

**PENELAKUT TRIBE
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018**

*Brynjolfson & Company
Chartered Professional Accountant*

**PENELAKUT TRIBE
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2018**

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ADDITIONAL SCHEDULE

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| Funding INAC Reconciliation Report | A-1 |
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MANAGEMENT'S REPORT

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of Penelakut Tribe 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 CPA Canada and as such include amounts that are the best estimates and judgments of management.

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

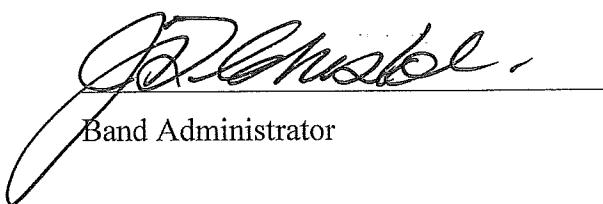
Chief and Council are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and is ultimately responsible for reviewing and approving the consolidated financial statements.

Chief and Council meet periodically with management, as well as the external auditor, 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.

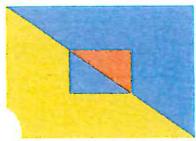
The external auditors, Brynjolfson & Company, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of Penelakut Tribe and meet when required.

On behalf of Penelakut Tribe:

Sept 25/18
Date



Band Administrator



Brynjolfson & Co. Chartered Professional Accountant

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Victoria, B.C. V8X 4N9
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INDEPENDENT AUDITOR'S REPORT

To the Members of Penelakut Tribe:

I have audited the accompanying financial statements of Penelakut Tribe, which comprise the consolidated statement of financial position as at March 31, 2018, and the consolidated statement of operations, consolidated statement of change in net debt, and consolidated statement of cash flow 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 financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Penelakut Tribe as at March 31, 2018, and the results of its operations, the changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Date:

Victoria, B.C.

Sept. 25, 2018

Brynjolfson + Co.

Chartered Professional Accountant

PENELAKUT TRIBE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
March 31, 2018

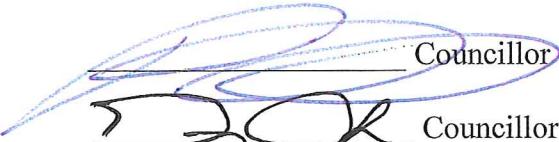
| | 2018 | 2017 |
|---|-------------------|-------------------|
| Financial Assets | | |
| Cash | 2,926,571 | 2,908,983 |
| Restricted Cash, Note 3 | 823,210 | 910,166 |
| Accounts Receivable, Note 6 | 932,923 | 501,304 |
| Due from Business Enterprise, Note 15 | <u>178,337</u> | <u>130,725</u> |
| | <u>4,861,041</u> | <u>4,451,178</u> |
| Liabilities | | |
| Accounts payable and accrued liabilities, Note 10 | 473,628 | 529,248 |
| Overdraft line of credit | 25,000 | - |
| Deferred revenue | 115,109 | 28,291 |
| Replacement and Operation Reserves | 744,383 | 728,716 |
| Debt, Note 8 | <u>5,669,463</u> | <u>5,995,062</u> |
| | <u>7,027,583</u> | <u>7,281,317</u> |
| Net Debt | (2,166,542) | (2,830,139) |
| Non-financial assets | | |
| Tangible capital assets, Note 7 | 12,007,490 | 12,585,418 |
| Prepaid Expenses | <u>11,104</u> | <u>57,052</u> |
| | <u>12,018,594</u> | <u>12,642,470</u> |
| Accumulated surplus/(deficit) | <u>9,852,052</u> | <u>9,812,331</u> |

Approved by:

 Chief

 Councillor

 Councillor

 Councillor

 Councillor

 Councillor

PENELAKUT TRIBE
CONSOLIDATED STATEMENT OF OPERATIONS
For the year ended March 31, 2018

| | 2018 | | 2017 |
|---|-------------------|-------------------|-------------------|
| | Budget | Actual | Actual |
| | \$ | \$ | \$ |
| Revenue | | | |
| Indigenous and Northern Affairs Canada | 6,563,454 | 6,563,454 | 7,809,301 |
| Other | 3,178,171 | 4,174,274 | 4,320,141 |
| Social Housing - CMHC Subsidy | 283,604 | 283,604 | 267,025 |
| Social Housing - Rent Income | 288,484 | 246,593 | 267,083 |
| Recovery of Funds | — | (45,677) | (64,756) |
| | <u>10,313,713</u> | <u>11,222,248</u> | <u>12,598,794</u> |
| Expenses | | | |
| Administration | 557,234 | 530,486 | 861,544 |
| Community Operations | 607,407 | 712,611 | 742,119 |
| Education | 4,184,629 | 3,782,582 | 3,495,661 |
| Social Development | 1,236,099 | 1,365,057 | 1,401,173 |
| Health | 917,100 | 942,806 | 956,870 |
| Canada Employment & Job Creation | 209,439 | 386,671 | 397,868 |
| Band Funds and Other Programs | 270,210 | 906,202 | 893,026 |
| Capital Operations | 1,829,995 | 2,011,513 | 1,291,857 |
| Social Housing | <u>501,600</u> | <u>544,599</u> | <u>594,831</u> |
| | <u>10,313,713</u> | <u>11,182,527</u> | <u>10,634,949</u> |
| Surplus/(deficit), current | <u>—</u> | 39,721 | 1,963,845 |
| Accumulated Surplus/(Deficit), Beginning of Year | | <u>9,812,331</u> | <u>7,848,486</u> |
| Accumulated Surplus/(deficit), end of year | | <u>9,852,052</u> | <u>9,812,331</u> |

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

PENELAKUT TRIBE
CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT
For the year ended March 31, 2018

| | 2018 Actual | 2017 Actual |
|---|------------------------------|------------------------------|
| | \$ | \$ |
| Annual surplus/(deficit) – Operations | 39,723 | 1,963,845 |
| Acquisition of tangible capital assets | (73,179) | (340,699) |
| Acquisition of tangible capital assets Social Housing Fund | - | (574,622) |
| Amortization of tangible capital assets charged against Capital Fund Equity | 372,283 | 416,146 |
| Amortization of tangible capital assets charged against Social Housing Fund | 243,788 | 252,368 |
| Amortization of tangible capital assets charged against Operations | 35,034 | 36,878 |
| Acquisition of prepaid asset | (11,104) | (57,052) |
| Use of prepaid asset | <u>57,052</u> | <u>6,887</u> |
| (Increase)/decrease in net debt | 663,597 | 1,703,751 |
| Net debt, beginning of year | <u>(2,830,139)</u> | <u>(4,533,890)</u> |
| Net debt, end of year | <u>(2,166,542)</u> | <u>(2,830,139)</u> |

Note: 2018 budget figures are not available.

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

PENELAKUT TRIBE
CONSOLIDATED STATEMENT OF CASH FLOW
For the year ended March 31, 2018

| | 2018 Actual \$ | 2017 Actual \$ |
|---|-------------------------------|-------------------------------|
| OPERATING ACTIVITIES | | |
| Excess of Revenue over Expenditures | 331,727 | 2,032,994 |
| Increase in Ottawa Trust Account | 7,098 | 6,298 |
| Decrease (increase) in non-cash operating | | |
| Net assets | <u>(376,382)</u> | <u>29,984</u> |
| | (37,557) | 2,069,276 |
| CAPITAL ACTIVITIES | | |
| Principal repayment on long term debt expensed in CMHC housing fund | 243,788 | 252,368 |
| Capital assets acquired from band operations | 73,177 | 340,699 |
| FINANCING ACTIVITIES | | |
| First Nations Debt Retirement | (300,599) | (303,863) |
| Credit line proceeds | 25,000 | (25,000) |
| INVESTING ACTIVITIES | | |
| Purchase of Band Capital Assets | <u>(73,177)</u> | <u>(340,699)</u> |
| | | |
| Increase (decrease) in cash during year | (69,368) | (1,992,781) |
| Cash at beginning of year | <u>3,819,149</u> | <u>1,826,368</u> |
| Cash at end of year | <u>3,749,781</u> | <u>3,819,149</u> |
| Represented by: | | |
| Cash | 2,926,571 | 2,908,983 |
| Restricted Cash | <u>823,210</u> | <u>910,166</u> |
| | <u>3,749,781</u> | <u>3,819,149</u> |

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

PENELAKUT TRIBE
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2018

1. NATURE OF OPERATIONS

Penelakut Tribe (the “First Nation”) is an Indian Band as defined by the Indian Act. The First Nation manages various programs offered by Indigenous and Northern Affairs Canada (INAC) and other funding agents to benefit its members. The First Nation also represents its members in the negotiation of treaty settlement and specific lands claims.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

These Consolidated Financial Statements have been prepared in accordance with Canadian public sector accounting standards for government entities as recommended by the CPA Public Sector Accounting Board.

a) Reporting Entity

The reporting entity includes the Penelakut Tribe government and all related entities which are accountable to the First Nation and are either owned or controlled by the First Nation.

b) Principles of Consolidation

These financial statements consolidate the assets, liabilities and results of operations for entities which are controlled by the First Nation. Controlled entities are consolidated, except for government business enterprises (GBE), and government business partnerships (GBP), which are accounted for by the modified equity method. All inter-fund and inter-organization transactions and balances have been eliminated on consolidation.

The First Nation records its investments in GBE and GBP on the modified equity basis. Under this basis, the GBE and GBP accounting policies are not adjusted to conform with those of the First Nation and inter-entity transactions and balances are not eliminated. The First Nation recognizes its equity interest in the annual earnings or loss of the GBE and GBP in its consolidated statement of operations with a corresponding increase or decrease in its investment asset account. Any dividends or other cash distributions that the First Nation may receive from the GBE and GBP will be reflected as deductions in the investment asset account.

The commercial enterprises and business partnerships accounted for on a modified equity basis include:

1. Penelakut Seafood Ltd.

PENELAKUT TRIBE
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2018

c) Cash and Cash Equivalents

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

d) Trust Funds

Trust funds are included as revenue in these statements only to the extent they have been received from the First Nation's trust funds. 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 and are subject to audit by the Office of the Auditor General of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act.

e) Deferred Revenue

Under the terms of the contribution agreement between the First Nation, INAC and certain other agencies, the First Nation may be liable to repay any contributed funds either not expended or not expended in accordance with the agreement. Also, any deficit, supported by claims eligible for reimbursement under the terms and conditions of the funding agreements, may be reimbursed by the contributor subject to the program's terms and conditions. The First Nation has recorded all known unexpended contribution funds as deferred revenue and/or accounts payable.

f) Long-term Debt

Loan proceeds related to the financing of tangible capital assets are recorded as revenue in the appropriate fund. The loan amount is also recorded as a liability on the Statement of Financial Position and as a reduction in the Tangible Capital Asset Fund.

Debt payments, including principal and interest, are charged to the fund to which they relate. Principal reductions are reflected as a reduction in the liability with an offsetting increase in the Tangible Capital Asset Fund.

g) 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.

PENELAKUT TRIBE
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2018

Amortization is provided for over their estimated useful lives using the diminishing balance method, at the following rates:

| | |
|----------------|-----|
| Buildings | 5% |
| Equipment | 20% |
| Infrastructure | 4% |
| Vehicle | 30% |
| Vessel | 5% |

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.

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

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

h) Revenue Recognition

Government Funding:

The First Nation recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as such. In these circumstances, the First Nation recognized revenue as the liability is settled. Transfers of non-depreciable assets are recognized in revenue when received or receivable.

First Nation Capital and Revenue Trust Fund:

The First Nation recognizes revenues of the Capital and Revenue Trust Fund at the time funds are contributed from the accounts held in Ottawa. Interest revenue is recognized when earned.

PENELAKUT TRIBE
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2018

Housing Rental Income:

Rental revenue is recorded in the year it is earned. At the end of each year management evaluates whether rent revenue is collectible and records a bad debt expense and allowance for doubtful accounts for those amounts designated as unlikely to be collected.

Own Source Revenue:

Revenues are 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.

Contributions from other sources are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purpose.

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

i) Financial Instruments

Financial instruments are initially classified upon initial recognition as a fair value or amortized cost instrument. The fair value category includes investments in equity instruments that are quoted in an active market, and any other items elected by the First Nation to be recorded at fair value. All other financial instruments, including financial instruments with related parties for which fair value cannot be estimated, are recorded at an amortized cost. Transaction costs directly attributable to the acquisition or issue of a financial instrument are added to the amortized cost or expensed if related to instruments recorded on a fair value basis. The effective interest rate method is used to measure interest for financial instruments recorded at an amortized cost.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss, calculated as the excess of the net recoverable amount of the asset and its carrying value, is reported in the statement of operations and any unrealized gain is adjusted through the statement of re-measurement gains and losses.

When the asset is sold, the unrealized gains and losses previously recognized in the statement of re-measurement gains and losses are reversed and recognized in the statement of operations.

PENELAKUT TRIBE
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2018

The First Nation's financial instruments consist of cash and cash equivalents, accounts receivable, loans receivable, long-term debt, accounts payable and accrued liabilities. It is management's opinion that the First Nation is not exposed to significant interest rate, market, currency, credit, or liquidity risks arising from these financial instruments and that the fair value of these financial instruments approximate their carrying values.

j) Measurement Uncertainty

In preparing the consolidated financial statements for the First Nation, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the period. Items requiring the use of significant estimates include allowance for doubtful accounts and amortization. Actual results could differ from these estimates.

3. CASH AND CASH EQUIVALENTS

| | 2018 | 2017 |
|---------------------------------|------------------|------------------|
| | \$ | \$ |
| Externally restricted | | |
| Social Housing | 596,582 | 690,636 |
| Ottawa Trust Funds | <u>226,628</u> | <u>219,530</u> |
| | <u>823,210</u> | <u>910,166</u> |
| Unrestricted | | |
| Cash and banks | <u>2,926,571</u> | <u>2,908,983</u> |
| Total Cash and Cash Equivalents | <u>3,749,781</u> | <u>3,819,149</u> |

Externally restricted – Operating Reserve:

Under the terms of the agreements with CMHC, excess revenues over expenditures for the Post 1996 phases may be retained in an Operating Reserve. These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time. The funds may be used to offset future deficits. Withdrawals are credited to interest first and the principal. At the year end, the reserve was under funded by \$27,728 (2017 under funded by \$963).

PENELAKUT TRIBE
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2018

Externally restricted – Replacement Reserve:

Under the terms of the agreement with CMHC, the replacement reserve account is to be credited in the amount of \$58,320 annually. These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time. The funds in the account may only be used as approved by CMHC. At year end, the reserve was under funded by \$48,672 (2017 over funded by \$13,905).

4. TRUST FUNDS HELD BY FEDERAL GOVERNMENT

Trust fund accounts arise from moneys 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 are primarily governed by Sections 63 to 69 of the Indian Act.

| | Opening Balance | Additions | Withdraws | 2018 Total | 2017 Total |
|---------|--------------------|--------------|-----------|----------------|----------------|
| | \$ | \$ | \$ | \$ | \$ |
| Revenue | 49,102 | 7,098 | - | 56,200 | 49,102 |
| Capital | <u>170,428</u> | <u>—</u> | <u>—</u> | <u>170,428</u> | <u>170,428</u> |
| | <u>219,530</u> | <u>7,098</u> | <u>—</u> | <u>226,628</u> | <u>219,530</u> |

5. ECONOMIC DEPENDENCE

The government of Penelakut Tribe receives a major portion of its revenue from Indigenous and Northern Affairs Canada. The nature and extent of this revenue is of such significance that the First Nation is economically dependent on this source of revenue.

6. ACCOUNTS RECEIVABLE

| | 2018 | 2017 |
|----------------|----------------|----------------|
| • INAC | \$ 119,259 | \$ 22,520 |
| • CSETS | 88,154 | 91,850 |
| • FNESC | 74,886 | 23,813 |
| • Fisheries | 79,000 | 67,867 |
| • CMHC | 85,778 | 23,624 |
| • Treaty Group | 65,859 | 9,217 |
| • Prov of BC | 20,857 | 49,000 |
| • Other | <u>399,130</u> | <u>213,413</u> |
| | <u>932,923</u> | <u>501,304</u> |

PENELAKUT TRIBE
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2018

7. TANGIBLE CAPITAL ASSETS

| | C O S T | | A M O R T I Z A T I O N | | | | 2018 Balance |
|-----------------------|----------------------------|----------------------|--------------------------------|-------------------------|-----------------------|-------------------------|--------------------------|
| | Opening Balance | Additions | Closing Balance | Opening Balance | Amorti- zation | Closing Balance | |
| Buildings | 5,649,874 | - | 5,649,874 | 2,678,780 | 148,555 | 2,827,335 | 2,822,539 |
| Equipment | 839,553 | 73,177 | 912,730 | 689,070 | 44,732 | 733,803 | 178,927 |
| Infrastructure | 4,912,950 | - | 4,912,950 | 1,771,530 | 125,657 | 1,897,187 | 3,015,763 |
| Vehicles | 829,933 | - | 829,933 | 567,558 | 78,713 | 646,271 | 183,662 |
| Vessels | 174,869 | - | 174,869 | 126,570 | 9,660 | 136,230 | 38,639 |
| First Nations Housing | 7,408,850 | - | 7,408,850 | 2,191,166 | 243,788 | 2,434,954 | 4,973,896 |
| Building-in-progress | <u>794,064</u> | <u>-</u> | <u>794,064</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>794,064</u> |
| TOTALS | <u>\$20,610,093</u> | <u>73,177</u> | <u>20,683,270</u> | <u>8,024,674</u> | <u>651,105</u> | <u>8,675,780</u> | <u>12,007,490</u> |

* There were no deletions during the year.

8. DEBT

| | 2018 | 2017 |
|---|---------|---------|
| Mortgage payable with payments of \$2,282 per month including interest at 1.53%, secured by ministerial guarantee from INAC, renewal December 2022, matures December 2025 | 200,442 | 224,427 |
| Mortgage payable with payments of \$3,635 per month including interest at 1.67%, secured by ministerial guarantee from INAC, renewal June 2018, matures June 2033 | 588,010 | 621,604 |
| Mortgage payable with payments of \$3,498 per month including interest at 1.67%, secured by ministerial guarantee from INAC, renewal June 2018, matures June 2033 | 565,862 | 598,191 |
| Mortgage payable with payments of \$5,484 per month including interest at 1.83%, secured by ministerial guarantee from INAC, renewal December 2019, matures December 2034 | 950,665 | 998,763 |

PENELAKUT TRIBE
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2018

| | | |
|--|------------------|------------------|
| Demand loan payable with payments of \$ 4,156 per month including interest at 2.71%, secured by ministerial guarantee from INAC, renewal April 2021 | 711,337 | 741,484 |
| Mortgage payable with payments of \$ 4,998 per month including interest at 1.08%, secured by ministerial guarantee from INAC, renewal August 2020, matures August 2040 | 1,195,082 | 1,241,964 |
| Mortgage payable with payments of \$ 3,068 per month including interest at 1.03%, secured by ministerial guarantee from INAC, renewal October 2021, matures October 2041 | 771,255 | 800,008 |
| Term loan payable with payments of \$1,864 per month, interest at 4.5%, due January 15, 2019 | 18,265 | 39,293 |
| Term Loan payable with payments of \$4,354 per month, interest at 4.1%, due May 20, 2021 | <u>668,545</u> | <u>692,838</u> |
| | <u>5,669,463</u> | <u>5,958,572</u> |

Schedule of principal reduction is estimated as follows:

| | |
|------|---------|
| 2019 | 283,987 |
| 2020 | 276,669 |
| 2021 | 282,000 |
| 2022 | 287,456 |
| 2023 | 293,037 |

9. SOCIAL HOUSING RESERVES

a) Replacement Reserve

Under the terms of the agreement with CMHC, a replacement reserve is maintained to provide for future asset replacement. These funds, along with accumulated interest, must be held in a separate bank account. Use of these funds is restricted to expenditures approved by CMHC.

b) Operating Reserve

Under the terms of the agreement with CMHC (Section 95, Post 1997 on Reserve Program), any surplus revenue will be retained within an Operating Reserve. These funds, along with accumulated interest, must be held in a separate bank account. Use of

PENELAKUT TRIBE
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2018

these funds is restricted to ongoing operating costs of housing projects committed under the Post 1997 On Reserve Program.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | <u>2018</u> | <u>2017</u> |
|--|--------------------------|--------------------------|
| Comprised of the following: | | |
| Trade payables | \$ 325,166 | \$ 416,293 |
| Accrued salaries and employee benefits payable | <u>148,462</u> | <u>112,955</u> |
| | <u><u>\$ 473,628</u></u> | <u><u>\$ 529,248</u></u> |

11. EXPENSES BY OBJECT

| | <u>2018</u> |
|-------------------------|----------------------------|
| Wages | \$ 3,061,884 |
| Benefits | 392,323 |
| Amortization | 651,105 |
| Contracts | 2,473,160 |
| Equipment | 73,177 |
| Materials and supplies | 449,538 |
| Other | 1,652,089 |
| Repairs and maintenance | 366,086 |
| Tuition and books | 505,758 |
| Social Assistance | <u>1,265,401</u> |
| | <u><u>\$10,890,521</u></u> |

12. ACCUMULATED SURPLUS

Accumulated surplus represents operational surplus/(deficit) and government contributions provided to assist in the purchase or construction of tangible capital assets.

The change in accumulated surplus balance for the year is as follows:

| | <u>Trust funds</u> | <u>Operations</u> | <u>Equity in Cap Assets</u> | <u>2018</u> |
|-----------------|-----------------------|-------------------------|-----------------------------|-------------------------|
| Opening balance | 219,530 | 2,900,541 | 6,692,260 | 9,812,331 |
| Additions | 7,098 | 331,727 | 73,179 | 412,004 |
| Transfer* | <u>-</u> | <u>-</u> | <u>(372,283)</u> | <u>(372,283)</u> |
| | <u><u>226,628</u></u> | <u><u>3,232,268</u></u> | <u><u>6,393,156</u></u> | <u><u>9,852,052</u></u> |

*Transfer from equity in tangible capital assets to operations to offset amortization of tangible capital assets that are fully funded by government agencies.

PENELAKUT TRIBE
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2018

13. INVESTMENT IN FIRST NATION CONTROLLED BUSINESS ENTITY

| | Aug. 31 <u>2017</u> | Aug. 31 <u>2016</u> |
|--|------------------------|------------------------|
| Penelakut Seafood Ltd. (unaudited): | | |
| - advances | 155,289 | 79,541 |
| - share capital | 801 | 801 |
| - equity (loss) | <u>(22,977)</u> | <u>3,256</u> |
| Total | <u>133,113</u> | <u>83,598</u> |

Financial information for the fiscal year ended August 31, 2017 prepared from unaudited financial statements is as follows:

| | <u>Assets</u> | <u>Liabilities</u> | <u>Revenues</u> | <u>Expenses</u> | <u>Profit</u> |
|----------------------------|------------------|--------------------|------------------|------------------|--------------------|
| Year ended August 31, 2017 | <u>\$118,843</u> | <u>\$155,510</u> | <u>\$201,725</u> | <u>\$227,958</u> | <u>\$ (26,233)</u> |

Although the investment in a controlled business enterprise is normally accounted for using the modified equity method, only the advances due from Penelakut Seafood Ltd. are recorded. No significant difference results.

14. CONTINGENT LIABILITIES

- a) Restricted unexpended surpluses can be recovered by the funding agency.
- b) Treaty negotiations for the Penelakut Tribe are being carried on by the Hul'Qumi'num Treaty Group. As at March 31, 2018, the Treaty Group was responsible to repay in excess of \$36,116,188 (2017 - 34,649,468) to the Federal Government for advances made to the Treaty Group of which the Penelakut Tribe is a member.
- c) The First Nation has Ministerial Guarantees for loan balances outstanding. The contingent liability as at year-end amounts to \$3,965,007 (2017 - \$3,473,426) as per confirmation provided by Indigenous and Northern Affairs Canada.

15. DUE FROM BUSINESS ENTERPRISE

| | <u>2018</u> | <u>2017</u> |
|---------------------------|-------------------|-------------------|
| Penelakut Seafood Incorp. | <u>\$ 178,337</u> | <u>\$ 130,725</u> |

Advances due from the wholly owned business enterprise are unsecured and without interest or any fixed terms of repayment.

PENELAKUT TRIBE
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2018

16. COMPARATIVE FIGURES

Prior year's comparative amounts have been reclassified where necessary to conform to the current year's presentation.

17. Segment Disclosure

The presentation by segment is based on the same accounting policies as described in the summary of Significant Accounting Policies as described in Note 2. The following table presents the expenses incurred and the revenue generated by main object of expense and by major revenue type. The segment results for the period are as follows:

| | ADMINISTRATION | | | COMMUNITY OPERATIONS | | | EDUCATION | | | Budget 2018 |
|---------------------------------|----------------|----------------|----------------|----------------------|------------------|------------------|------------------|------------------|------------------|----------------|
| | 2018 | 2017 | Budget 2018 | 2018 | 2017 | Budget 2018 | 2018 | 2017 | Budget 2018 | |
| | | | 2018 | 2017 | 2018 | 2018 | 2017 | 2018 | 2017 | |
| Revenue | | | | | | | | | | |
| Federal Govt. | 574,250 | 498,349 | 574,250 | 431,204 | 461,395 | 423,568 | 3,239,272 | 3,067,988 | 3,239,272 | |
| Other/Transfers | 21,218 | 42,424 | 10,500 | 33,700 | - | - | 995,634 | 1,061,769 | 1,144,017 | |
| Total Revenue | 595,468 | 540,803 | 584,750 | 464,904 | 461,395 | 423,568 | 4,234,906 | 4,129,757 | 4,383,289 | |
| Expense | | | | | | | | | | |
| Salaries and benefits | 418,579 | 424,902 | 396,836 | 321,331 | 323,206 | 332,137 | 1,861,327 | 1,659,566 | 1,834,447 | |
| Amortization | 35,034 | 36,878 | 35,000 | - | - | - | - | - | - | |
| Debt servicing | 4,609 | 23,062 | 7,950 | - | - | - | 4,854 | - | 4,200 | |
| Other expenses/transfers | 72,264 | 28,641 | 117,448 | 391,280 | 418,913 | 275,270 | 1,916,401 | 1,836,095 | 2,345,982 | |
| Total expenses | 530,486 | 513,483 | 557,234 | 712,611 | 742,119 | 607,407 | 3,782,582 | 3,495,661 | 4,184,629 | |
| Annual Surplus/(Deficit) | 64,982 | 27,290 | 27,516 | (247,707) | (280,724) | (183,839) | 452,324 | 634,096 | 198,660 | |

| | SOCIAL DEVELOPMENT | | | EMPLOYMENT & JOB CREATION | | | BAND FUNDS / OTHER | | | Budget 2018 |
|---------------------------------|--------------------|------------------|------------------|---------------------------|----------------|----------------|--------------------|-----------------|----------------|----------------|
| | 2018 | 2017 | Budget 2018 | 2018 | 2017 | Budget 2018 | 2018 | 2017 | Budget 2018 | |
| | | | 2018 | 2017 | 2018 | 2018 | 2017 | 2018 | 2017 | |
| Revenue | | | | | | | | | | |
| Federal Govt. | 1,648,203 | 1,486,819 | 1,487,382 | 105,290 | 189,428 | 105,290 | - | - | - | |
| Other/Transfers | 24 | 126 | - | 430,861 | 240,802 | 178,543 | 1,384,296 | 846,407 | 804,260 | |
| Adjustments/recoveries | - | - | - | - | - | - | - | - | - | |
| Total Revenue | 1,648,227 | 1,486,945 | 1,487,382 | 536,151 | 430,230 | 283,833 | 1,384,296 | 846,407 | 804,260 | |
| Expense | | | | | | | | | | |
| Salaries and benefits | 120,772 | 119,533 | 121,755 | 121,092 | 144,686 | 121,859 | 39,153 | 114,282 | 34,102 | |
| Amortization | - | - | - | - | - | - | - | - | - | |
| Debt servicing | 691 | - | 900 | - | - | - | 6,452 | - | 6,452 | |
| Other expenses/transfers | 1,243,594 | 1,281,640 | 1,113,444 | 265,579 | 253,182 | 87,580 | 860,597 | 778,744 | 15,143 | |
| Total expenses | 1,365,057 | 1,401,173 | 1,236,099 | 386,671 | 397,868 | 209,439 | 906,202 | 893,026 | 55,697 | |
| Annual Surplus/(Deficit) | 283,170 | 85,772 | 251,283 | 149,480 | 32,362 | 74,394 | 478,094 | (46,619) | 748,563 | |

14. Segment Disclosure (cont'd)

| | CAPITAL | | SOCIAL HOUSING | | HEALTH | | Budget 2018 | |
|---------------------------------|--------------------|------------------|----------------|----------------|----------------|----------------|------------------|-----------------|
| | 2018 | 2017 | Budget 2018 | 2018 | 2017 | Budget 2018 | 2018 | 2017 |
| Revenue | | | | | | | | |
| Federal Govt. | 565,235 | 2,105,321 | 882,253 | 283,604 | 267,025 | 209,516 | 905,755 | 939,030 |
| Other | 246,928 | 714,120 | 27,359 | 253,518 | 322,247 | 288,484 | 148,930 | 7,483 |
| Total Revenue | 812,163 | 2,819,441 | 909,612 | 537,122 | 589,272 | 498,000 | 1,054,685 | 946,513 |
| Expense | | | | | | | | |
| Salaries and benefits | - | - | - | - | - | - | 451,035 | 467,473 |
| Amortization | 372,283 | 416,146 | 372,283 | 243,788 | 252,368 | 243,788 | - | - |
| Debt servicing | 716 | - | - | 81,788 | 81,870 | 58,999 | - | - |
| Reserve adjustments | - | - | - | 61,359 | 100,978 | 55,587 | - | - |
| Other expenses/transfers | 1,638,514 | 875,711 | 537,329 | 157,664 | 159,615 | 143,226 | 491,771 | 489,397 |
| Total expenses | 2,011,513 | 1,291,857 | 909,612 | 544,599 | 594,831 | 501,600 | 942,806 | 956,870 |
| Annual Surplus/(Deficit) | (1,199,350) | 1,527,584 | — | (7,477) | (5,559) | (3,600) | 111,879 | (10,357) |
| | | | | | | | | 21,919 |

Schedule A-1

**PENELAKUT TRIBE
INAC REPORTING
FUNDING RECONCILIATION REPORT
FOR THE YEAR ENDED MARCH 31, 2018**

| | <u>2018</u> | <u>2017</u> |
|---|------------------|------------------|
| Revenue | | |
| Funding from INAC – PAYE Report | 6,563,454 | <u>7,782,888</u> |
| Less: Amount payee setup Wastewater CPMS #11484 | _____ | <u>26,413</u> |
| INAC funding per financial statements – Page 4 | <u>6,563,454</u> | <u>7,809,301</u> |