

PENELAKUT TRIBE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

Brynjolfson & Company
Chartered Professional Accountant

**PENELAKUT TRIBE
FINANCIAL STATEMENTS
MARCH 31, 2023**

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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:

June 9, 2023


Band Administrator



**Peter Brynjolfson and Company Ltd.
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:

Opinion

I have audited the financial statements of Penelakut Tribe (the Entity), which comprise the statement of financial position as at March 31, 2023, and the statement of operations, the statement of changes in net financial assets, 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, 2023 and its results of operations, its changes in its net financial assets, 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 & Co.



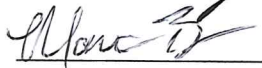
Brynjolfson & Company
Victoria, B.C.
June 9, 2023

PENELAKUT TRIBE
STATEMENT OF FINANCIAL POSITION
March 31, 2023

	2023	2022
Financial Assets		
Cash	15,856,350	10,752,755
Restricted Cash, Note 3	3,787,097	2,626,389
Accounts Receivable, Note 6	2,236,334	1,169,456
Due from Business Enterprises, Note 14	<u>139,455</u>	<u>139,455</u>
	<u>22,019,236</u>	<u>14,688,055</u>
Liabilities		
Accounts payable and accrued liabilities, Note 10	1,298,799	605,932
Deferred revenue	2,646,157	1,512,573
Replacement and Operating Reserve	741,187	614,107
Loans Payable, Note 8	<u>5,393,646</u>	<u>5,310,442</u>
	<u>10,079,789</u>	<u>8,043,054</u>
Net Financial Assets	11,939,447	6,645,001
Non-financial assets		
Tangible capital assets, Note 7	15,321,552	13,702,032
Prepaid Expenses	<u>10,197</u>	<u>22,138</u>
	<u>15,331,749</u>	<u>13,724,170</u>
Accumulated surplus	<u>27,271,196</u>	<u>20,369,171</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, 2023

	2023		2022
	Budget	Actual	Actual
	\$	\$	\$
Revenue			
Indigenous Services Canada	11,345,519	11,345,519	11,304,667
Health Authority	1,864,682	2,431,622	2,145,553
CSETS	346,475	346,475	237,618
Province of BC	1,911,274	1,854,014	1,411,039
FNESC	1,409,396	1,487,572	1,249,008
Rent	475,000	475,324	465,110
Other	7,332,134	5,262,971	1,533,994
Recovery of Funds	<u>-</u>	<u>(90,757)</u>	<u>(30,147)</u>
	<u>24,684,480</u>	<u>23,112,740</u>	<u>18,316,842</u>
Expenses			
Administration	2,438,419	1,686,885	804,102
Community Operations	1,181,215	865,838	723,439
Education	6,308,308	5,748,199	4,903,523
Social Development	2,243,804	2,098,924	2,328,435
Health	1,972,666	1,553,366	1,448,702
Canada Employment & Job Creation	1,756,085	1,732,968	677,564
Band Funds and Other Programs	1,450,539	38,954	1,286,402
Capital Operations	1,451,940	904,965	452,702
Housing	<u>1,555,300</u>	<u>1,580,616</u>	<u>1,753,298</u>
	<u>20,358,276</u>	<u>16,210,715</u>	<u>14,378,167</u>
Annual surplus	<u>4,326,204</u>	6,902,025	3,938,675
Accumulated Surplus, beginning of year		<u>20,369,171</u>	<u>16,430,496</u>
Accumulated Surplus, end of year		<u>27,271,196</u>	<u>20,369,171</u>

Segment Disclosure, Note 18

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

PENELAKUT TRIBE
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
For the year ended March 31, 2023

	2023 Actual \$	2022 Actual \$
Annual surplus	6,902,025	3,938,676
Acquisition of tangible capital assets	(2,426,284)	(1,116,991)
Amortization of tangible capital assets	806,764	705,085
Acquisition of prepaid expenses	(10,197)	(22,138)
Use of prepaid expenses	<u>22,138</u>	<u>11,372</u>
Increase in net financial assets	5,294,446	3,516,004
Net financial assets (debt), beginning of year	<u>6,645,001</u>	<u>3,128,997</u>
Net financial assets, end of year	<u>11,939,447</u>	<u>6,645,001</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, 2023

	2023	2022
	Actual	Actual
	\$	\$
Operating Transactions		
Annual surplus	6,902,025	3,938,676
Items not affecting cash: Amortization of tangible capital assets	806,764	705,085
(Increase) in accounts receivable	(1,066,878)	(210,050)
Decrease in due from business enterprises	-	30,000
Increase (decrease) in accounts payable and accrued liabilities	692,867	(176,430)
Increase in deferred revenue	1,133,584	1,026,733
Increase in replacement and operating reserves	127,080	103,881
Decrease (increase) in prepaid expenses	<u>11,941</u>	<u>(10,766)</u>
Cash provided by operating transactions	<u>8,607,383</u>	<u>5,407,129</u>
Capital Transactions		
Purchase of tangible capital assets	<u>(2,426,285)</u>	<u>(1,116,988)</u>
Cash provided by (used in) capital transactions	<u>(2,426,285)</u>	<u>(1,116,988)</u>
Financing Transactions		
Increase in loans payable	<u>83,205</u>	<u>484,601</u>
Cash provided by (used in) financing transactions	<u>83,205</u>	<u>484,601</u>
Increase (decrease) in cash during year	6,264,303	4,774,742
Cash at beginning of year	<u>13,379,144</u>	<u>8,604,402</u>
Cash at end of year	<u>\$19,643,447</u>	<u>13,379,144</u>
Supplementary cash flow information:		
Interest received in year	179,542	24,606
Interest paid in year	116,076	70,488

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

PENELAKUT TRIBE
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2023

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 Canada 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 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 accounted for on a modified equity basis include:

1. Penelakut Seafood Ltd.
2. Spune’lexutth’ Holdings Incorporated

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

PENELAKUT TRIBE
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2023

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 fund 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. In some cases, certain program surplus/(deficit) funds have been carried forward accordingly, due to the on-going nature of their program.

f) Loans Payable

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 in 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, 2023

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.

All intangible assets and items inherited by the right of the Nation, such as reserve land, forests, water and mineral resources, are not recognized in the Nation's consolidated financial statements.

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.

PENELAKUT TRIBE
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2023

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.

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.

PENELAKUT TRIBE
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2023

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.

The First Nation's financial instruments consist of cash, restricted cash, accounts receivable, due from business enterprises, accounts payable, accrued liabilities and loans payable. 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

	2023	2022
	\$	\$
Externally restricted		
Social Housing, Note 9	1,138,585	1,111,542
Deferred revenue	2,646,157	1,512,573
Ottawa Trust Funds	<u>2,355</u>	<u>2,274</u>
	<u>3,787,097</u>	<u>2,626,389</u>
Unrestricted		
Cash	<u>15,856,350</u>	<u>10,752,755</u>
Total Cash and Cash Equivalents	<u>19,643,447</u>	<u>13,379,144</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

PENELAKUT TRIBE
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2023

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 over funded by \$71,915 (2022 over funded by \$13,383).

Externally restricted – Replacement Reserve:

Under the terms of the agreement with CMHC, the replacement reserve account is to be credited in the amount of \$67,313 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 \$18,677 (2022 over funded by \$12,542).

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	2023 Total	2022 Total
	\$	\$	\$	\$	\$
Revenue	2,274	2,355	(2,274)	2,355	2,274
Capital	-	-	-	-	-
	<u>2,274</u>	<u>2,355</u>	<u>(2,274)</u>	<u>2,355</u>	<u>2,274</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.

PENELAKUT TRIBE
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2023

6. ACCOUNTS RECEIVABLE

	<u>2023</u>	<u>2022</u>
• ISC	\$ 436,140	\$ 487,406
• CSETS	54,120	25,517
• FNHA	631,345	-
• FNESEC	72,671	70,690
• Fisheries	540,051	145,894
• Due from Members Rent	5,473	10,193
• Due from Members Social Housing	8,041	1,620
• Treaty Group	245,268	67,782
• Prov of BC	120,765	90,462
• Other	<u>122,460</u>	<u>269,892</u>
	<u>2,236,334</u>	<u>1,169,456</u>

7. TANGIBLE CAPITAL ASSETS

	C O S T			A M O R T I Z A T I O N				
	Opening Balance	Additions	Closing Balance	Opening Balance	Amorti- zation	Closing Balance	2023 Balance	2022 Balance
Buildings	7,379,029	422,879	7,801,908	4,354,436	158,828	4,513,264	3,288,644	3,024,593
Building/Land (store)	1,516,215	-	1,516,215	66,779	41,935	108,714	1,407,501	1,449,436
Equipment	1,094,383	682,428	1,776,811	916,537	102,524	1,019,061	757,750	177,846
Computer Hardware	155,393	27,297	182,690	31,503	27,508	59,011	123,679	123,890
Infrastructure	4,912,981	241,209	5,154,190	2,351,522	104,561	2,456,083	2,698,107	2,561,459
Vehicles	1,028,252	45,505	1,073,757	848,430	60,773	909,203	164,554	179,822
Vessels	290,451	600,000	890,451	177,666	22,557	200,223	690,228	112,785
CMHC Housing	7,696,323	406,967	8,103,290	2,518,188	288,078	2,806,266	5,297,024	5,178,135
Building-in-progress	<u>894,064</u>	<u>-</u>	<u>894,064</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>894,064</u>	<u>894,064</u>
TOTALS	<u>\$24,967,091</u>	<u>2,426,285</u>	<u>27,393,376</u>	<u>11,265,061</u>	<u>806,764</u>	<u>12,071,825</u>	<u>15,321,551</u>	<u>13,702,030</u>

* There were no disposals during the year.

8. LOANS PAYABLE

	<u>2023</u>	<u>2022</u>
Mortgage payable with payments of \$2,396 per month including interest at 4.11%, secured by ministerial guarantee from ISC, renewal December 2025, matures December 2025	74,695	100,791

PENELAKUT TRIBE
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2023

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	418,194	454,534
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	402,443	437,414
Mortgage payable with payments of \$5,484 per month including interest at 1.83%, secured by ministerial guarantee from from ISC, renewal December 2024, matures December 2034	695,506	749,268
Demand loan payable with payments of \$ 4,156 per month including interest at 2.71%, secured by ministerial guarantee from ISC, renewal April 2021	544,412	577,623
Mortgage payable with payments of \$ 4,808 per month including interest at 0.68%, secured by ministerial guarantee from ISC, renewal August 2025, matures August 2040	947,470	999,120
Mortgage payable with payments of \$ 3,094 per month including interest at 1.12%, secured by ministerial guarantee from ISC, renewal October 2026, matures October 2041	622,793	653,400
Mortgage payable with payments of \$5,710 per month including interest at 3.06%, secured by ministerial guarantee from ISC, renewal May 1, 2027, matures May 2047	1,174,704	789,177
Demand Loan payable with payments of \$3,244 per month, interest at prime plus 1%	<u>513,429</u>	<u>549,115</u>
	<u>5,393,646</u>	<u>5,310,442</u>

Schedule of principal reduction is estimated as follows:

2024	\$333,055	2027	\$327,380
2025	\$340,464	2028	\$334,742
2026	\$341,133		

PENELAKUT TRIBE
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2023

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.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2023</u>	<u>2022</u>
Comprised of the following:		
Trade payables	\$1,150,342	\$ 393,131
Accrued salaries and employee benefits payable	<u>148,457</u>	<u>212,801</u>
	<u>\$1,298,799</u>	<u>\$ 605,932</u>

11. EXPENSES BY OBJECT

	<u>2023</u>	<u>2022</u>
Wages	\$ 4,414,709	\$ 4,246,824
Benefits	636,847	614,684
Amortization	806,763	705,085
Contracts	3,310,239	2,644,479
Legal	733,693	735,978
Materials and supplies	633,354	554,926
Other	2,292,887	1,647,210
Repairs and maintenance	398,671	457,486
Tuition and books	1,082,156	676,918
Social Assistance	<u>1,901,396</u>	<u>2,094,577</u>
	<u>\$ 16,210,715</u>	<u>\$14,378,167</u>

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12. INVESTMENT IN FIRST NATION CONTROLLED BUSINESS ENTITY

	Aug. 31 <u>2022</u>	Aug. 31 <u>2021</u>
Penelakut Seafood Ltd. (unaudited):		
- advances	139,455	139,455
- share capital	1	1
- equity (loss)	<u>(10,767)</u>	<u>4,997</u>
Total	<u>128,689</u>	<u>144,453</u>

Financial information for the fiscal year ended August 31, 2022 prepared from unaudited financial statements is as follows:

	<u>Assets</u>	<u>Liabilities</u>	<u>Revenues</u>	<u>Expenses</u>	<u>(Loss)</u>
Year ended August 31, 2022	\$ <u>129,688</u>	\$ <u>140,455</u>	<u>\$101,578</u>	<u>\$117,342</u>	<u>\$(15,764)</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.

	Mar. 31 <u>2023</u>	Mar. 31 <u>2022</u>
Spune'lexutth' Holdings Incorp.(unaudited):		
- advances	\$ -	\$ -
- share capital	1	1
- equity (loss)	<u>(64,411)</u>	<u>(32,959)</u>
Total	<u>(64,410)</u>	<u>(32,958)</u>

Financial information for the fiscal year ended March 31, 2023 prepared from unaudited financial statements is as follows:

	<u>Assets</u>	<u>Liabilities</u>	<u>Revenues</u>	<u>Expenses</u>	<u>Loss</u>
Year ended March 31, 2023	\$ <u>413,184</u>	\$ <u>42,515</u>	<u>\$697,738</u>	<u>\$249,590</u>	<u>\$(31,452)</u>

Although the investment in a controlled business enterprise is normally accounted for using the modified equity method, only the advances due from Spune'lexutth' Holdings Inc. are recorded. No significant difference results. Penelakut Tribe owns 100% of Spune'lexutth' Holdings Inc.

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

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of the agreements.

- b) The First Nation has Ministerial Guarantees for loan balances outstanding. The contingent liability as at year-end amounts to \$4,881,481 (2022 - \$4,185,611).

14. DUE FROM BUSINESS ENTERPRISES

	<u>2023</u>	<u>2022</u>
Penelakut Seafood Ltd.	\$ <u>139,455</u>	\$ <u>139,455</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. COVID-19

On March 11, 2020 the World Health Organization assessed the coronavirus outbreak (COVID-19) as a pandemic. The outbreak has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. The extent to which COVID-19 impacts the future financial results of Penelakut Tribe will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19 and actions taken to contain the virus or its impact, among others. To help cope with the impact of COVID-19 on the community, the federal government (ISC) provided additional funding of \$309,020.

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17. SEGMENTED INFORMATION

Penelakut Tribe provides a wide range of services to its membership. For management reporting purposes, Penelakut Tribe's operations and activities are organized and reported by department. These departments have been separately disclosed in the segmented information, along with the services they provide, as follows:

- (a) Administration – this function pertains to all the general and administrative functions of Penelakut Tribe, including management, reception, accounting, human resource management, staff training, information technology and records.
- (b) Community Operations – responsibilities include the care and maintenance of Penelakut Tribe infrastructure including government buildings, roads, water and sewer, and materials management.
- (c) Education Services - the education department supports numerous education and training related programs including the band school, adult education, and daycare support amongst others.
- (d) Social Development and Training – this department delivers social assistance programs including basic needs, adult in home care and prevention programs.
- (e) Health – this department delivers health and prevention services to the community including community nursing services, in home care, drug and alcohol counseling, diabetes counseling, head start programs and patient travel.
- (f) Economic Development – this department assists the community in identifying and developing economic development initiatives, links training opportunities and job creation with community labour needs, and undertakes research and planning.
- (g) Band Funds and Other Programs – this department is engaged with the administration of other band related programs such as treaty negotiations, forestry, gaming funds, foodfish, youth initiatives etc.
- (h) Capital - this department is responsible for the planning and construction of new capital facilities and infrastructure, as well as overseeing new housing projects.
- (i) Housing – this department is engaged with the administration of band housing for members.

18. 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		
	<u>2023</u>	<u>2022</u>	<u>Budget 2023</u>	<u>2023</u>	<u>2022</u>	<u>Budget 2023</u>	<u>2023</u>	<u>2022</u>	<u>Budget 2023</u>
Revenue									
Federal Govt.	1,609,614	1,436,696	1,609,614	1,359,333	1,278,849	1,359,333	6,530,415	5,238,616	6,658,936
Other/Transfers/Deferrals	320,728	127,114	654,073	(209,836)	(121,281)	86,758	466,300	765,078	617,779
Recoveries	-	-	-	-	-	-	-	(30,147)	-
Total Revenue	<u>1,930,342</u>	<u>1,563,810</u>	<u>2,263,687</u>	<u>1,149,497</u>	<u>1,157,568</u>	<u>1,446,091</u>	<u>6,996,715</u>	<u>5,973,547</u>	<u>7,276,715</u>
Expense									
Salaries and benefits	620,843	499,437	681,647	367,877	340,799	403,314	2,676,168	2,573,222	2,857,327
Amortization	29,217	29,127	29,127	-	-	-	-	-	-
Debt servicing	6,193	644	3,909	-	-	-	5,195	6,044	4,700
Other expenses/transfers	<u>1,030,632</u>	<u>274,894</u>	<u>1,723,736</u>	<u>497,961</u>	<u>382,640</u>	<u>777,901</u>	<u>3,066,836</u>	<u>2,324,257</u>	<u>3,446,281</u>
Total expenses	<u>1,686,885</u>	<u>804,102</u>	<u>2,438,419</u>	<u>865,838</u>	<u>723,439</u>	<u>1,181,215</u>	<u>5,748,199</u>	<u>4,903,523</u>	<u>6,308,308</u>
Annual Surplus/(Deficit)	<u>243,457</u>	<u>759,708</u>	<u>(174,732)</u>	<u>283,659</u>	<u>434,129</u>	<u>264,876</u>	<u>1,248,516</u>	<u>1,070,024</u>	<u>968,407</u>
	SOCIAL DEVELOPMENT			EMPLOYMENT & JOB CREATION			BAND FUNDS / OTHER		
	<u>2023</u>	<u>2022</u>	<u>Budget 2023</u>	<u>2023</u>	<u>2022</u>	<u>Budget 2023</u>	<u>2023</u>	<u>2022</u>	<u>Budget 2023</u>
Revenue									
Federal Govt.	2,657,918	2,822,888	2,661,417	1,042,214	91,430	959,850	-	-	-
Other/Transfers/Deferrals	(7,714)	362	-	618,457	792,423	975,758	4,260,277	899,578	-
Recoveries	-	-	-	-	-	-	-	-	4,276,040
Total Revenue	<u>2,650,204</u>	<u>2,823,250</u>	<u>2,661,417</u>	<u>1,660,671</u>	<u>883,853</u>	<u>1,935,608</u>	<u>4,260,277</u>	<u>899,578</u>	<u>4,276,040</u>
Expense									
Salaries and benefits	170,678	172,275	180,139	209,380	148,291	351,977	250,600	287,288	193,752
Amortization	-	-	-	-	-	-	489,469	411,876	489,469
Debt servicing	1,370	1,221	1,350	-	-	1,404,108	15	6	30
Other expenses/transfers	<u>1,926,876</u>	<u>2,154,939</u>	<u>2,062,315</u>	<u>1,523,588</u>	<u>529,273</u>	<u>-</u>	<u>(701,129)</u>	<u>587,232</u>	<u>767,288</u>
Total expenses	<u>2,098,924</u>	<u>2,328,435</u>	<u>2,243,804</u>	<u>1,732,968</u>	<u>677,564</u>	<u>1,756,085</u>	<u>38,955</u>	<u>1,286,402</u>	<u>1,450,539</u>
Annual Surplus/(Deficit)	<u>551,280</u>	<u>494,815</u>	<u>417,613</u>	<u>(72,297)</u>	<u>206,289</u>	<u>179,523</u>	<u>4,221,322</u>	<u>(386,824)</u>	<u>2,825,501</u>

18. Segment Disclosure (cont'd)

	CAPITAL			HOUSING			HEALTH		
	<u>2023</u>	<u>2022</u>	<u>Budget 2023</u>	<u>2023</u>	<u>2022</u>	<u>Budget 2023</u>	<u>2023</u>	<u>2022</u>	<u>Budget 2023</u>
Revenue									
Federal Govt.	905,611	1,483,057	1,215,540	-	-	-	2,391,607	1,964,034	1,864,682
Recovery – ISC	-	-	-	-	-	-	-	-	-
Other/transfers	<u>58,166</u>	<u>(52,469)</u>	<u>-</u>	<u>1,620,666</u>	<u>1,545,087</u>	<u>1,620,000</u>	<u>(510,656)</u>	<u>75,102</u>	<u>124,700</u>
Total Revenue	<u>963,777</u>	<u>1,430,588</u>	<u>1,215,540</u>	<u>1,620,666</u>	<u>1,545,087</u>	<u>1,620,000</u>	<u>1,880,591</u>	<u>2,039,136</u>	<u>1,989,382</u>
Expense									
Salaries and benefits	-	-	-	-	-	-	756,010	840,196	885,114
Amortization	-	-	-	288,078	264,082	288,000	-	-	-
Debt servicing	-	-	-	103,304	62,572	100,000	-	-	-
Reserve adjustments	-	-	-	-	58,745	-	-	-	-
Other expenses/transfers	<u>904,965</u>	<u>452,702</u>	<u>1,451,940</u>	<u>1,189,234</u>	<u>1,399,430</u>	<u>1,167,300</u>	<u>797,356</u>	<u>608,506</u>	<u>1,087,552</u>
Total expenses	<u>904,965</u>	<u>452,702</u>	<u>1,451,940</u>	<u>1,580,616</u>	<u>1,784,829</u>	<u>1,555,300</u>	<u>1,553,366</u>	<u>1,448,702</u>	<u>1,972,666</u>
Annual Surplus/(Deficit)	<u>58,812</u>	<u>977,886</u>	<u>(236,400)</u>	<u>40,050</u>	<u>(239,742)</u>	<u>64,700</u>	<u>327,225</u>	<u>590,434</u>	<u>16,716</u>