

**Penticton Indian Band
Consolidated Financial Statements
For the year ended March 31, 2018**

Penticton Indian Band
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For the year ended March 31, 2018

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Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Penticton Indian Band are the responsibility of management and have been approved by the Chief and another Band Councilor on behalf of the Band Council.

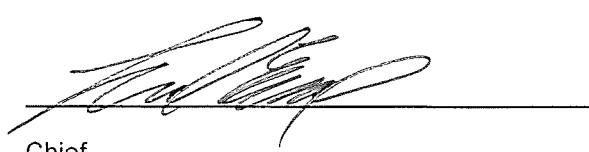
These consolidated financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards. Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has 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.

Penticton Indian Band maintains systems of internal accounting and administrative controls, consistent with reasonable costs. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Band's assets are appropriately accounted for and adequately safeguarded.

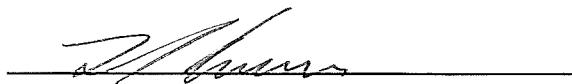
Penticton Indian Band is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. Council carries out this responsibility principally through its Finance Committee.

The Finance Committee reviews the Band's consolidated financial statements and recommends their approval to Council. The Committee 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 annual report, consolidated financial statements and external auditor's report. The Committee reports its findings to the Council for consideration when approving the consolidated financial statements for issuance to the members. The Committee also considers, for review by the Council, the engagement of the external auditors.

The consolidated financial statements have been audited by BDO Canada LLP in accordance with Canadian generally accepted auditing standards on behalf of the members. BDO Canada LLP has full and free access to the Band Council.



Chief



Band Councilor

Independent Auditor's Report

To the Members
Penticton Indian Band

We have audited the accompanying consolidated financial statements of Penticton Indian Band, which comprise the consolidated statement of financial position as at March 31, 2018, the consolidated statements of operations, change in net financial assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Penticton Indian Band as at March 31, 2018, and the results of its operations, change in net financial assets, and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matters

Penticton Indian Band has also prepared another set of consolidated financial statements for the year ended March 31, 2018 in accordance with Canadian public sector accounting standards. However, those consolidated financial statements include unaudited supplementary schedules which present detailed program revenues and expenditures prepared to assist management of Penticton Indian Band to meet the reporting requirements of various funding agencies. Our audit report on the other set of financial statements was issued to Chief and Council of Penticton Indian Band and was dated August 21, 2018.

BDO Canada LLP
Chartered Professional Accountants

Penticton, British Columbia
August 21, 2018

Penticton Indian Band
Consolidated Statement of Financial Position
(Restated-
Note 22)

March 31 2018 2017

Financial assets		
Cash and cash equivalents (Note 2)	\$ 2,108,774	\$ 1,796,880
Short term investments (Note 2)	6,141,898	3,029,470
Accounts receivable (Note 4)	4,208,820	5,118,041
Debt Reserve Fund (Note 7)	574,171	434,812
Investment in Band owned entities (Note 20)	10,212,571	10,291,573
Funds held in trust (Note 3)	288,706	286,386
Loans receivable from band members (Note 5)	84,473	115,691
	<u>23,619,413</u>	<u>21,072,853</u>
Liabilities		
Accounts payable and accrued liabilities (Note 6)	2,895,178	5,497,093
Line of credit (Note 11)	971,840	868,655
Deferred revenue (Note 8)	-	9,333
Long-term debt (Note 13)	15,306,773	13,287,386
	<u>19,173,791</u>	<u>19,662,467</u>
Net financial assets	<u>4,445,622</u>	<u>1,410,386</u>
Non-financial assets		
Prepaid expenses	558,702	109,385
Tangible capital assets (Note 12)	41,612,683	39,784,503
	<u>42,171,385</u>	<u>39,893,888</u>
Accumulated surplus	<u>\$ 46,617,007</u>	<u>\$ 41,304,274</u>

Contingencies (Note 17)

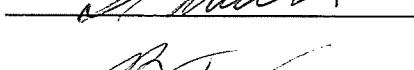
Approved on behalf of Council



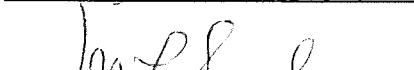
Chief



Band Councilor



Chief Financial Officer



Finance and Audit Committee

Penticton Indian Band
Consolidated Statement of Operations

(Restated-

(Note 22)

<u>For the year ended March 31</u>	(Note 23) Budget	2018	2017
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Revenues

Federal Government			
Indigenous and Northern Affairs Canada	\$ 6,085,567	\$ 7,091,498	\$ 6,727,777
Canada Mortgage and Housing Corporation	186,891	493,053	223,225
Government of Canada	883,330	-	-
First Nations Health Authority	935,055	1,042,275	942,261
Provincial Government			
First Nations Education Steering Committee	365,015	473,069	508,956
Okanagan Training & Development Council	75,661	156,156	97,351
Province of British Columbia	1,607,753	3,321,509	989,258
Other			
Housing charges and rental	353,820	398,298	454,440
Interest and investment income	9,500	143,099	62,056
Other contracts and miscellaneous	933,490	2,846,006	1,979,910
Property taxes	1,417,557	784,395	573,464
Royalties	-	548,113	593,678

Total revenues for the year	12,853,639	17,297,471	13,152,376
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Expenditures

Administration	2,694,171	3,180,810	3,164,726
Community health	1,580,076	1,549,180	1,463,666
Economic development	469,359	24,907	329,886
Education	4,167,000	3,811,193	3,765,807
Forestry	-	79,263	-
Housing	746,570	525,133	609,485
Land, estate and membership	966,327	912,298	972,333
PIBDC	345,900	435,540	338,491
Public works	736,726	1,289,678	1,195,580
O.N.T.E.H	-	747,825	574,839
Social development	1,464,620	1,476,405	1,414,714

Total expenditures for the year	13,170,749	14,032,232	13,829,527
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Excess of revenue (deficiency) for the year	(317,110)	3,265,239	(677,151)
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Net income from Band owned entities (Note 20)	2,047,494	705,881	
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Annual surplus	5,312,733	28,730	
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Accumulated surplus, beginning of year	41,304,274	41,275,544	
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Accumulated surplus, end of year	\$ 46,617,007	\$ 41,304,274	
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Penticton Indian Band
Consolidated Statement of Change in Net Financial Assets

<u>For the year ended March 31</u>	<u>(Note 23)</u>	<u>Budget</u>	<u>2018</u>	<u>2017</u>
Annual surplus	\$ (317,110)	\$ 5,312,733	\$ 28,730	
Acquisition of tangible capital assets	(4,777,256)	(3,523,200)	(1,275,046)	
Amortization of tangible capital assets	-	1,695,020	1,641,042	
Disposal of tangible capital assets	-	-	23,463	
Use (acquisition) of prepaid expenses	(4,777,256)	(1,828,180)	389,459	
	-	(449,317)	175,766	
Net change in net financial assets	(5,094,366)	3,035,236	593,955	
Net financial assets, beginning of year		1,410,386	816,431	
Net financial assets, end of year		\$ 4,445,622	\$ 1,410,386	

Penticton Indian Band
Consolidated Statement of Cash Flows

(Restated-
 Note 22)

For the year ended March 31

2018

2017

	2018	2017
Cash flows from operating activities		
Cash received during the year	\$ 18,054,261	\$ 10,625,733
Cash paid to suppliers and employees	(14,906,680)	(10,730,909)
Interest paid	(481,765)	(467,091)
Interest received	<u>143,099</u>	<u>62,056</u>
	2,808,915	(510,211)
Cash flows from capital activities		
Purchase of tangible capital assets	<u>(3,523,200)</u>	<u>(1,251,583)</u>
Cash flows from financing activities		
Issuance of long-term debt	2,578,000	-
Increase (decrease) in line of credit	103,185	(38,000)
Repayment of long-term debt	(558,613)	(515,236)
Increase in First Nation Finance Authority debt reserve	<u>(139,359)</u>	<u>(5,937)</u>
	1,983,213	(559,173)
Cash flows from investing activities		
Decrease in member loans receivable	31,218	8,188
Decrease in investment in Band owned Entities	<u>2,126,496</u>	<u>1,197,005</u>
	2,157,714	1,205,193
Increase (decrease) in cash for the year	3,426,642	(1,115,774)
Cash and cash equivalents, beginning of year	5,112,736	6,228,510
Cash and cash equivalents, end of year	\$ 8,539,378	\$ 5,112,736
Represented by:		
Unrestricted (Note 2)	\$ 2,166,414	\$ 1,880,380
Restricted (Note 2)	<u>6,084,258</u>	<u>2,945,970</u>
	8,250,672	4,826,350
Trust funds (Note 3)	<u>288,706</u>	<u>286,386</u>
	\$ 8,539,378	\$ 5,112,736

Penticton Indian Band Notes to the Consolidated Financial Statements

March 31, 2018

1. Summary of Significant Accounting Policies

Nature of Business	Penticton Indian Band provides services and support to its band members. Penticton Indian Band is an Indian Band and, as such, is exempt from income tax under section 87 of the Indian Act.
Basis of Accounting	These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards prescribed for governments, as recommended by the Public Sector Accounting Board.
Reporting Entity	The Penticton Indian Band reporting entity includes the Penticton Indian Band government and all related entities that are controlled by the First Nation.
Principles of Consolidation	All governmental units are fully consolidated by the government reporting entity. Other business enterprises and partnerships which meet the definition of a government business enterprise or partnership are accounted for on the modified equity basis of accounting. Entities that fall under the consolidated basis of accounting are fully consolidated on a line-by-line basis with inter-organizational balances and transactions eliminated. The following entities are accounted for on a consolidation basis: <i>Okanagan Nations Family Intervention Services Society Penticton Indian Band Development Corporation Ltd. Penticton Indian Band Utilities Limited Partnership</i>
Asset Classification	Other entities that are accounted for on the modified equity basis of accounting includes the cost of the Penticton Indian Band's investment in the entities including the proportionate share of earnings. Under the modified equity basis of accounting inter-organizational balances are not eliminated. The following entities are accounted for on a modified equity basis: <i>Coyote Cruises Limited Partnership Westhills Aggregates Limited Partnership snpinktn FORESTRY Limited Partnership Skaha Hills Development Limited Partnership West Riverside Construction Limited</i> 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, and prepaid expenses.

Penticton Indian Band Notes to the Consolidated Financial Statements

March 31, 2018

1. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents	Cash and cash equivalents consist of cash on hand, bank balances and investments in money market instruments with maturities of three months or less. Cash and cash equivalents on the Consolidated Statement of Cash Flows is represented by cash, short term investments as disclosed on the Consolidated Statement of Financial Position.
Short-term Investments	Short-term investments include guaranteed investment certificates and mutual funds maturing at various times during the next fiscal year. These investments are recorded at cost.
Financial Instruments	The Band carries a number of financial instruments. Unless otherwise noted, it is management's opinion that the Band is not exposed to significant interest, currency or credit risks arising from these financial instruments.
Interest Income	Interest income on loans receivable and on funds held in trust are recorded as revenue when received by the Band.
Revenue Recognition	Revenue is recognized as it becomes receivable under the terms of applicable funding agreements. Revenue received under the funding arrangements which relates to a subsequent fiscal period is reflected as deferred revenue in the year of receipt and classified as such on the Statement of Financial Position.
	Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. For property taxes, the taxable event is the period for which the tax is levied. As taxes recorded are initially based on management's best estimate of the taxes that will be received, it is possible that changes in future conditions, such as reassessments due to audits, appeals and court decisions, could result in a change in the amount of tax revenue recognized. Taxes are recognized net of an allowance for anticipated uncollectable amounts.
	Taxation arrears and interest revenue are recognized at the time of issuing overdue property tax notices to the rate payers for the fiscal year based on the time overdue.
	Rental revenue is recognized when the services are provided to tenants, and collection is reasonably assured. When rental payments are received in advance of contracted services, the Band records this as deferred revenue.

Penticton Indian Band Notes to the Consolidated Financial Statements

March 31, 2018

1. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

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 the transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Use of Estimates

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

Segmented Information

Penticton Indian Band is a First Nation organization that provides a wide range of services to its members including social, education, health, housing, public works and economic activities. For management reporting purposes, the Band's operations and activities are organized and reported by fund. Funds were created for the purpose of recording specific activities to attain certain objectives with special regulations, restrictions or limitations. Services are provided by programs and their activities are reported in these funds. Certain programs have been separately disclosed in the segmented information, along with the services they provide, and are detailed in the Schedule of Segmented Operations.

Administration Services

The Administration Services program provides administration support to other band operated programs and services.

Social Development

The Social Development program provides financial benefits and services to individuals and families, resident on reserve, who are in need.

Education

The Education program provides services to eligible First Nations students enrolled in elementary/secondary education programs and eligible post-secondary education programs.

Forestry

The Forestry program is a management initiative that includes monitoring and enhancement projects.

Community Health

The Band provides health programs and services under an agreement with First Nations Health Authority, and the Province of British Columbia.

Penticton Indian Band Notes to the Consolidated Financial Statements

March 31, 2018

1. Summary of Significant Accounting Policies (continued)

Segmented Information (continued)

Housing

The Housing program provides on-reserve housing to eligible members under the CMHC housing programs for First Nations.

Land, Estates and Memberships Program

The Land, Estates and Memberships program negotiates and implements land claim and self-government agreements on behalf of the Band.

Public Works

The Public Works program is responsible for the construction and maintenance of public spaces within the community and includes the Penticton Indian Band Utilities Limited Partnership (PIBULP).

Economic Development Program

The Economic Development program provides planning and capacity development initiatives under agreements with the Province of British Columbia.

Okanagan Nation Family Intervention and Services Society (ONTEH)

The ONTEH program is a Band-run organization that operates a transition house.

Penticton Indian Band Development Corporation (PIBDC)

The PIBDC program is a Band-run organization that invests in development opportunities.

Penticton Indian Band Notes to the Consolidated Financial Statements

March 31, 2018

Tangible Capital Assets and Amortization

Tangible capital assets are not available to discharge existing liabilities and are held for use in the provision of goods and services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

Tangible capital assets are valued at acquisition cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital assets including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs.

Amortization is charged against tangible capital assets based on the estimated useful life of the asset as follows.

- Automotive equipment	- 10-20% straight line
- Buildings	- 5% straight line
- Equipment	- 20% - 50% straight line
Infrastructure	- 15-60 years straight line
- Land improvements	- 5 - 20% straight line
Leasehold improvements	- 5 years straight line

Tangible capital assets under construction, development or that have been removed from service are not amortized until they are available to be put into service.

Tangible capital assets are written down when contributions indicate that they no longer contribute to the Band'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 statement of operations.

Contributed tangible capital assets are recorded at their fair value on the date of contribution, except in unusual circumstances where fair value cannot be reasonably determined, in which case they are recognized at nominal value.

Penticton Indian Band
Notes to the Consolidated Financial Statements

March 31, 2018

2. Cash and Short-term Investments

	(Restated- Note 22)	
	2018	2017
Consists of:		
Cash	\$ 2,108,774	\$ 1,796,880
Term deposits	106,273	106,171
Mutual funds	<u>6,035,625</u>	<u>2,923,299</u>
	<u>\$ 8,250,672</u>	<u>\$ 4,826,350</u>
Restricted		
Ottawa trust funds	\$ 48,632	\$ 22,670
Social housing reserves (Note 14)	1,071,397	1,019,016
Band capital trust funds	2,710,699	687,384
Band revenue trust funds	1,170,460	552,158
Capital contingency fund	807,300	529,235
Stabilization fund	<u>275,770</u>	<u>135,507</u>
	<u>6,084,258</u>	<u>2,945,970</u>
Unrestricted	<u>2,166,414</u>	<u>1,880,380</u>
	<u>\$ 8,250,672</u>	<u>\$ 4,826,350</u>

Term deposits consist of three one-year cashable GICs at rates varying from 0.5-0.75% per annum, maturing June 2018 (0.5-0.75% at March 31, 2017).

In 2004, the Band removed their funds from the Ottawa trust funds and have set up a separate trust fund account administered by the Band Council. The amount remaining in this fund represents the interest earned in the fiscal year that transfers to the Band on April 1 of each year.

Band capital trust funds are funds earned from sale of natural resources, and government transfers that are internally restricted for use towards future capital projects.

Band revenue trust funds are funds received from government business enterprises in the form of profit shares, and government transfers that are internally restricted for use as determined by the Chief and Council.

The capital contingency fund is designed to be used as designated by Chief and Council from time to time for extraordinary capital expenditures which benefit or service rate payers and requires an annual contribution of up to ten percent (10%) of the annual gross taxes.

The stabilization fund is designed to hold any surplus monies remaining in the taxation fund at the end of the fiscal year as specified in the Expenditure By-law Annual Budget Schedule, and may be applied towards the operation and administration costs for the next fiscal year.

Penticton Indian Band
Notes to the Consolidated Financial Statements

March 31, 2018

3. Funds Held in Trust

As at March 31, funds were held for Penticton Indian Band as follows:

	2018	2017
Lawyer's Trust	\$ 288,706	\$ 286,386

A financial institution holds \$77,433 (2017 - \$77,433) on deposit for minor band members. This amount is not included in these financial statements.

A law firm holds \$4,800,000 (2017 - \$-) in trust for the Band until such time as a specific Real Estate Partnership Agreement has been renegotiated. This amount is not included in these financial statements.

4. Accounts Receivable

	2018	2017
First Nation Education and Steering Committee	\$ 111,842	\$ 62,702
Indigenous and Northern Affairs Canada	60,697	508,615
Trade	1,578,437	752,140
Property taxes	422,849	314,112
Rent receivable	727,887	711,710
Canada Mortgage and Housing Corporation	283,803	27,802
Skaha Hills Limited Partnership	1,721,389	3,460,673
Allowance for Doubtful Accounts	<u>(698,084)</u>	<u>(719,713)</u>
Net accounts receivable	\$ 4,208,820	\$ 5,118,041

5. Loans Receivable from Band Members

	2018	2017
Members' loans receivable	\$ 84,473	\$ 115,691

Loans receivable from Band Members are non interest bearing, unsecured, and due on demand.

6. Accounts Payable and Accrued Liabilities

	2018	2017
Trade payables	\$ 2,391,902	\$ 5,057,323
Accrued liabilities	154,048	115,566
INAC Funding Surplus	17,331	-
Accrued salaries and employee benefits payable	<u>331,897</u>	<u>324,204</u>
	\$ 2,895,178	\$ 5,497,093

Penticton Indian Band
Notes to the Consolidated Financial Statements

March 31, 2018

7. Debt Reserve Fund - First Nation Finance Authority

The Penticton Indian Band has the option to issue its long-term debt through the First Nation Finance Authority ("FNFA"). As a condition of borrowing, 5% of the gross debenture proceeds are withheld by the FNFA as a debt reserve fund. The debt reserve fund is invested by the FNFA and interest earned and expenses incurred are reported annually to the Band. If at any time the FNFA does not have sufficient funds to meet payments or sinking fund contributions due on its obligations, the payments will be made from the debt reserve fund. Details of cash deposits held in the debt reserve fund are as follows:

Debt Reserve Fund - Cash Deposits	2018	2017
	<u>\$ 574,171</u>	<u>\$ 434,812</u>

8. Deferred Revenue

	2018	2017
	<u>\$ -</u>	<u>\$ 9,333</u>

9. Property Tax Collected for Other Governments

The Band collects taxation revenue on behalf of other entities for government services as follows:

	2018	2017
BC Assessment Authority	\$ 15,835	\$ 19,622
Regional District Okanagan-Similkameen	62,998	50,391
Hospital	92,528	72,005
Sewer	30,986	32,536
Library	22,935	42,912
Fire protection	<u>190,374</u>	<u>151,802</u>
	<u>\$ 415,656</u>	<u>\$ 369,268</u>

10. Property Taxes

	2018	2017
Gross property taxation revenue	\$ 1,539,290	\$ 1,242,905
Less: Home owner grants	<u>(325,055)</u>	<u>(289,322)</u>
Net property taxation revenue	<u>\$ 1,214,235</u>	<u>\$ 953,583</u>

Penticton Indian Band
Notes to the Consolidated Financial Statements

March 31, 2018

11. Line of Credit

Penticton Indian Band Development Corporation has a line of credit for up to \$300,000 with a variable interest rate of 3.2% per annum at March 31, 2018, which has been guaranteed by the Band. Required monthly payments consist of interest only. At March 31, 2018, the balance owing was \$245,000.

The Bank has also provided a line of credit to a maximum of \$400,000, bearing interest at the bank's prime rate plus 0.8% per annum and secured by a general security agreement providing a floating charge over band receivables.

The Bank has also provided Penticton Indian Band Development Corporation with a line of credit for up to \$1,000,000 with a variable interest rate of prime plus 0.5%, which has been guaranteed by the Band. Required monthly payments consist of interest only. At March 31, 2018, the balance owing was \$683,657.

Penticton Indian Band
Notes to the Consolidated Financial Statements

March 31, 2018

12. Tangible Capital Assets

	Automotive Equipment	Buildings	Equipment	Land and Land Improvements	Roads	Water, Sewer, Drainage	Electrical	Work in Process	Social Housing	ONTEH	PIBDC	PIBULP	Total
Cost, beginning of year	\$ 911,471	\$ 17,868,837	\$ 1,738,362	\$ 1,755,382	\$ 13,063,644	\$ 13,130,755	\$ 285,917	\$ 831,437	\$ 6,017,266	\$ 235,230	\$ 20,136	\$ 3,100	\$ 55,861,537
Additions	82,730	-	43,802	6,500	665,717	1,236,332	-	1,359,627	-	88,492	-	-	3,523,200
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers	-	(3,056)	-	3,056	73,104	135,764	-	(208,888)	-	-	-	-	-
Cost, end of year	994,201	17,865,781	1,782,164	1,764,938	13,802,465	14,502,851	285,917	2,022,196	6,017,266	323,722	20,136	3,100	59,384,737
Accumulated amortization, beginning of year	647,804	5,683,003	905,797	1,022,098	2,891,291	2,766,124	20,939	-	1,943,274	177,257	17,897	1,550	16,077,034
Amortization	46,892	542,332	181,882	23,607	334,646	308,435	7,148	-	208,706	39,358	464	1,550	1,695,020
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-downs/transfer	-	-	-	-	-	-	-	-	-	-	-	-	-
	(612)	-	-	612	-	-	-	-	-	-	-	-	-
Accumulated amortization, end of year	694,696	6,224,723	1,087,679	1,046,317	3,225,937	3,074,559	28,087	-	2,151,980	216,615	18,361	3,100	17,772,054
Net carrying amount, end of year	\$ 299,505	\$ 11,641,058	\$ 694,485	\$ 718,821	\$ 10,576,528	\$ 11,428,292	\$ 257,830	\$ 2,022,196	\$ 3,865,286	\$ 107,107	\$ 1,775	\$ -	\$ 41,612,683

Penticton Indian Band
Notes to the Consolidated Financial Statements

March 31, 2018

	2017						2018						
	Automotive Equipment	Buildings	Equipment	Land and Land Improvements	Roads	Water, Sewer, Drainage	Electrical	Work in Process	Social Housing	ONTEH	PIBULP	PIBDC	Total
Cost, beginning of year	\$ 848,537	\$ 17,970,107	\$ 1,682,279	\$ 1,524,141	\$ 12,752,009	\$ 12,874,007	\$ 285,917	\$ 602,392	\$ 236,875	\$ 20,136	\$ 4,364	\$ 3,100	\$ 54,813,666
Additions	72,924	57,480	108,509	231,241	311,635	256,748	-	253,659	-	-	(6,009)	-	1,289,560
Disposals	(9,990)	(158,750)	(52,426)	-	-	-	-	-	-	-	-	-	(227,175)
Transfers	-	-	-	-	-	-	-	(24,614)	-	-	-	-	(24,614)
Cost, end of year	911,471	17,868,837	1,738,362	1,755,382	13,063,644	13,130,755	285,917	831,437	6,017,266	235,230	20,136	3,100	55,861,537
Accumulated amortization, beginning of year	597,701	5,293,738	763,966	994,516	2,575,115	2,491,463	13,791	-	1,734,694	157,426	17,294	1,550	14,639,704
Amortization Disposals	51,352	541,859	185,691	27,582	316,176	274,661	7,148	-	208,580	25,840	603	-	1,641,042
	(1,249)	(152,594)	(43,860)	-	-	-	-	-	(6,009)	-	-	-	(203,712)
Accumulated amortization, end of year	647,804	5,683,003	905,797	1,022,098	2,891,291	2,766,124	20,939	-	1,943,274	177,257	17,897	1,550	16,077,034
Net carrying amount, end of year	\$ 263,667	\$ 12,185,834	\$ 832,565	\$ 733,284	\$ 10,172,353	\$ 10,364,631	\$ 264,978	\$ 831,437	\$ 4,073,992	\$ 57,973	\$ 2,239	\$ 1,550	\$ 39,784,503

Penticton Indian Band
Notes to the Consolidated Financial Statements

March 31, 2018

13. Long-term Debt

	2018	2017
Operating Fund		
Term loan - repayable at \$4,238 monthly, including interest at 3.78% per annum, maturing March 2019.	\$ 350,408	\$ 387,298
Capital Fund		
Demand loan - repaid during the year.	-	5,690
Demand loan - repayable at \$350 monthly, including interest at prime plus 1% per annum, maturing December 2018, secured by specific asset.	31,365	34,267
Demand loan - repayable at \$3,894 monthly, including interest at 3.84% per annum, due on demand, maturing March 2020.	89,722	132,089
Interim Financing - interest only payments at 3.35% per annum.	2,578,000	-
Demand loan - repayable at \$468 monthly, including interest at 3.16% per annum, maturing June 2019, secured by specific asset.	6,856	12,207
Demand loan - repaid during the year.	-	2,275
Demand loan - repaid during the year.	-	10,850
Term loan - repayable at \$10,275 monthly, including interest at 3.97% per annum, maturing October 2018.	1,496,150	1,558,687
Term loan - repayable at \$39,113 monthly, including interest at 3.79% per annum, maturing June 2024.	7,826,558	7,993,849
Social Housing Fund		
Mortgage - repayable at \$2,767 monthly, including interest at 1.83% per annum, maturing November 2019.	54,465	86,360
Mortgage - repayable at \$2,721 monthly, including interest at 1.11% per annum, maturing January 2021.	91,029	122,482
 Balance carried forward	 \$ 12,524,553	 \$ 10,346,054

Penticton Indian Band
Notes to the Consolidated Financial Statements

March 31, 2018

13. Long-term Debt (continued)

Balance brought forward	<u>\$ 12,524,553</u>	\$ 10,346,054
Social Housing Fund (continued)		
Mortgage - repayable at \$1,409 monthly, including interest at 1.82% per annum, maturing September 2019.	129,440	143,855
Mortgage - repayable at \$2,390 monthly, including interest at 1.04% per annum, maturing October 2020.	209,023	235,382
Mortgage - repayable at \$1,214 monthly, including interest at 1.31% per annum, maturing June 2022..	183,330	195,423
Mortgage - repayable at \$2,504 monthly, including interest at 1.30% per annum, maturing December 2021.	286,133	312,163
Mortgage - repayable at \$2,246 monthly, including interest at 0.94% per annum, maturing September 2020.	434,886	457,647
Mortgage - repayable at \$7,914 monthly, including interest at 2.40% per annum, maturing October 2018.	1,539,408	1,596,862
	<hr/> <u>\$ 15,306,773</u>	<hr/> <u>\$ 13,287,386</u>

All Social Housing mortgages are secured by a ministerial guarantee from INAC.

Principal repayments on long-term debt for the next five years and thereafter are estimated as follows:

2019	\$ 6,461,079
2020	441,483
2021	801,039
2022	371,378
2023	383,303
Thereafter	<hr/> <u>6,848,491</u>
	<hr/> <u>\$ 15,306,773</u>

Penticton Indian Band
Notes to the Consolidated Financial Statements

March 31, 2018

14. Housing Reserves

	2018	2017
Replacement reserve	\$ 504,068	\$ 479,328
Operating reserve	<u>835,791</u>	<u>772,662</u>
	\$ 1,339,859	\$ 1,251,990

Under the terms of the agreement with CMHC, the Replacement Reserve account is to be credited in the amount of \$43,380 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 CDIC or as may otherwise be approved by CMHC. Withdrawals are credited to interest first and then principal.

Under the terms of the agreement with Canada Mortgage and Housing Corporation, the Operating Reserve account is to be credited with any surplus amount in phase 7 to 14, based on the minimum rent calculation.

As at March 31, 2018 the housing reserves are underfunded by \$269,462 (2017 - \$232,974).

15. Federal Assistance Payments

The Social Housing Fund receives federal assistance through CMHC to reduce mortgage interest expense to 2% to enable the project to provide housing to low income individuals. The amount of the assistance received for the year ended March 31, 2018 was \$263,000 (2017 - \$201,941), and this amount is included in CMHC revenue on the statement of operations.

16. Related Party Transactions

During the year, transactions with business entities which the Band owns and controls, and that are not disclosed separately in these financial statements are as follows:

- (a) Royalties revenue received of \$548,113 (2017 -\$371,449) from Westhills Aggregates Limited Partnership
- (b) Purchases for services of \$1,770,206 (2017 - \$459,927) from Westhills Aggregates Limited Partnership.

These transactions are in the normal course of operations and are measured at the exchange value, which is the amount of consideration established and agreed to by the related parties. The transactions not in the normal course of operations are recorded at the carrying amount.

Penticton Indian Band Notes to the Consolidated Financial Statements

March 31, 2018

17. Contingencies

The Band has sued the Canadian Pacific Railway and Canada for the return of land to reserve status that was taken from the Reserve for railway purposes and have now ceased to be used for that purpose. The Band is actively negotiating a settlement that would see most of the lands returned to the Band's Reserve.

Various lawsuits have been filed against the Band for incidents which arose in the ordinary course of business. In the opinion of management and legal counsel, the outcome of the lawsuits, now pending, is not determinable. Should any loss result from the resolution of these claims, such loss will be charged to operations in the year of resolution.

18. Economic Dependence

Penticton Indian Band receives approximately 40% (2017 - 50%) of its revenues pursuant to a funding arrangement with Indigenous and Northern Affairs Canada (INAC).

19. Loan Guarantees

The Penticton Indian Band has guaranteed a line of credit for a Limited Partnership in the Resources business for up to \$100,000 with an interest rate of prime + 1%. At March 31, 2018 the facility was unused. The Band has guaranteed an additional revolving facility for the Limited Partnership for up to a maximum of \$500,000 which is available through a series of term loans with an interest rate of prime +1% of which \$500,000 was available at March 31, 2018. These loans are secured by a first ranking interest in all personal property of the Limited Partnership, and Penticton Indian Band, in addition to a general guarantee and postponement of claim in the amount of \$1,000,000.

The Band has also guaranteed an operating line of credit on behalf of a Limited Partnership in the Tourism business in the amount of \$50,000 and has also provided a general security agreement and postponement of debt for this amount.

A Limited Partnership in the Real Estate business has a credit facility in the amount of \$8,750,000, of which the Band has provided a guarantee in the amount of \$1,750,000 at a rate of prime plus 1% and has also provided a general security agreement and postponement of debt for this amount. The loan is secured by a mortgage and assignment of rents on the property under development. At March 31, 2018 \$3,640,946 is available to be drawn on the credit agreement, the Band's portion of which is \$728,189.

INAC has provided ministerial loan guarantees to various financial institutions for certain loans to the Band and individual band members. The Band is contingently liable for these loans and has provided repayment agreements to INAC in the event of default.

Penticton Indian Band
Notes to the Consolidated Financial Statements

March 31, 2018

20. Band Owned Entities

	2018	2017
Assets		
Current		
Non-current		
	\$ 9,216,510	\$ 7,435,632
	6,784,772	2,583,723
	64,922	-
	\$16,001,282	\$10,019,355
	\$ 87,392	\$ 87,392
	\$11,722,121	\$ 1,372,739
	-	818,729
	-	-
	\$16,001,282	\$10,019,355
	\$ 87,392	\$ 87,392
Liabilities		
Current		
Non-current		
	\$11,722,121	\$ 2,191,468
	4,279,161	7,827,887
	55,383	(12,786)
	\$16,001,282	\$10,019,355
	\$ 87,392	\$ 87,392
Equity (deficit)		
	\$ 5,894,126	\$13,957,397
	4,622,002	12,084,691
	188,545	-
	\$ 1,272,124	\$ 1,872,706
	\$ (80,222)	\$ (80,222)
	\$ 254,425	\$ 1,872,706
	\$ (80,222)	\$ (80,222)
Revenue		
Expenditures		
Total income	\$ 1,272,124	\$ 1,872,706
Allocation	\$ 254,425	\$ 1,872,706

Penticton Indian Band Notes to the Consolidated Financial Statements

March 31, 2018

20. Band Owned Entities (continued)

Nature of Business Real Estate

This is a Partnership that is established under the laws of British Columbia and is engaged in the business of land development. Penticton Indian Band has a 20% interest in the Partnership.

Resources

This line of business consists of two Partnerships that are both established under the laws of British Columbia. One of the partnerships is engaged in the operation of gravel sales and the other one is engaged in the sale of logs.

Tourism

This line of business is a Partnership that is established under the laws of British Columbia and is engaged in the business of recreational water sport activities.

Other

Includes four corporations that are incorporated under the laws of British Columbia. The individual operations of these companies are insignificant and are therefore shown together.

21. Pension Plan

The Band and certain of its employees contribute to the Penticton Indian Band Pension Plan (the "Plan"). The Plan is a defined contribution plan. Capri Insurance administers the Plan through Great West Life, including the payment of pension benefits on behalf of the employer and employees in accordance with the federal legislation.

During the year, the Band paid \$198,591 (2017 - \$153,614) to the Plan on behalf of its employees.

22. Comparative Figures

Certain comparative amounts presented in the financial statements have been restated to conform to the current year's presentation.

Penticton Indian Band
Notes to the Consolidated Financial Statements

March 31, 2018

23. Budget

The Band Council Budget Resolution adopted by Council was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Public Sector Accounting Standards require a full accrual basis. Further the budget was approved on a quarterly basis. The budget figures anticipated use of surpluses accumulated in previous years to reduce current year expenditures in excess of current year revenues to nil. In addition, the budget expensed all tangible capital expenditures rather than including amortization expense. As a result, the budget figures presented in the statements of operations and change in net financial assets represent the Budget adopted by Council with adjustments as follows:

	2018
Budget Bylaw deficit for the year	\$ -
Add:	
Capital expenditures	4,777,256
Less:	
Budgeted transfers from accumulated surplus	(5,040,471)
Admin revenue	<u>(53,895)</u>
Budget deficit per statement of operations	<u>\$ (317,110)</u>

Penticton Indian Band
Notes to the Consolidated Financial Statements

March 31, 2018

24. Statement of Expenditures by Object

	2018	2017
Advertising and promotion	2,710	3,310
Amortization	1,695,021	1,641,042
Bad debts (recovery)	(69,108)	121,962
Bank charges	79,985	58,556
Contract services	977,812	743,056
Community outreach	66,300	50,272
Direct social assistance	931,954	817,603
Honoraria	176,795	227,938
Insurance	164,264	154,725
Interest on long-term debt	481,765	467,091
Loan and lease payments	44,411	54,798
Materials, supplies and services	402,665	563,463
Office	109,685	130,746
Professional fees	925,184	1,244,298
Repairs and maintenance	259,339	219,234
Salaries and benefits	5,538,806	4,896,786
Student allowances and tuition	1,471,482	1,574,922
Telephone	71,297	73,014
Travel and meetings	217,854	220,054
Utilities	218,388	254,422
Vehicle	50,133	60,519
Workshops, seminars and training	215,490	251,716
Total expenditure for the year	\$ 14,032,232	\$ 13,829,527

Penticton Indian Band
Notes to the Consolidated Financial Statements
Schedule of Segmented Operations

For the year ended March 31

	Admin.	Social	Development	Education	Forestry	Community Health	Housing	Public Works	Lands, Estates and Memberships	Economic Development	PIB Corporation	ONTEH	Total
Revenue													
INAC	\$ 552,780	\$ 1,239,606	\$ 3,249,849	\$ -	\$ -	\$ 121,744	\$ 911,836	\$ 333,336	\$ -	\$ 47,742	\$ 634,605	\$ 7,091,498	
CMHC	-	-	473,059	-	-	271,510	221,543	-	-	-	-	-	493,053
FNESC	-	-	-	-	-	-	-	-	-	-	-	-	473,059
FNHA	-	-	-	-	-	1,042,275	-	-	-	-	-	-	1,042,275
Taxation	784,395	-	-	-	-	-	-	-	-	-	-	-	784,395
Province of B.C.	2,250,103	104,880	388,845	-	-	331,688	-	-	245,994	-	-	-	3,321,510
Miscellaneous	1,144,671	37,238	293,712	79,263	167,947	384,902	1,241,070	570,978	10,459	10,919	150,512	-	4,091,671
	4,731,949	1,381,724	4,405,475	79,263	1,541,910	778,156	2,374,449	1,150,308	10,459	58,661	785,117	17,297,471	
Expenditure													
Administrative	424,754	4,615	27,692	-	119,755	70,924	415,179	219,750	24,907	257,661	19,072	1,584,309	
Amortization	1,444,942	-	-	-	-	208,706	1,550	-	-	494	39,359	1,695,921	
Direct Assistance	-	931,954	-	-	-	-	-	-	-	-	-	-	931,954
Lease payments	11,807	920	9,612	-	12,532	-	-	7,535	-	-	-	2,004	44,410
Materials, supplies, utilities	142,872	45,785	157,343	-	133,304	5,139	194,602	48,830	-	12,033	128,921	868,829	
Operations and maintenance	164,528	8,138	116,129	79,263	116,262	138,817	482,639	78,886	-	4,730	47,757	1,237,149	
Student costs	-	-	1,471,463	-	-	-	-	-	-	-	-	1,471,463	
Transportation costs	23,357	61,402	87,525	-	138,451	2,772	20,476	46,515	-	22,496	80,482	483,476	
Wages and benefits	968,550	423,591	1,941,409	-	1,028,876	98,775	175,232	510,782	-	138,156	430,230	5,715,601	
	3,180,810	1,476,405	3,811,193	79,263	1,549,180	525,133	1,289,678	912,298	24,907	435,540	747,825	14,032,232	
Excess (deficiency) of revenue for the year	\$ 1,551,139	\$ (94,681)	\$ 594,262	\$ -	\$ (7,270)	\$ 253,023	\$ 1,084,771	\$ 238,010	\$ (14,448)	\$ (376,879)	\$ 37,292	\$ 3,265,239	

Penticton Indian Band
Notes to the Consolidated Financial Statements
Schedule of Segmented Operations
(Restated - Note 22)

For the year ended March 31

	Admin.	Social	Education	Forestry	Community	Housing	Public	Lands,	Estates and	PIB	ONTEH	Total
	Development	Development			Health		Works	Memberships	Economic	Development	Corporation	
Revenue	\$ 510,802	\$ 1,067,622	\$ 3,204,394	\$ -	\$ -	\$ 201,941	\$ 917,068	\$ 348,573	\$ -	\$ 54,066	\$ 625,252	\$ 6,727,777
INAC	-	-	508,956	-	-	21,284	-	-	-	-	-	223,225
CMHC	-	-	1,600	-	-	940,125	-	-	-	-	-	508,956
FNESC	-	-	-	-	-	-	-	-	-	-	-	942,261
FNHA	536	-	-	-	-	-	-	-	-	-	-	573,464
Taxation	573,464	-	-	-	-	-	-	-	-	-	-	589,239
Province of B.C.	78,072	192,480	-	-	340,614	-	378,093	-	-	-	-	3,187,434
Miscellaneous	1,475,282	32,131	308,568	-	152,605	383,301	144,012	570,562	29,329	19	91,625	-
	2,560,084	1,177,825	4,215,998	-	1,433,344	585,242	1,082,364	1,297,228	29,329	54,085	716,877	13,152,376
Expenditure												
Administrative	442,457	2,417	43,998	-	164,807	167,787	385,663	323,607	319,194	178,442	20,587	2,048,959
Amortization	1,404,469	-	-	-	-	208,580	1,550	-	-	603	25,840	1,641,042
Direct												
Assistance	-	817,603	-	-	-	-	-	-	-	-	-	817,603
Lease												
Payments	14,174	613	9,566	-	12,473	-	-	-	5,276	10,692	-	2,004
Materials,												54,798
supplies,												
Utilities	207,969	68,990	181,379	-	159,684	6,894	209,730	44,468	-	21,299	103,872	1,004,295
Operations and												
Maintenance	47,526	25,761	86,825	-	72,077	116,122	450,869	208,278	-	8,540	14,899	1,030,897
Student costs	-	20,000	1,554,921	-	-	-	-	-	-	-	-	1,574,921
Transportation	89,920	79,983	96,537	-	142,102	3,197	30,631	41,551	-	19,241	29,127	532,239
Wages and												
benefits	958,211	399,347	1,792,581	-	912,513	106,905	117,137	349,153	-	110,366	378,510	5,124,723
	3,164,726	1,414,714	3,765,807	-	1,463,666	609,485	1,195,580	972,393	329,886	338,491	574,839	13,829,527
Excess (deficiency)												
of revenue												
for the year	\$ (604,642)	\$ (236,899)	\$ 450,191	\$ -	\$ (30,322)	\$ (24,243)	\$ (113,216)	\$ (300,557)	\$ 324,885	\$ (284,406)	\$ 142,038	\$ (677,151)