

**PENELAKUT TRIBE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019**

*Brynjolfson & Company
Chartered Professional Accountant*

**PENELAKUT TRIBE
FINANCIAL STATEMENTS
MARCH 31, 2019**

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MANAGEMENT'S REPORT

Management's Responsibility for the Financial Statements

The accompanying financial statements of Penelakut Tribe are the responsibility of management and have been approved by Chief and Council.

The 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 financial statements.

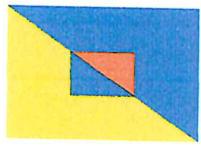
Chief and Council meet periodically with management, as well as the external auditor, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the 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 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:

July 30, 2019


Band Administrator



Brynjolfson & Co. Chartered Professional Accountant

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INDEPENDENT AUDITOR'S REPORT

To the Members of Penelakut Tribe:

Opinion

I have audited the financial statements of Penelakut Tribe (the Entity), which comprise the statement of financial position as at March 31, 2019, and the statement of operations, the statement of changes in net debt, and the statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2019 and its results of operations, its changes in its net debt, and its cash flows for the years then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Entity in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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

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

In preparing the financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my 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

INDEPENDENT AUDITOR'S REPORT Cont'd

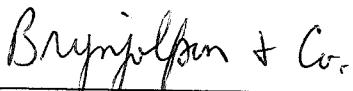
considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my 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 Entity'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 Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Entity to express an opinion on the financial statements. I am responsible for the direction, supervision and performance of the Entity's audit. I remain solely responsible for my audit opinion.

I 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 I identify during my audit.



Brynjolfson & Company
Victoria, B.C.
July 30, 2019

PENELAKUT TRIBE
STATEMENT OF FINANCIAL POSITION
March 31, 2019

	2019	2018
Financial Assets		
Cash	3,048,824	2,926,571
Restricted Cash, Note 3	966,109	823,210
Accounts Receivable, Note 6	1,120,400	932,923
Due from Business Enterprise, Note 14	<u>98,418</u>	<u>178,337</u>
	<u>5,233,751</u>	<u>4,861,041</u>
Liabilities		
Accounts payable and accrued liabilities, Note 10	1,020,772	473,628
Overdraft line of credit	25,000	25,000
Deferred revenue	122,508	115,109
Replacement and Operating Reserves	910,414	744,383
Long-term debt, Note 8	<u>5,382,036</u>	<u>5,669,463</u>
	<u>7,460,730</u>	<u>7,027,583</u>
Net Debt	(2,226,979)	(2,166,542)
Non-financial assets		
Tangible capital assets, Note 7	11,823,283	12,007,490
Prepaid Expenses	<u>1,322</u>	<u>11,104</u>
	<u>11,824,605</u>	<u>12,018,594</u>
Accumulated surplus	<u>9,597,626</u>	<u>9,852,052</u>
Contingent liabilities, Note 13		

Approved by:

 Chief

 Councillor

 Councillor

 Councillor
 Councillor
 Councillor

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

PENELAKUT TRIBE
STATEMENT OF OPERATIONS
For the year ended March 31, 2019

	2019		2018
	Budget	Actual	Actual
	\$	\$	\$
Revenue			
Indigenous Services Canada	6,254,137	6,263,604	6,563,454
Inter Tribal Health Authority	556,696	556,696	554,347
First Nations Health Authority	511,780	511,780	341,490
CSETS	319,893	319,893	250,900
Province of BC	765,527	765,527	306,304
FNESC	872,829	872,829	692,268
Rent	455,000	455,820	332,757
Other	1,536,159	1,458,471	2,226,405
Recovery of Funds	<u>-</u>	<u>(524,812)</u>	<u>(45,677)</u>
	<u>11,272,021</u>	<u>10,679,808</u>	<u>11,222,248</u>
Expenses			
Administration	748,927	736,335	530,486
Community Operations	827,494	773,960	712,611
Education	4,695,872	4,272,673	3,782,582
Social Development	1,698,717	1,642,002	1,365,057
Health	1,066,921	981,068	942,806
Canada Employment & Job Creation	471,600	280,173	386,671
Band Funds and Other Programs	437,445	630,356	906,202
Capital Operations	701,432	918,327	2,011,513
Housing	<u>887,226</u>	<u>699,340</u>	<u>544,599</u>
	<u>11,535,634</u>	<u>10,934,234</u>	<u>11,182,527</u>
Annual surplus/(deficit)	<u>(263,613)</u>	<u>(254,426)</u>	<u>39,721</u>
Accumulated Surplus, Beginning of Year		<u>9,852,052</u>	<u>9,812,331</u>
Accumulated Surplus, end of year		<u>9,597,626</u>	<u>9,852,052</u>

Segment Disclosure, Note 15

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

PENELAKUT TRIBE
STATEMENT OF CHANGE IN NET DEBT
For the year ended March 31, 2019

	2019 Actual \$	2018 Actual \$
Annual surplus (deficit)	(254,426)	39,723
Acquisition of tangible capital assets	(438,215)	(73,179)
Amortization of tangible capital assets	622,422	651,105
Acquisition of prepaid expenses	(1,322)	(11,104)
Use of prepaid expenses	<u>11,104</u>	<u>57,052</u>
(Increase) Decrease in net debt	(60,437)	663,597
Net debt, beginning of year	<u>(2,166,542)</u>	<u>(2,830,139)</u>
Net debt, end of year	<u>(2,226,979)</u>	<u>(2,166,542)</u>

Note: Budget figures are not available.

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

PENELAKUT TRIBE
STATEMENT OF CASH FLOW
For the year ended March 31, 2019

	2019 Actual	2018 Actual
	\$	\$
Operating Transactions		
Annual surplus (deficit)	(254,426)	39,721
Items not affecting cash: amortization of tangible capital assets	622,422	651,105
(Increase) decrease in accounts receivable	(187,477)	(431,619)
(Increase) decrease in Due from Business Enterprise	79,919	(47,612)
Increase (decrease) in accounts payable and accrued liabilities	547,144	(55,620)
Increase (decrease) in deferred revenue	7,399	86,818
Increase (decrease) in replacement and operating reserves	166,031	15,667
Decrease (increase) in prepaid expenses	<u>9,782</u>	<u>45,948</u>
Cash provided by (applied to) operating transactions	<u>990,794</u>	<u>304,408</u>
Capital Transactions		
Purchase of tangible capital assets	<u>(438,215)</u>	<u>(73,177)</u>
Cash provided by (applied to) capital transactions	<u>(438,215)</u>	<u>(73,177)</u>
Financing Transactions		
Reduction in long-term debt	(287,427)	(325,599)
Credit line proceeds	<u>—</u>	<u>25,000</u>
Cash provided by (applied to) financing transactions	<u>(287,427)</u>	<u>(300,599)</u>
Increase (decrease) in cash during year	265,152	(69,368)
Cash at beginning of year	<u>3,749,781</u>	<u>3,819,149</u>
Cash at end of year	<u>4,014,933</u>	<u>3,749,781</u>
Supplementary cash flow information:		
Interest received in year	41,055	11,873
Interest paid in year	94,102	125,266

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

PENELAKUT TRIBE
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2019

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 Services Canada (ISC) 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 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

All controlled entities are fully consolidated on a line-by-line basis except for the commercial enterprises which meet the definition of 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 Penelakut Tribe’s investment in the government business enterprise and the enterprise’s net income and other changes in equity are recorded. No adjustment is made for accounting policies of the enterprise that are different from those of Penelakut Tribe.

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

1. Penelakut Seafood Ltd.

There are no controlled entities that are consolidated in the financial statements.

PENELAKUT TRIBE
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2019

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, ISC 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, 2019

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

Buildings	5%
Housing CMHC	4%
Equipment	20%
Infrastructure	4%
Vehicles	30%
Vessels	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 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 recognizes 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, 2019

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, 2019

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 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 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, accrued liabilities and amortization. Actual results could differ from these estimates.

3. CASH AND CASH EQUIVALENTS

	2019	2018
	\$	\$
Externally restricted		
Social Housing, Note 9	<u>732,078</u>	<u>596,582</u>
Ottawa Trust Funds	<u>234,031</u>	<u>226,628</u>
	<u>966,109</u>	<u>823,210</u>
Unrestricted		
Cash and banks	<u>3,048,824</u>	<u>2,926,571</u>
Total Cash and Cash Equivalents	<u>4,014,933</u>	<u>3,749,781</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 \$ 60,462 (2018 under funded by \$27,728).

PENELAKUT TRIBE
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2019

Externally restricted – Replacement Reserve:

Under the terms of the agreement with CMHC, the replacement reserve account is to be credited in the amount of \$89,300 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 \$20,842 (2018 over funded by \$48,672).

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	2019 Total	2018 Total
	\$	\$	\$	\$	\$
Revenue	56,200	7,403	-	63,603	56,200
Capital	<u>170,428</u>	<u>—</u>	<u>—</u>	<u>170,428</u>	<u>170,428</u>
	<u>226,628</u>	<u>7,403</u>	<u>—</u>	<u>234,031</u>	<u>226,628</u>

5. ECONOMIC DEPENDENCE

The government of Penelakut Tribe receives a major portion of its revenue from Indigenous Services 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

	2019	2018
• ISC	\$ 181,205	\$ 119,259
• CSETS	51,215	88,154
• FNESC	348,854	74,886
• Fisheries	116,778	79,000
• Due from Members Rent	19,100	22,011
• Due from Members Social Housing	19,136	14,684
• Treaty Group	65,859	65,859
• Prov of BC	25,271	20,857
• Other	<u>292,982</u>	<u>448,213</u>
	<u>1,120,400</u>	<u>932,923</u>

PENELAKUT TRIBE
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2019

7. TANGIBLE CAPITAL ASSETS

	C O S T			AMORTIZATION				
	Opening Balance	Additions	Closing Balance	Opening Balance	Amorti- zation	Closing Balance	2019 Balance	2018 Balance
Buildings	6,568,385	-	6,568,385	3,754,602	140,688	3,895,290	2,673,095	2,822,539
Equipment	912,730	42,944	955,674	733,803	44,374	778,177	177,497	178,927
Infrastructure	4,912,950	-	4,912,950	1,897,187	120,631	2,017,818	2,895,132	3,015,763
Vehicles	829,933	33,500	863,433	646,271	65,150	711,421	152,012	183,662
Vessels	174,869	-	174,869	136,230	7,728	143,958	30,911	38,639
CMHC Housing	6,490,339	-	6,490,339	1,507,687	243,851	1,751,538	4,738,801	4,973,896
Building-in-progress	794,064	361,771	1,155,835	—	—	—	1,155,835	794,064
TOTALS	\$20,683,270	438,215	21,121,485	8,675,780	622,422	9,298,202	11,823,283	12,007,490

* There were no disposals during the year.

8. LONG-TERM DEBT

	<u>2019</u>	<u>2018</u>
Mortgage payable with payments of \$2,321 per month including interest at 1.97%, secured by ministerial guarantee from ISC, renewal December 2022, matures December 2025	176,257	200,442
Mortgage payable with payments of \$3,855 per month including interest at 2.5%, secured by ministerial guarantee from ISC, renewal June 2023, matures June 2033	555,767	588,010
Mortgage payable with payments of \$3,710 per month including interest at 2.5%, secured by ministerial guarantee from ISC, renewal June 2023, matures June 2033	534,834	565,862
Mortgage payable with payments of \$5,484 per month including interest at 1.83%, secured by ministerial guarantee from ISC, renewal December 2019, matures December 2034	901,683	950,665

PENELAKUT TRIBE
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2019

Demand loan payable with payments of \$ 4,156 per month including interest at 2.71%, secured by ministerial guarantee from ISC, renewal April 2021	680,364	711,337
Mortgage payable with payments of \$ 4,998 per month including interest at 1.08%, secured by ministerial guarantee from ISC, renewal August 2020, matures August 2040	1,147,692	1,195,082
Mortgage payable with payments of \$ 3,068 per month including interest at 1.03%, secured by ministerial guarantee from ISC, renewal October 2021, matures October 2041	742,203	771,255
Term loan payable with payments of \$1,864 per month, interest at 4.5%, due January 15, 2019	-	18,265
Term Loan payable with payments of \$4,354 per month, interest at 4.1%, due May 20, 2021	<u>643,236</u>	<u>668,545</u>
Schedule of principal reduction is estimated as follows:	<u>5,382,036</u>	<u>5,669,463</u>

2020	\$272,621	2023	\$290,464
2021	\$278,413	2024	\$296,718
2022	\$284,363		

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

PENELAKUT TRIBE
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2019

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2019</u>	<u>2018</u>
Comprised of the following:		
Trade payables	\$ 322,950	\$ 325,166
Recoveries payable funding agencies	524,812	-
Accrued salaries and employee benefits payable	173,010	148,462
	<u>\$ 1,020,772</u>	<u>\$ 473,628</u>

11. EXPENSES BY OBJECT

	<u>2019</u>	<u>2018</u>
Wages	\$ 3,242,228	\$ 2,940,966
Benefits	454,415	392,323
Amortization	622,422	651,105
Contracts	1,296,917	2,473,160
Equipment	63,334	73,177
Materials and supplies	433,287	449,538
Other	2,463,050	2,065,013
Repairs and maintenance	225,789	366,086
Tuition and books	662,951	505,758
Social Assistance	<u>1,469,841</u>	<u>1,265,401</u>
	<u>\$10,934,234</u>	<u>\$11,182,527</u>

12. INVESTMENT IN FIRST NATION CONTROLLED BUSINESS ENTITY

	<u>Aug. 31 2018</u>	<u>Aug. 31 2017</u>
Penelakut Seafood Ltd. (unaudited):		
- advances	89,600	155,290
- share capital	1	1
- equity (loss)	(8,627)	(35,696)
Total	<u>80,974</u>	<u>119,595</u>

Financial information for the fiscal year ended August 31, 2018 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, 2018	<u>\$ 82,926</u>	<u>\$ 91,552</u>	<u>\$ 332,722</u>	<u>\$ 305,653</u>	<u>\$ 27,069</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. Penelakut Tribe owns 100% of Penelakut Seafood Ltd.

PENELAKUT TRIBE
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2019

13. CONTINGENT LIABILITIES

- a) Penelakut Tribe has entered into contribution agreements with various federal government departments. Funding received under these contribution agreements is subject to repayment if the Tribe fails to comply with the terms and conditions of the agreements.
- b) Treaty negotiations for the Penelakut Tribe are being carried on by the Hul'Qumi'num Treaty Group. As at March 31, 2019, the Treaty Group was responsible to repay in excess of \$36,116,188 (2018 – 36,116,188) to the Federal Government for advances made to the Treaty Group of which the Penelakut Tribe is a member. However, in the 2019 Federal Budget, it was agreed that the federal government would pay the total amount on behalf of the Treaty Group.
- c) The First Nation has Ministerial Guarantees for loan balances outstanding. The contingent liability as at year-end amounts to \$4,052,754 (2018 - \$3,965,007) as per confirmation provided by Indigenous Services Canada.

14. DUE FROM BUSINESS ENTERPRISE

	<u>2019</u>	<u>2018</u>
Penelakut Seafood Ltd.	\$ <u>98,418</u>	\$ <u>178,337</u>

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

15. BUDGET FIGURES

Unaudited budgeted figures have been provided for comparison purposes and have been derived from estimates provided by Chief and Council.

16. 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			Budget			Budget
	2019	2018	2019	2019	2018	2019	2019	2018	2019
Revenue									
Federal Govt.	634,839	574,250	634,839	755,177	431,204	711,294	4,143,981	3,239,272	4,143,981
Other/Transfers	39,830	21,218	9,000	-	33,700	-	603,176	995,634	582,004
Recoveries	-	-	-	-	-	-	(211,413)	-	-
Total Revenue	674,669	595,468	643,839	755,177	464,904	711,294	4,535,744	4,234,906	4,725,985
Expense									
Salaries and benefits	431,065	418,579	442,009	295,976	321,331	293,512	2,025,703	1,861,327	2,044,696
Amortization	33,281	35,034	33,281	-	-	-	-	-	-
Debt servicing	3,188	4,609	7,950	-	-	-	4,098	4,854	4,200
Other expenses/transfers	268,801	72,264	265,687	477,984	391,280	533,982	2,242,872	1,916,401	2,646,976
Total expenses	736,335	530,486	748,927	773,960	712,611	827,494	4,272,673	3,782,582	4,695,872
Annual Surplus/(Deficit)	(61,666)	64,982	(105,088)	(18,783)	(247,707)	(116,200)	263,071	452,324	30,113

	SOCIAL DEVELOPMENT			EMPLOYMENT & JOB CREATION			BAND FUNDS / OTHER		
			Budget			Budget			Budget
	2019	2018	2019	2019	2018	2019	2019	2018	2019
Revenue									
Federal Govt.	1,544,948	1,648,203	1,544,948	213,492	105,290	213,492	-	-	-
Other/Transfers	168	24	-	186,816	430,861	282,413	595,464	1,338,622	600,590
Recoveries	(311,427)	-	-	-	-	-	-	-	-
Total Revenue	1,233,689	1,648,227	1,544,948	400,308	536,151	495,905	595,464	1,338,622	600,590
Expense									
Salaries and benefits	129,386	120,772	127,453	168,761	121,092	180,432	123,997	39,153	216,208
Amortization	-	-	-	-	-	-	-	-	-
Debt servicing	812	691	900	-	-	-	-	6,452	-
Other expenses/transfers	1,511,804	1,243,594	1,570,364	111,412	265,579	291,168	506,359	860,597	221,237
Total expenses	1,642,002	1,365,057	1,698,717	280,173	386,671	471,600	630,356	906,202	437,445
Annual Surplus/(Deficit)	(408,313)	283,170	(153,769)	120,135	149,480	24,305	(34,892)	432,420	163,145

16. Segment Disclosure (cont'd)

	CAPITAL		Budget 2019	HOUSING		Budget 2019	HEALTH		Budget 2019
	2019	2018		2019	2018		2019	2018	
Revenue									
Federal Govt.	66,132	565,235	66,132	287,854	283,604	287,854	1,075,488	905,755	1,075,488
Recovery – ISC	(1,972)	-	-	-	-	-	-	-	-
Other	452,982	246,928	481,303	523,596	253,518	595,772	80,677	148,930	42,911
Total Revenue	<u>517,142</u>	<u>812,163</u>	<u>547,435</u>	<u>811,450</u>	<u>537,122</u>	<u>883,626</u>	<u>1,156,165</u>	<u>1,054,685</u>	<u>1,118,399</u>
Expense									
Salaries and benefits	-	-	-	-	-	-	521,755	451,035	512,926
Amortization	345,288	372,283	345,288	243,852	243,788	243,852	-	-	-
Debt servicing	585	716	-	91,391	81,788	91,391	-	-	-
Reserve adjustments	-	-	-	89,300	61,359	89,300	-	-	-
Other expenses/transfers	572,454	1,638,514	356,144	274,797	157,664	462,683	459,313	491,771	553,925
Total expenses	<u>918,327</u>	<u>2,011,513</u>	<u>701,432</u>	<u>699,340</u>	<u>544,599</u>	<u>887,226</u>	<u>981,068</u>	<u>942,806</u>	<u>1,066,921</u>
Annual Surplus/(Deficit)	<u>(401,185)</u>	<u>(1,199,350)</u>	<u>(153,997)</u>	<u>112,110</u>	<u>(7,477)</u>	<u>(3,600)</u>	<u>175,097</u>	<u>111,879</u>	<u>51,478</u>

Schedule A-1

**PENELAKUT TRIBE
ISC REPORTING
FUNDING RECONCILIATION REPORT
FOR THE YEAR ENDED MARCH 31, 2019**

	<u>2019</u>	<u>2018</u>
Revenue		
Funding from ISC – PAYE Report	6,263,604	6,563,454
Less: Recoveries ISC	<u>(453,894)</u>	<u>(45,677)</u>
INAC funding per financial statements – Page 4	<u>5,809,710</u>	<u>6,517,777</u>