	531,311
Rent	316,800	509,280	491,495
Other	144,764	261,633	129,808
Agency Chiefs Child and Family Services	225,000	251,943	25,000
Northern Lights Community Development Corp.	50,000	164,289	61,850
Amounts held in trust by federal government	100,000	124,734	44,640
Sask Rivers School Division	61,328	61,328	-
Insurance	-	-	168,772
	19,862,483	22,815,168	15,946,354
Expenses (note 13)			
Education	5,329,703	5,203,052	4,015,024
Pelican Lake Mall and Store	3,900,000	4,111,507	4,016,502
Social services	2,105,811	2,020,798	1,936,796
Band government	1,741,896	1,987,534	1,696,232
Community infrastructure	1,158,953	1,017,784	1,340,451
Housing and capital projects	821,989	992,793	852,431
Health	696,281	982,869	655,365
Economic development and other programs	593,690	855,537	637,745
	16,348,323	17,171,874	15,150,546
Surplus for the year before amortization (note 15)	3,514,160	5,643,294	795,808
Amortization	1,300,000	1,278,018	1,330,205
Surplus (deficit) for the year	2,214,160	4,365,276	(534,397)
Accumulated surplus – Beginning of year	9,538,390	9,538,390	10,072,787
Accumulated surplus – End of year (note 14)	11,752,550	13,903,666	9,538,390
Segment disclosure (note 18)			

The accompanying notes are an integral part of these consolidated financial statements.

Pelican Lake First Nation

Consolidated Statement of Changes in Net Debt

For the year ended March 31, 2019

	Budget \$ (note 17)	2019 \$	2018 \$
Surplus (deficit) for the year	2,214,160	4,365,276	(534,397)
Acquisition of tangible capital assets	(3,500,000)	(5,029,651)	(1,063,369)
Amortization of tangible capital assets	1,300,000	1,278,018	1,330,205
Decrease (increase) in prepaid expenses	-	4,284	(70,605)
Change in net debt	14,160	617,927	(338,166)
Net debt – Beginning of year	(9,190,992)	(9,190,992)	(8,852,826)
Net debt – End of year	(9,176,832)	(8,573,065)	(9,190,992)

The accompanying notes are an integral part of these consolidated financial statements.

Pelican Lake First Nation

Consolidated Statement of Cash Flows

For the year ended March 31, 2019

	2019 \$	2018 \$
Operating activities		
Surplus (deficit) for the year	4,365,276	(534,397)
Items not affecting cash		
Amortization of tangible capital assets	1,278,018	1,330,205
Net change in financial assets and liabilities (note 16)	(2,411,641)	2,460,650
	<u>3,231,653</u>	<u>3,256,458</u>
Capital activities		
Acquisition of tangible capital assets (note 19)	<u>(5,029,651)</u>	<u>(1,063,369)</u>
Financing activities		
Debt issues	-	712,569
Debt retirement	<u>(642,491)</u>	<u>(584,392)</u>
	<u>(642,491)</u>	<u>128,177</u>
Investing activities		
Investments in government business enterprises	<u>-</u>	<u>-</u>
Change in net cash	<u>(2,440,489)</u>	<u>2,321,266</u>
Net cash – Beginning of year	<u>1,288,041</u>	<u>(1,033,225)</u>
Net cash – End of year	<u>(1,152,448)</u>	<u>1,288,041</u>
Net cash comprises		
Cash (note 2)	959,655	3,142,043
Bank overdrafts (note 2)	<u>(2,112,103)</u>	<u>(1,854,002)</u>
	<u>(1,152,448)</u>	<u>1,288,041</u>
Supplementary cash flow information		
Interest paid in year	<u>192,637</u>	<u>225,160</u>

The accompanying notes are an integral part of these consolidated financial statements.

Pelican Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2019

1 Summary of significant accounting policies

Basis of accounting

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

Reporting entity

The Pelican Lake First Nation reporting entity includes the Pelican Lake First Nation government and all related entities that are controlled by the Pelican Lake First Nation (the "First Nation").

Principles of consolidation

All controlled entities are fully consolidated on a line-by-line basis except for the commercial enterprises that meet the definition of a government business enterprise, which are included in the consolidated financial statements on a modified equity basis. Inter-organizational balances and transactions are eliminated upon consolidation.

Under the modified equity method of accounting, only the First Nation's investment in the government business enterprise and the enterprise's net income (or net loss) and other changes in equity are recorded. No adjustment is made for accounting policies of the enterprise that are different from those of the First Nation.

Organizations consolidated in the First Nation's financial statements include the following:

- Junor Farms Ltd.;
- Pelican Lake Business Ventures Inc. (operating as Pelican Lake Store);
- Pelican Lake Electrical & Mechanical Ltd.;
- Pelican Lake Mall;
- Pelican Lake Wild Rice Ltd.; and
- Spruce Creek Bison Ranch.

Organizations meeting the definition of a government business enterprise and accounted for on a modified equity basis include the following:

- A.C. Forestry Ltd.;
- A.C. Realty Ltd.;
- Chitek Lake Indian Development Company;
- Horizon Interiors Limited Partnership;
- Pelican Lake Energy Corp.; and
- Pelican Lake Outfitters Ltd.

Pelican Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2019

The year-end of the Pelican Lake Store is October 31 and these consolidated financial statements include the results of operations for the 12 months ended October 31, 2017. There were no significant unusual transactions or changes to operations subsequent to that date requiring adjustment in these consolidated financial statements. Refer to note 8 for details of debt of the Pelican Lake Store.

Cash and bank overdrafts

Cash includes cash on hand and balances with banks. Bank overdrafts are presented as a liability on the consolidated statement of financial position and are considered a component of net cash for purposes of the consolidated statement of cash flows.

Inventories

Inventories consist of supplies and materials at Pelican Lake Electrical and Mechanical Ltd. and goods available for resale at Pelican Lake Store and the Pelican Lake Mall. Inventories are recorded at the lower of cost and net realizable value.

Tangible capital assets

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset. Amortization is provided for on a straight-line basis over the estimated useful lives of the assets as follows:

Infrastructure	40 years
Buildings and improvements	10 years
Equipment	5 years

Tangible capital assets are written down when conditions indicate that they no longer contribute to the First Nation's ability to provide goods and 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.

Revenue recognition

Revenue is recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Pelican Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2019

Amounts received related to fees or services in advance of the fee being earned or the service being performed are deferred and recognized in the period when the fee is earned or the service is performed.

Measurement uncertainty

The preparation of the consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities, at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the year. Items requiring the use of significant estimates include the useful lives of tangible capital assets and the recoverability of accounts receivable. Actual amounts could differ from these estimates

2 Cash and bank overdrafts

	2019 \$	2018 \$
Unrestricted cash		
Operating	72,397	129,249
Restricted cash		
Capital projects	459,406	2,477,341
CMHC replacement reserve and operating reserve funds	241,483	349,084
Settlement trust funds	186,369	186,369
	887,258	3,012,794
Total cash	959,655	3,142,043
Bank overdrafts		
Operating	(1,276,372)	(1,203,750)
CMHC and housing	(558,591)	(483,921)
Pelican Lake Mall and Store	(214,484)	(97,198)
Income assistance	(59,042)	(64,078)
Pelican Lake Electrical and Mechanical	(3,614)	(5,055)
Total bank overdrafts	(2,112,103)	(1,854,002)
Total cash and bank overdrafts, net	(1,152,448)	1,288,041

The security features of the First Nation's various bank overdrafts are irrevocable Band Council Resolutions (BCRs). The bank overdrafts bear interest at an average rate ranging from prime plus 1.25% to prime plus 2.00%. The First Nation's total available bank overdrafts are \$2,600,000.

Pelican Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2019

3 Accounts receivable

	2019 \$	2018 \$
Agency Chiefs Tribal Council	525,756	116,249
Agency Chiefs Child and Family Services	257,083	-
Advances to membership, staff and council	125,111	70,481
Northern Lights Community Development Corp.	107,590	25,137
	<u>1,015,540</u>	<u>211,867</u>

4 Trust funds held by federal government

	March 31, 2018 \$	Additions \$	Withdrawals \$	March 31, 2019 \$
Revenue	54,583	124,734	-	179,317
Capital	17,359	-	-	17,359
	<u>71,942</u>	<u>124,734</u>	<u>-</u>	<u>196,676</u>

	March 31, 2017 \$	Additions \$	Withdrawals \$	March 31, 2018 \$
Revenue	212,943	44,640	(203,000)	54,583
Capital	17,359	-	-	17,359
	<u>230,302</u>	<u>44,640</u>	<u>(203,000)</u>	<u>71,942</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 Section 63 to 69 of the Indian Act.

5 Due from government

	2019 \$	2018 \$
Indigenous Services Canada	500,000	-
Canada Mortgage and Housing Corporation	76,522	-
	<u>576,522</u>	<u>-</u>

Pelican Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2019

6 Investments in government business enterprises

The First Nation has ownership interests in several government business enterprises, which are listed in paragraph c) of note 1. Pelican Lake Energy Corp. is in the business of energy and resource development. During a prior year, funds were advanced to Pelican Lake Energy Corp. by the First Nation to acquire mineral lease rights, which represent the value of the First Nation's investment. During the year ended March 31, 2016 financing was obtained by Pelican Lake Energy Corp. to fund the previous acquisition of the mineral rights. The mineral rights are included in "Tangible capital assets" in the condensed financial information on the next page.

The First Nation has 100% ownership of Pelican Lake Energy Corp. As of March 31, 2019, Pelican Lake Energy Corp. had borrowed funds from the First Nations Bank of Canada of \$225,000 (2018 – \$325,000). The loan bears interest monthly at 4.55% with principal payments of \$25,000 required quarterly until April 1, 2021. The First Nation has provided full guarantees on this debt by way of a general security agreement, unlimited guarantees of advances and borrowings, access to on-reserve assets and redirection of First Nations Trust gaming distributions.

The First Nation has an ownership interest of 49.95% in the corporate entities which are the limited and general partners of Horizon Interiors Limited Partnership ("Horizon"). At March 31, 2019, Horizon has total available debt of \$600,000 consisting of a) letter of credit of \$100,000 maximum (bearing interest at 9.50% and due on demand); b) mortgage of \$425,000 maximum (bearing interest at 6.75% and due in monthly payments of \$5,000); c) equipment loan bearing interest at 7% and due in monthly instalments of \$1,600; and d) loan with maximum limit of \$75,000 (bearing interest at 7% and due on demand). The debt is secured by a general security agreement, a specific security agreement over inventory and accounts receivable and a first and second interest in certain real property. At March 31, 2019, there were no amounts drawn on the letter of credit, \$234,318 was drawn on the mortgage, \$25,395 was drawn on the equipment loan and \$29,049 was drawn on the loan for a total of \$288,762.

The First Nation has an ownership interest of 33.33% in A.C. Forestry Ltd. and A.C. Realty Ltd. As at March 31, 2019, A.C. Forestry Ltd. has total available debt of \$1,685,000 in the form of a demand loan. The First Nation has provided a guarantee and postponement of claim to the lender in support of the financing to A.C. Forestry Ltd. for the full amount of the financing. The demand loan bears interest at prime plus 3.55% and is repayable in bi-weekly principal and interest instalments of \$16,536. As at March 31, 2019, A.C. Realty Ltd. has total available debt of \$819,000 in the form of a commercial mortgage. The mortgage bears interest at 5.25% and is repayable in monthly principal and interest instalments of \$5,493. At March 31, 2019, the outstanding balance was \$671,460 (2018 – \$671,460).

Pelican Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2019

The following table presents condensed financial information for the government business enterprises.

	2019 \$	2018 \$
Cash	5,970	22,032
Accounts receivable	31,269	79,358
Tangible capital assets	629,838	606,996
Total assets	667,077	708,386
Accounts payable	83,479	90,961
Due to First Nation	488,674	306,971
Long-term debt	225,000	325,000
Total liabilities	797,153	722,932
Deficit	(130,076)	(14,546)
Total liabilities and deficit	667,077	708,386
Revenue	389,247	515,375
Expenses	483,119	451,415
Net income (loss)	(93,872)	63,960

During the year ended March 31, 2019, the First Nation made payments of \$215,730 (2018 – \$613,373) to Horizon Interiors Limited Partnership.

7 Deferred revenue

	Balance at March 31, 2018 \$	Funding received \$	Revenue recognized \$	Balance at March 31, 2019 \$
Federal government				
Capital projects	2,471,366	3,246,501	(4,532,179)	1,185,688
Other	146,807	904,227	(704,783)	346,251
Northern Lights CDC	40,499	123,790	(164,289)	-
Agency Chiefs Tribal				
Council	75,448	1,767,627	(1,742,896)	100,179
Other sources	120,848	-	(120,848)	-
	2,854,968	6,042,145	(7,264,995)	1,632,118

Pelican Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2019

	Balance at March 31, 2017 \$	Funding received \$	Revenue recognized \$	Balance at March 31, 2018 \$
Federal government				
Capital projects	366,058	2,500,000	(394,692)	2,471,366
Other	113,361	1,795,162	(1,761,716)	146,807
Northern Lights CDC	-	102,349	(61,850)	40,499
Agency Chiefs Tribal Council	-	477,208	(401,760)	75,448
Other sources	120,848	-	-	120,848
	600,267	4,874,719	(2,620,018)	2,854,968

Federal government transfers related to capital project costs are incurred. Other federal government transfers deferred represent unexpended set and fixed funding received from Indigenous Services Canada.

8 Long-term debt

The following debt instruments are outstanding at March 31, 2019 and 2018:

	2019 \$	2018 \$
First Nations Bank of Canada store loan, repayable with monthly principal and interest payment of \$13,753 over 20 years, interest charged at 4.85% (renews 2022, matures 2037)	1,978,938	2,046,214
CMHC Phase V mortgage, repayable with monthly principal and interest payments of \$8,906 over 20 years at 1.35% (renews 2023, matures 2032)	1,282,814	1,371,882
CMHC Phase VI mortgage, repayable with monthly principal and interest payments of \$6,237 over 20 years at 1.86% (renews 2023, matures 2038)	1,168,808	1,221,576
CMHC Phase IV mortgage, repayable with monthly principal and interest payments of \$7,016 over 15 years at 2.48% (renews 2024, matures 2029)	691,518	758,610
Innovation Credit Union operating loan, repayable on demand no later than April 1, 2019 with interest charged at prime plus 2.25%	450,000	-
First Nations Bank of Canada 8-plex loan, repayable with monthly principal and interest payments of \$1,906, with interest charged at 4.45% (renews 2022, matures 2032)	220,812	233,549
CMHC Phase III mortgage, repayable with monthly principal and interest payments of \$2,670 over 10 years at 1.30% (renews 2021, matures 2026)	204,752	233,968
First Nations Bank of Canada interim demand loan, repayable, with interest charged at prime plus 1.25% (matures 2023)	201,369	191,369
CMHC Phase I mortgage, repayable with monthly principal and interest payments of \$1,683 over 15 years at 2.39% (renews 2023, matures 2028)	163,790	179,920

Pelican Lake First Nation

Notes to Consolidated Financial Statements

March 31, 2019

First Nations Bank of Canada economic development loan, repayable with quarterly principal payments of \$18,000, plus interest charged monthly at 4.55% (matures 2022)	162,000	234,000
Bank of Montreal equipment loan repayable with monthly principal and interest payments of \$2,328, with interest charged at 4.31% (matures 2024)	139,705	158,332
CMHC Phase II mortgage, repayable with monthly principal and interest payments of \$1,296 over 15 years at 1.92% (renews 2020, matures 2029)	139,514	152,288
Bank of Montreal equipment loan, repayable in monthly blended instalments of \$3,565 with interest charged at 3.36% (matures 2022).	105,684	144,213
Bank of Montreal RCMP housing mortgage, repayable with monthly principal and interest payments of \$1,242, with interest charged at 6.29% (renews 2023, matures 2028)	99,142	107,105
First Nations Bank economic development loan, repayable with quarterly principal payments of \$7,000, plus interest charged monthly at 4.55% (matures 2022)	63,000	91,000
Bank of Montreal group home loan, repayable with monthly principal and interest payments of \$3,023, with interest charged at prime plus 2% (matures 2021)	44,737	77,448
Bank of Montreal consolidation loan, repayable with monthly principal payments of \$11,467, plus interest charged at prime plus 2% (matures 2020)	11,467	149,067
Bank of Montreal demand loan, repayable with interest charged at prime plus 1.50%	-	270,000
Bank of Montreal demand loan, repayable with interest charged at prime plus 1.50%	-	150,000
	<u>7,128,050</u>	<u>7,770,541</u>

The following are additional details regarding the outstanding debt instruments detailed above:

Note that the First Nations Bank of Canada store loan balance (\$1,978,938) is reported as of October 31, 2018 as per note 1c). The balance outstanding as of March 31, 2019 is \$1,979,653. The security features of all long-term debt are BCRs. Additionally, for the First Nations Bank of Canada loans, the First Nation has issued a general security agreement representing a third charge on all of the First Nation's assets and has also provided security in the form of a redirection at 100% of the First Nations Trust gaming distributions to the First Nations Bank of Canada to support loan repayment and access to on-reserve assets to pay out the loan in full. Principal amounts due over the next five years, assuming that mortgages are renewed at terms and rates similar to those existing at March 31, 2019, are estimated to be as follows:

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	\$
2020	653,105
2021	599,802
2022	450,587
2023	457,725
2024	476,469
Thereafter	4,490,361

Interest expense on long-term debt for the year ended March 31, 2019 was \$192,637 (2018 – \$225,160).

Settlement claim financing

With respect to the First Nations Bank of Canada interim demand loan repayable of \$201,369 (2018 - \$191,369), the authorized facility at March 31, 2019 is \$373,520. The First Nation utilizes debt financing to advance treaty claims against the Government of Canada; this facility is an interim demand loan to finance legal and litigation insurance costs related to the First Nation's railway settlement claim. The interim demand loan has a trigger date of December 4, 2022 or when the settlement claim pays out, whichever is sooner. Repayment of the financing arises from either settlement of the claim or from insurance proceeds paid to the First Nation in the event that the claim fails.

9 Employee future benefits

The First Nation provides defined contribution plans for eligible members of its staff. Members of the plans are required to contribute 3% to 5% of their salary, and the First Nation matches the employees' contributions. The First Nation contributed \$221,223 during the year ended March 31, 2019 (2018 – \$185,520), which is recognized as an expense in the consolidated statement of operations. The First Nation does not have any other obligations with regard to the defined contribution plans as at March 31, 2019.

10 Contingent liabilities

The First Nation has entered into contribution agreements with various federal government departments. Funding received under these contribution agreements is subject to repayment if the First Nation fails to comply with the terms and conditions of the agreements.

In addition, in the normal course of operations, the First Nation becomes involved in legal actions. Some of these potential liabilities may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded.

The First Nation is liable for any environmental obligations related to the future decommissioning of the gasoline facilities at the Pelican Lake Store. No provision has been made for environmental remediation liabilities associated with the Pelican Lake Store. Although it is probable that a liability has been incurred as of March 31, 2019, the amount of the obligation cannot be reliably estimated.

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Notes to Consolidated Financial Statements

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11 Government transfers

	2019		
	Operating \$	Capital \$	Total \$
Federal government transfers			
Indigenous Services Canada (note 12)	8,695,985	4,532,179	13,228,164
Health Canada	1,078,326	-	1,078,326
Canada Mortgage and Housing Corporation	400,259	-	400,259
	10,174,570	4,532,179	14,706,749
	2018		
	Operating \$	Capital \$	Total \$
Federal government transfers			
Indigenous Services Canada (note 12)	7,529,732	799,620	8,329,352
Health Canada	683,437	-	683,437
Canada Mortgage and Housing Corporation	301,763	-	301,763
	8,514,932	799,620	9,314,552

12 Indigenous Services Canada (ISC)

	2019 \$	2018 \$
Recipient total per ISC transfer payment management system	12,141,931	10,586,999
Prior year ISC deferred revenue (note 7)	2,618,172	479,598
Social Assistance funding receivable	-	(118,893)
Current year ISC deferred revenue (note 7)	(1,531,939)	(2,618,172)
	13,228,164	8,329,532

ISC revenue recognized in the consolidated financial statements is as follows:

	2019 \$	2018 \$
ISC revenue	12,141,931	10,586,999
Net recognition (deferral) of deferred revenue	1,086,233	(2,257,647)
	13,228,164	8,329,352

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13 Expenses by object

	Budget \$ (note 17)	2019 \$	2018 \$
Wages, salaries and benefits	5,221,800	5,024,537	4,408,001
Pelican Lake Mall and Store	3,900,000	4,111,507	4,016,502
Social assistance	1,653,362	1,514,114	1,445,974
Contracts	651,379	930,250	704,304
Honorarium, per diem and elders	766,161	893,348	662,486
Repairs and maintenance	618,079	787,580	750,465
Supplies and materials	771,766	639,363	515,475
Student support	579,562	546,793	533,845
Training and program costs	318,934	450,872	154,390
Economic development	350,000	439,946	378,129
Travel and meetings	351,200	416,169	390,501
Insurance	230,500	317,324	254,385
Utilities	262,200	288,161	274,220
Professional fees	207,000	250,935	197,942
Member support	70,000	232,154	162,625
Bank charges and interest	209,000	194,746	228,385
Miscellaneous and debt write-offs	125,280	78,318	38,336
Rent and equipment leases	42,100	38,269	17,364
Property taxes	20,000	17,488	17,217
	16,348,323	17,171,874	15,150,546

14 Accumulated surplus

	2019 \$	2018 \$
Internally restricted		
Invested in tangible capital assets	16,170,196	11,553,672
Externally restricted		
CMHC replacement reserve and operating reserve	447,032	483,382
Unrestricted deficit	(2,713,562)	(2,498,664)
Accumulated surplus	13,903,666	9,538,390

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15 Annual surplus (deficit) net of capital related revenues and amortization

	2019 \$	2018 \$
Surplus for the year before amortization	5,643,294	795,808
Less: Capital related revenues included in surplus for the year Federal government transfers for capital (note 11)	(4,532,179)	(799,620)
Surplus (deficit) for the year net of capital related revenues and amortization	1,111,115	(3,812)

16 Net change in financial assets and liabilities

	2019 \$	2018 \$
Accounts receivable	(803,673)	348,779
Trust funds held by federal government	(124,734)	158,360
Due from government	(576,522)	267,717
Inventories	26,554	(40,256)
Prepaid expenses	4,284	(70,605)
Accounts payable and accrued liabilities	285,300	(458,046)
Deferred revenue	(1,222,850)	2,254,701
	(2,411,641)	2,460,650

Note that \$1,285,678 (2018 – \$2,336,194) of the change in deferred revenue relates to funding for future capital activities.

17 Budgeted figures

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the Chief and Council of the First Nation.

18 Segment disclosure

The First Nation provides a range of services to its members. For management reporting purposes, operations and activities are organized and reported by department. The segments of the First Nation and the services provided by each are as follows:

- Education – includes education instruction, post-secondary, operation and maintenance of education buildings, special education and student transportation.
- Social services – provides daycare, social assistance, homecare, headstart and membership support.

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- Community infrastructure – responsible for roads, electrical services, sewer, water, fire protection and maintenance of community buildings.
- Housing and capital projects – responsible for construction and maintenance of housing, including CMHC, as well as larger maintenance projects that are non-recurring in nature and require capital funding.
- Band government – handles the finances and administration of the First Nation, including support and central services to Chief and Council and all other departments.
- Health – responsible for the delivery of health programs and services with an emphasis on health education, prevention programs, addictions, mental health, community health and early childhood programs.
- Economic development and other programs – includes the Pelican Lake Mall and Store, Pelican Lake Electrical and Mechanical, community economic development, capacity development management, First Nations Trust and youth work experience.

For each segment separately reported, the segment revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The presentation by segment is based on the same accounting policies as described in the Summary of Significant Accounting Policies.

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Notes to Consolidated Financial Statements

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	Budget \$	Education 2019 \$	2018 \$	Budget \$	Social services 2019 \$	2018 \$	Community infrastructure 2019 \$	2018 \$
Revenues								
Federal government transfers	4,467,072	5,143,283	4,013,805	1,848,230	1,605,526	1,570,956	686,462	606,337
Pelican Lake Mall and Store	-	-	-	-	-	-	-	-
Agency Chiefs Tribal Council	1,149,283	1,117,052	401,760	173,737	383,258	271,415	-	99,539
Other	61,328	61,328	-	3,400	22,761	19,177	24,785	73,229
A.C. Forestry Ltd.	-	-	-	-	-	-	-	-
First Nations Trust	-	-	-	-	-	-	-	-
Rent	-	-	-	-	-	12,000	98,800	238,915
Agency Chiefs Child and Family Services	-	-	-	-	-	-	-	-
	5,677,683	6,321,663	4,415,565	2,025,367	2,011,545	1,873,548	810,047	1,018,020
								1,363,138
Expenses								
Bank charges and interest	-	-	-	15,000	1,600	6,490	20,000	-
Contracts	431,837	427,981	350,062	17,832	61,411	55,032	39,877	177,024
Economic development	-	-	-	-	-	-	-	-
Honorarium, per diem and elders	-	-	-	-	-	-	-	-
Insurance	11,000	26,532	13,968	3,500	2,622	4,488	47,000	63,153
Member support	-	-	-	70,000	108,864	91,245	-	-
Other	32,001	168,061	85,184	14,600	17,823	15,761	-	(128,649)
Pelican Lake Mall and Store	-	-	-	-	-	-	-	-
Professional fees	30,000	29,400	-	-	-	-	-	-
Repairs and maintenance	130,000	92,076	21,221	1,000	545	50	136,156	179,555
Social assistance	-	-	-	1,653,362	1,514,114	1,445,974	-	-
Student support	579,562	546,793	533,845	-	-	-	-	-
Supplies and materials	439,073	407,186	93,978	32,030	25,148	34,480	269,532	161,165
Training and program costs	-	76,567	32,848	-	-	-	20,000	21,700
Travel and meetings	29,000	21,122	26,781	8,500	13,639	13,389	9,500	26,023
Utilities	120,000	127,539	120,820	10,000	11,740	10,279	113,000	112,979
Wages, salaries and benefits	3,527,230	3,279,795	2,736,317	279,987	263,292	259,608	503,888	404,834
	5,329,703	5,203,052	4,015,024	2,105,811	2,020,798	1,936,796	1,158,953	1,017,784
								1,340,451
Surplus (deficit) for the year before amortization	347,980	1,118,611	400,541	(80,444)	(9,253)	(63,248)	(348,906)	236
								22,687

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	Housing and capital projects			Band government			Health		
	Budget	2019	2018	Budget	2019	2018	Budget	2019	2018
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues									
Federal government transfers	3,886,754	5,230,752	1,101,383	973,221	895,075	864,053	732,419	1,078,326	683,437
Pelican Lake Mall and Store	-	-	-	-	-	-	-	-	-
Agency Chiefs Tribal Council	-	-	-	-	-	-	-	143,047	53,590
Other	100,000	23,200	159,899	50,000	164,943	58,288	-	-	-
A.C. Forestry Ltd.	-	-	-	-	-	-	-	-	-
First Nations Trust	-	-	-	-	-	-	-	-	-
Rent	218,000	265,719	283,660	-	-	-	-	-	-
Agency Chiefs Child and Family Services	-	-	-	200,000	226,943	-	25,000	25,000	25,000
	4,204,754	5,519,671	1,544,942	1,223,221	1,286,961	922,341	757,419	1,246,373	762,027
Expenses									
Bank charges and interest	82,000	99,810	101,592	92,000	93,336	120,303	-	-	-
Contracts	20,000	146,717	69,544	125,833	100,307	131,606	16,000	16,810	11,070
Economic development	-	-	-	-	-	-	-	-	-
Honorarium, per diem and elders	-	-	-	660,000	731,814	536,879	-	-	-
Insurance	151,000	195,982	153,064	13,000	25,675	18,045	5,000	3,360	5,732
Member support	-	-	-	-	-	225	-	123,290	71,155
Other	102,129	1,225	319	7,500	54,868	(19,422)	1,294	3,360	16,650
Pelican Lake Mall and Store	-	-	-	-	-	-	-	-	-
Professional fees	7,000	-	6,650	170,000	221,535	188,564	-	-	2,728
Repairs and maintenance	329,700	458,589	421,148	5,000	-	7,901	16,223	31,629	31,218
Social assistance	-	-	-	-	-	-	-	-	-
Student support	-	-	-	-	-	-	-	-	-
Supplies and materials	5,000	3,134	36,040	18,023	23,935	26,270	8,108	18,795	11,546
Training and program costs	-	-	-	5,000	3,703	-	293,934	352,702	104,311
Travel and meetings	15,000	14,942	15,853	262,200	281,520	264,806	27,000	58,923	51,669
Utilities	2,000	6,978	9,580	14,000	13,850	10,931	3,200	14,270	9,800
Wages, salaries and benefits	108,160	65,416	38,641	369,340	436,991	410,124	325,522	359,730	339,486
	821,989	992,793	852,431	1,741,896	1,987,534	1,696,232	696,281	982,869	655,365
Surplus (deficit) for the year before amortization	3,382,765	4,526,878	692,511	(518,675)	(700,573)	(773,891)	61,138	263,504	106,662

Pelican Lake First Nation

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For the year ended March 31, 2019

	Economic development and other programs			Total		
	Budget \$	2019 \$	2018 \$	Budget \$	2019 \$	2018 \$
Revenues						
Federal government transfers	53,594	147,450	93,300	12,647,752	14,706,749	9,314,552
Pelican Lake Mall and Store	3,900,000	3,920,515	3,843,812	3,900,000	3,920,515	3,843,812
Agency Chiefs Tribal Council	-	-	-	1,323,020	1,742,896	790,794
Other	116,579	266,523	58,608	356,092	611,984	405,070
A.C. Forestry Ltd.	540,000	553,559	544,320	540,000	553,559	544,320
First Nations Trust	553,819	518,242	531,311	553,819	518,242	531,311
Rent	-	4,646	(6,558)	316,800	509,280	491,495
Agency Chiefs Child and Family Services	-	-	-	225,000	251,943	25,000
	5,163,992	5,410,935	5,064,793	19,862,483	22,815,168	15,946,354
Expenses						
Bank charges and interest	-	-	-	209,000	194,746	228,385
Contracts	-	-	-	651,379	930,250	704,304
Economic development	350,000	439,946	378,129	350,000	439,946	378,129
Honorarium, per diem and elders	106,161	161,534	125,607	766,161	893,348	662,486
Insurance	-	-	1,003	230,500	317,324	254,385
Member support	-	-	-	70,000	232,154	162,625
Other	29,856	13,587	12,585	187,380	134,075	72,917
Pelican Lake Mall and Store	3,900,000	4,111,507	4,016,502	3,900,000	4,111,507	4,016,502
Professional fees	-	-	-	207,000	250,935	197,942
Repairs and maintenance	-	25,186	-	618,079	787,580	750,465
Social assistance	-	-	-	1,653,362	1,514,114	1,445,974
Student support	-	-	-	579,562	546,793	533,845
Supplies and materials	-	-	6,742	771,766	639,363	515,475
Training and program costs	-	-	-	318,934	450,872	154,390
Travel and meetings	-	-	1,472	351,200	416,169	390,501
Utilities	-	805	800	262,200	288,161	274,220
Wages, salaries and benefits	107,673	214,479	111,407	5,221,800	5,024,537	4,408,001
	4,493,690	4,967,044	4,654,247	16,348,323	17,171,874	15,150,546
Surplus (deficit) for the year before amortization	670,302	443,891	410,546	3,514,160	5,643,294	795,808

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19 Tangible capital assets

	Cost					Accumulated amortization			Net book value at March 31, 2019
	Opening balance \$	Additions \$	Disposals \$	Transfers \$	Closing balance \$	Opening balance \$	Amortization \$	Closing balance \$	\$
Land	17,809	-	-	-	17,809	-	-	-	17,809
Infrastructure	29,730,388	-	-	-	29,730,388	16,256,876	739,706	16,996,582	12,733,806
Buildings and improvements	7,812,992	1,162,395	-	-	8,975,387	2,992,936	392,574	3,385,510	5,589,877
Equipment	2,817,610	429,684	-	-	3,247,294	2,470,210	145,738	2,615,948	631,346
Construction-in-progress	-	3,437,572	-	-	3,437,572	-	-	-	3,437,572
	40,378,799	5,029,651	-	-	45,408,450	21,720,022	1,278,018	22,998,040	22,410,410

	Cost					Accumulated amortization			Net book value at March 31, 2018
	Opening balance \$	Additions \$	Disposals \$	Transfers \$	Closing balance \$	Opening balance \$	Amortization \$	Closing balance \$	\$
Land	17,809	-	-	-	17,809	-	-	-	17,809
Infrastructure	29,558,680	171,708	-	-	29,730,388	15,519,317	737,559	16,256,876	13,473,512
Buildings and improvements	3,894,908	764,439	-	3,153,645	7,812,992	2,595,882	397,054	2,992,936	4,820,056
Equipment	2,690,388	127,222	-	-	2,817,610	2,274,618	195,592	2,470,210	347,400
Construction-in-progress	3,153,645	-	-	(3,153,645)	-	-	-	-	-
	39,315,430	1,063,369	-	-	40,378,799	20,389,817	1,330,205	21,720,022	18,658,777