
PEGUIS FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2025

PEGUIS FIRST NATION

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MARCH 31, 2025

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INDEPENDENT AUDITOR'S REPORT

To the Chief, Council and Membership
Peguis First Nation

Qualified Opinion

We have audited the accompanying consolidated financial statements of Peguis First Nation, which comprise the consolidated statement of financial position as at March 31, 2025, and the consolidated statements of operations and accumulated surplus, change in net debt and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except of the matters described in the Basis for Qualified Opinion Paragraph, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Peguis First Nation as at March 31, 2025, and its consolidated statement of operations, change in net debt and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

Ongoing discussions with the First Nation and Chief Peguis Investment Corporation are progressing, and as of the March 31, 2025 year-end, the fully allowed accounts receivable from Chief Peguis Investment Corporation remain unchanged. These receivables arise from the First Nation's debt-financing of funds for investments to its affiliates—Chief Peguis Investment Corporation, Peguis Development Corporation, and Chief Peguis Investment Trust. While conducting the audit, we encountered challenges in obtaining sufficient evidence regarding the valuation, completeness, and existence of the loans. Consequently, we have decided to maintain the allowance for receivables due from Chief Peguis Investment Corporation.

As of March 31, 2025, there is ongoing discussions with the receiver for Bridging Finance and the First Nation related to the loan settlement. The First Nation provisioned \$25 million for potential settlement. Due to disputed final settlement amounts and outcomes, we cannot obtain sufficient evidence to assess the completeness of the loan. Consequently, adjustments to interest expense, annual surplus, cash flows, demand loan, net debt, and accumulated surplus for the year ended March 31, 2025, cannot be conclusively determined at this time.

The consolidated financial statements also do not include completed budgeted information. The exclusion of such information is a departure from Canadian public sector accounting standards as the comparison of budgeted to actual results is a significant measurement of performance.

(continued.....)

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

Material Uncertainty Related to Going Concern

We draw attention to Note 3 to the consolidated financial statements which indicates that management has assessed that the First Nation's debt servicing requirements and level of third party debt indicate the existence of a material uncertainty that may cast doubt about the First Nation's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

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

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

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

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

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

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

(continued.....)

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

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

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

Baker Tilly HMA LLP

Chartered Professional Accountants

Winnipeg, Manitoba
November 21, 2025

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Peguis First Nation are the responsibility of management and have been approved by Chief and Council.

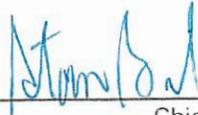
The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada and as such include amounts that are 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 is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and is ultimately responsible for reviewing and approving the consolidated financial statements.

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

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



Chief



Councillor



Councillor

Councillor



Councillor



Councillor

Councillor

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MARCH 31

2025

2024

FINANCIAL ASSETS

Cash	\$ 14,804,919	\$ 13,527,548
Restricted cash (Note 4)	648,798	650,496
Accounts receivable (Note 5)	11,727,182	9,232,519
Inventories	279,492	369,862
Long-term investments (Note 6)	<u>50,105</u>	<u>(142,619)</u>
Total financial assets	<u>27,510,496</u>	<u>23,637,806</u>

LIABILITIES

Demand loans (Note 7)	25,238,306	25,259,671
Accounts payable and accrued liabilities (Note 8)	7,417,035	9,418,169
Deferred revenue (Note 9)	24,818,453	19,456,830
Long-term debt (Note 11)	<u>21,153,659</u>	<u>12,521,949</u>
Total liabilities	<u>78,627,453</u>	<u>66,656,619</u>
Net debt	<u>(51,116,957)</u>	<u>(43,018,813)</u>

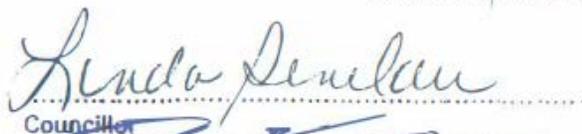
NON-FINANCIAL ASSETS

Tangible capital assets (Note 10)	163,492,081	157,248,320
Prepaid expenses	<u>418,323</u>	<u>738,797</u>
Total non-financial assets	<u>163,910,404</u>	<u>157,987,117</u>
Accumulated surplus	<u>\$ 112,793,447</u>	<u>\$ 114,968,304</u>

Contingent liabilities (Note 12)

Approved on behalf of Chief and Council


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Chief


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Councillor


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Councillor


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CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

YEAR ENDED MARCH 31

	BUDGET (UNAUDITED)	2 0 2 5	2 0 2 4
REVENUE			
Indigenous Services Canada <i>(Note 13)</i>	\$	\$ 65,456,002	\$ 66,339,164
First Nations and Inuit Health <i>(Note 13)</i>		11,536,368	13,088,263
Canada Mortgage and Housing Corporation		715,182	402,739
Employment and Social Development Canada		2,201,885	2,229,435
RCMP Housing		67,200	67,200
Canadian Heritage		512,136	643
Province of Manitoba		1,185,204	516,017
Administration fees		7,727,541	6,416,573
Ambulance fees		1,871,926	1,783,938
Community trust funding		833,779	954,325
Community services		11,476	141,875
Gaming revenue		3,860,619	3,862,390
Hockey, arena and fundraising		1,206,048	627,954
Own Source development		3,425,661	2,541,903
Rental and user fees		658,528	841,491
Sundry income, interchanges and cost recoveries		5,617,244	4,225,474
Assembly of Manitoba Chiefs Secretariat Inc.		907,645	266,711
Eliminations	-	(7,421,878)	(6,270,236)
	-	<u>100,372,566</u>	<u>98,035,859</u>
EXPENDITURES			
Finance and administration		20,210,708	17,828,722
Social development		7,710,505	9,210,329
Training and development		2,917,226	3,061,134
Education		31,121,775	25,616,769
Health services		13,178,423	13,957,498
Public works		8,927,682	6,937,416
Community services		2,048,601	5,172,363
Treaty land entitlement		466,115	482,935
Senior centre		3,337,030	2,890,132
Housing		7,415,718	6,703,663
Own source development		4,239,810	3,377,363
Special projects		2,049,579	1,643,225
Gaming		6,346,129	6,094,046
Eliminations	-	(7,421,878)	(6,270,236)
	-	<u>102,547,423</u>	<u>96,705,359</u>
ANNUAL SURPLUS (DEFICIT)		(2,174,857)	1,330,500
ACCUMULATED SURPLUS, <i>beginning of year</i>	<u>114,968,304</u>	<u>114,968,304</u>	<u>113,637,804</u>
ACCUMULATED SURPLUS, <i>end of year</i>	\$ <u>114,968,304</u>	\$ <u>112,793,447</u>	\$ <u>114,968,304</u>

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

YEAR ENDED MARCH 31

	BUDGET (UNAUDITED)	2 0 2 5	2 0 2 4
Annual surplus (deficit)	\$ -	\$(2,174,857)	\$ 1,330,500
Acquisition of tangible capital assets		(15,132,035)	(4,604,734)
Amortization of tangible capital assets		8,727,922	8,709,354
Disposal of tangible capital assets	-	160,352	918,169
	-	(6,243,761)	5,022,789
Acquisition of prepaid expenses		(418,323)	(738,797)
Use of prepaid expenses	-	738,797	706,720
	-	320,474	(32,077)
CHANGE IN NET DEBT FOR YEAR		(8,098,144)	6,321,212
NET DEBT, <i>beginning of year</i>	(43,018,813)	(43,018,813)	(49,340,025)
NET DEBT, <i>end of year</i>	\$(43,018,813)	\$(51,116,957)	\$(43,018,813)

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31

	2025	2024
CASH FLOW FROM		
<i>OPERATING ACTIVITIES</i>		
Annual surplus (deficit)	\$(2,174,857)	\$ 1,330,500
Items not affecting cash:		
Amortization of capital assets	<u>8,727,922</u>	<u>8,709,354</u>
	6,553,065	10,039,854
Changes in non-cash working capital balances		
Accounts receivable	(2,494,663)	(2,456,913)
Inventories	90,370	109,455
Long-term investments	(192,724)	256,344
Prepaid expenses	320,474	(32,077)
Accounts payable and accrued liabilities	(2,001,134)	1,985,682
Deferred revenue	<u>5,361,623</u>	<u>(1,095,346)</u>
	<u>7,637,011</u>	<u>8,806,999</u>
<i>CAPITAL ACTIVITIES</i>		
Acquisition of tangible capital assets	(15,132,035)	(4,604,734)
Disposal of tangible capital assets	<u>160,352</u>	<u>918,169</u>
	<u>(14,971,683)</u>	<u>(3,686,565)</u>
<i>FINANCING ACTIVITIES</i>		
Demand and long-term loan proceeds	10,851,202	583,164
Repayment of long-term debt	<u>(2,240,857)</u>	<u>(2,956,013)</u>
	<u>8,610,345</u>	<u>(2,372,849)</u>
NET INCREASE IN CASH DURING YEAR	1,275,673	2,747,585
CASH, <i>beginning of year</i>	<u>14,178,044</u>	<u>11,430,459</u>
CASH, <i>end of year</i>	<u>\$ 15,453,717</u>	<u>\$ 14,178,044</u>
CASH COMPRISED OF		
Cash	\$ 14,804,919	\$ 13,527,548
Restricted cash	<u>648,798</u>	<u>650,496</u>
	<u>\$ 15,453,717</u>	<u>\$ 14,178,044</u>

PEGUIS FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2025

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

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

REPORTING ENTITY

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

These consolidated financial statements consolidate the assets, liabilities and results of operations for Peguis First Nation and use accounting standards which lend themselves to consolidation. All inter-entity balances have been eliminated on consolidation, but in order to present the results of operations for each specific segment, transactions amongst programs have been eliminated on the segment disclosures separately.

The following entities' results of operations are included in these consolidated financial statements under the full consolidation method:

Unincorporated Departments:

- Peguis School Board
- Peguis Health Services
- Peguis Training and Employment
- Peguis Gaming Commission
- Peguis Treaty Committee
- Peguis Recreation Committee
- Peguis Arena Committee
- Peguis TLE Implementation Office

Subsidiaries and Incorporated Non-Profits (100% owned/controlled):

- Peguis Senior Centre Inc.
- Fisher Ambulance Service Ltd.
- Peguis Al-Care Treatment Centre Board of Directors Inc.
- 6223291 Manitoba Ltd.
- 6780734 Manitoba Ltd.
- Peguis Housing Authority Inc.
- CP Industries Limited Partnership
- Chief Peguis One Stop Limited Partnership
- Chief Peguis Pharmacy Limited Partnership
- The Tobacco Store Limited Partnership
- Selkirk One Stop Limited Partnership
- Peguis Midway
- Peguis Consult and Special Projects

The financial information for the above unincorporated departments and incorporated entities included in these consolidated financial statements is for the year ended March 31, 2025.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2025

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)**ASSET CLASSIFICATION*

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations. Non-financial assets are acquired, constructed or developed assets that do not provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale. Non-financial assets include tangible capital assets, construction in progress and prepaid expenses.

CASH AND CASH EQUIVALENTS

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

RESTRICTED CASH

Restricted cash balances represent assets segregated for use for replacement reserves in accordance with Canada Mortgage and Housing Corporation and First Nations and Inuit Health operating agreements. Restricted cash includes trust funds held by Indigenous Services Canada and legal counsel and cash held as security for long-term debt.

INVESTMENTS

Portfolio investments are recorded at fair market value. First Nation's investments in various commercial enterprises are accounted for using the modified equity method. Under the modified equity method, the cost of the investments are adjusted for First Nation's share of the commercial enterprises' income or loss less dividends.

INVENTORIES

Inventories consist of materials, supplies, and goods held for resale. Inventories are recorded at the lower of cost and net realizable value, with cost determined using the first-in, first-out (FIFO) method. Inventories held for consumption are recorded as assets until they are distributed for use, at which time they are expensed. Inventories held for resale are recorded as assets until sold, at which time they are recognized as revenue and the related cost is expensed. Any write-downs to net realizable value are recognized as an expense in the period in which they occur and are not subsequently reversed.

NET ASSETS (DEBT)

The First Nation's consolidated financial statements are presented so as to highlight net debt as the measurement of financial position. The net assets (debt) of the First Nation is determined by its financial assets less liabilities. Net assets (debt) combined with non-financial assets comprises a second indicator of financial position, accumulated surplus.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2025

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)**TANGIBLE CAPITAL ASSETS*

Tangible capital assets are stated at cost and recorded in the capital assets. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Crown lands received by Treaty Land Entitlement process are not recorded unless these are purchased by the First Nation.

Amortization of tangible capital assets is recorded on a straight line basis at the following annual rates:

Automotive	20%
Buildings	2.5 - 5%
Equipment	6 - 20%
Infrastructure	5%

Amortization is computed at one-half of the annual amortization in the year of acquisition.

Social housing assets acquired under Canada Mortgage and Housing Corporation sponsored programs are amortized over their estimated useful lives at a rate equivalent to the annual principal reduction in the related long term debt.

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

SEGMENTS

The First Nation conducts its business through a number of reportable segments. These operating segments are established by senior management to facilitate the achievement of the First Nation's long-term objectives to aid in resource allocation decisions, and to assess operational performance.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2025

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)**REVENUE RECOGNITION*Government Transfers

Government transfers are recognized as revenue when the transfer is authorized and all eligibility criteria are met, except to the extent that funding stipulations give rise to an obligation that meets the definition of a liability. Transfers with stipulations that result in a liability are recorded as deferred revenue on the statement of financial position and are subsequently recognized as revenue in the statement of operations as the liability is settled.

Fees, Rental, Sales and Other Revenue

Revenues are recognized for transactions with performance obligations when or as the performance obligations are satisfied by delivering the promised goods or services to the payor. If a transaction has multiple performance obligations the transaction price is allocated to each distinct good or service based on the stand-alone selling price as the basis of allocation. For transactions without performance obligations, revenues are recognized when the authority to claim or retain an inflow of economic resources and a past transaction or event that gives rise to an asset is present.

The components of hybrid transactions containing those with and without performance obligations are recognized separately. Variable or contingent consideration, concessionary terms and non-cash consideration in the determination of the transaction price, are considered when these elements are present.

For transactions when acting as Principal and with control of the goods or services prior to satisfying the performance obligation to the payor, revenue is recognized on a gross basis. For instances when acting as Agent and is only arranging for the provision of goods and services to a payor on behalf of another party, only the fee or commission, if any, is recognized as revenue.

Refund liabilities are recognized when there is an expectation to refund some, or all of the consideration received from a payor.

Taxation

Revenue from taxation is recognized when tax amount is authorized by Council, a taxable event has occurred, and the amount meets the definition of an asset. Taxes received in advance of the recognition criteria being met are recorded as a liability until the recognition criteria are satisfied.

Voluntary and Non-Reciprocal Contributions

These amounts which are substantially comprised of donations and non-government grants and are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. If there are external restrictions associated with the amount, revenue is recognized when the terms of the restrictions are met.

PROVISION FOR LOSSES ON LOAN GUARANTEES

A provision for losses on loan guarantees is recorded when it is determined that the loss is likely and the amount of the provision can be estimated. The provision is reviewed on an ongoing basis and changes in the provision are recorded as expense in the year they become known.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2025

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)**ASSET RETIREMENT OBLIGATION*

Liabilities are recognized for statutory, contractual or legal obligations associated with the retirement of tangible capital assets when those obligations result from the acquisition, construction, development or normal operation of the assets. The obligations are measured initially at management's best estimate at the present fair value of the estimated future cash flows required to settle the retirement obligation. In subsequent periods, the liability is adjusted for the accretion of discount and any changes in the amount or timing of the underlying future cash flows. The capitalized asset retirement cost is amortized on the same basis as the related asset and the discount accretion is included in determining the results of operations.

*FINANCIAL INSTRUMENTS*Measurement

The First Nation measures all of its financial assets and financial liabilities at cost or amortized cost, except for the following, which are measured at fair value without any adjustment for transaction costs: derivatives, marketable securities in equity instruments that are quoted in an active market and marketable securities that the Nation has elected to measure at fair value. The effective interest rate method is used to determine interest revenue or expenses for financial instruments measured at amortized cost.

Financial assets measured at amortized cost include cash, accounts receivable and federal trust funds. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and long-term debt.

No financial assets are measured at fair value.

Transaction costs

Transaction costs attributable to financial instruments measured at fair value are recognized in the Statement of Operations in the period incurred. Transaction costs for financial instruments measured at cost or amortized cost are recognized in the original cost of the instrument.

Impairment

At the end of each reporting period, management assesses financial assets or groups of financial assets for evidence of objective impairment. An impairment loss is recognized in the Statement of Operations when there is a loss in value that is other than temporary. Future recoveries of impaired financial assets are recognized in the Statement of Operations when received.

USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of consolidated financial statements and the reported amounts of certain revenue and expenses during the year. Actual results could differ from those estimates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2025

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary.

Amortization is based on the estimated useful lives of tangible capital assets.

Capitalization of labour costs is based on an estimate of the proportionate share of direct labour and overhead labour.

Asset retirement obligations are estimated based on the present value of the required cost at retirement of specific assets.

2. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS:

Pronouncement effective for fiscal years beginning on or after April 1, 2026

In December 2022, the PSAB's Conceptual Framework for Financial Reporting in the Public Sector (Conceptual Framework) replaced the conceptual aspects of PS 1000, Financial Statement Concepts, and PS 1100, Financial Statement Objectives. This Conceptual Framework is to be applied prospectively. Consequential amendments arising from the Conceptual Framework have been made to several other Public Sector Standards. Most of the consequential amendments are editorial in nature. However, there are a few consequential amendments where new requirements are introduced. New requirements are accompanied by a new transitional paragraph in the respective affected Section. Earlier adoption is permitted.

In October 2023, the PSAB issued new Section PS 1202, Financial Statement Presentation, which introduces a new reporting model and replaces Section PS 1201, Financial Statement Presentation. Under the new reporting model, the financial statements include a statement of financial position, statement of net financial assets or net financial liabilities, statement of operations, statement of changes in net assets or net liabilities, statement of cash flows, and accompanying notes and schedules. Consequential amendments arising from the new Section have been made to many other Public Sector Standards. Although many of the consequential amendments are editorial in nature, most will change practice in relation to the presentation of financial statements. In addition, some consequential amendments introduce new requirements. Consequential amendments are accompanied by new transitional paragraphs in the affected Sections and Guidelines. Earlier adoption is permitted.

The First Nation is assessing these new requirements and their impact.

3. GOING CONCERN UNCERTAINTY

The First Nation's ability to continue delivering non-essential services and employ related staff, will depend on the funding available from its various government funders and also on its ability to generate sufficient returns from its business investments and on the successful negotiation with the receiver for loan settlement. The First Nation will continue to focus on managing its cashflows and leveraging existing cash reserves and available credit facilities to ensure it is able to continue providing essential services to its members and will renegotiate the debt obligations with its lenders.

4. RESTRICTED CASH

BMO Treasury Accounts for Housing

Under the terms of the Funding direction with the Peguis Surrender Trust, \$3,500,000 was to be placed into a treasury account for future project development. These funds have been utilized to enhance housing projects.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2025

4. RESTRICTED CASH *(continued)*

CMHC Replacement Reserve

As required as part of the First Nation's Canada Mortgage and Housing Corporation ("CMHC") Housing program, a separate bank account has been established for replacement of capital equipment and for major repairs to tangible capital assets. Under the terms of the agreements with CMHC, the replacement reserve is to be credited in the amount of \$53,683 (2024 - \$49,850) annually. The funds along with the accumulated interest must either be held in a separate bank account or invested in accounts or instruments secured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time. Withdrawals are charged to interest first and then principal. At March 31, 2025, \$648,798 (2024 - \$628,275) had been deposited into separate accounts.

Ottawa Trust Fund

The Ottawa Trust Fund arises 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. Revenue from the Ottawa Trust Fund is recognized in the year in which it is earned when it is measurable and collection is reasonably assured. Capital and revenue trust monies are transferred to the First Nation on the authorization of the Minister of Indigenous Services Canada, with the consent of the First Nation's Council.

	2 0 2 5	2 0 2 4
Externally Restricted Reserves		
BMO treasury accounts for housing	\$	\$ 5,062
CMHC replacement reserve	648,798	628,275
PEM Hospital	<u>-</u>	<u>17,159</u>
	<u>\$ 648,798</u>	<u>\$ 650,496</u>

5. ACCOUNTS RECEIVABLE

	2 0 2 5	2 0 2 4
Indigenous Services Canada		
Current funding received after year-end	\$ 4,762,018	\$ 2,019,800
Accounts receivable - trade	8,346,221	7,166,132
Advances and loans receivable	619,247	632,849
Due from Chief Peguis Investment Corp (CPIC)	20,093,358	20,093,358
Due from related parties		1,058,121
GST receivable	600,847	568,661
Other receivables	<u>1,015,289</u>	<u>1,180,355</u>
	35,436,980	32,719,276
Less:		
Allowance for doubtful accounts - CPIC	(20,093,358)	(20,093,358)
Allowance for doubtful accounts	<u>(3,616,440)</u>	<u>(3,393,399)</u>
	<u>\$ 11,727,182</u>	<u>\$ 9,232,519</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2025

6. LONG-TERM INVESTMENTS

	2 0 2 5	2 0 2 4
Loans receivable from Chief Peguis Investment Trust	\$	\$
Demand promissory notes receivable in arrears, unsecured, non-interest bearing (originally repayable upon demand in 24 monthly installments of principal)	1,069,974	1,069,974
Investments		
Aseneskak Casino Limited Partnership		(192,724)
Ambulance	100	100
Chief Peguis Industries Limited Partnership	1	1
Chief Peguis One Stop Limited Partnership	1	1
Chief Peguis Pharmacy Limited Partnership	1	1
Mississippi Rail Limited Partnership	<u>50,002</u>	<u>50,002</u>
	1,120,079	\$ 927,355
Allowance for decline in value	<u>(1,069,974)</u>	<u>(1,069,974)</u>
	<u>\$ 50,105</u>	<u>\$ (142,619)</u>

The loans receivable is related to the sale of Peguis Hardware LP, Peguis Foods LP, and Peguis Midway LP to Chief Peguis Investment Trust in 2014 for the sum of \$1,600,000 in aggregate. The original loan amount was demanded in previous years resulting in partial repayment prior to 2020.

7. DEMAND LOANS

	2 0 2 5	2 0 2 4
Bridging Finance Inc., including accrued interest	\$ 25,000,000	\$ 25,000,000
Royal Bank of Canada demand housing loan	<u>238,306</u>	<u>259,671</u>
	<u>\$ 25,238,306</u>	<u>\$ 25,259,671</u>

The Royal Bank of Canada bank overdrafts and demand facilities are due on demand and bear interest at 4.67% (2024 - 6.74%). They are secured by a Directional Payment Agreement acknowledged by the Federal Government agencies covering all funding.

The Bridging Finance Inc. demand loan is due on demand and bears interest at the Bank of Montreal Prime Rate plus 11%. The facility may be prepaid in full or partially at any time. The demand loan is secured by a general security agreement, registered mortgages on land, assignment of leases and rents, assignment of all property and perils insurance.

In June 2020 the servicing requirement of the loan was modified to temporarily reduce interest payments to \$300,000 a month while the community is under state of emergency. During the modification, unpaid interest continues to accrue at the initial interest rate and principal repayment has been deferred. The loan facilities mature and are payable in full on the earliest of: (i) June 30, 2021; (ii) a default under loan agreement or (iii) demand by the lender in partial or full demand.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2025

7. DEMAND LOANS *(continued)*

On December 30, 2022, a claim was filed by the receiver of Bridging Finance Inc. in relation to the demand loans in Manitoba Court of King’s Bench, against Chief and Council, Peguis First Nation, Peguis Development Corporation, and Chief Peguis Investment Corporation in the amount of \$113 million in principal plus \$56 million dollars of interest. Chief and Council and Peguis First Nation obtained legal advice regarding this manner, challenging the validity of the authentication of the contracts, which it was deemed invalid. Thus, a Band Council Resolution Chronological no. FY 2022/2023 – 105 was passed and signed by Chief and Council to write down the loan to \$25 million dollars, not accruing any further interest or additional costs. As of March 31, 2025, discussions with the receiver for Bridging Finance are still ongoing, and settlement timelines, as well as potential outcomes, remain uncertain. To allow for conservatism for the potential future outcomes, the First Nation is reserving \$25 million for potential settlement.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2 0 2 5	2 0 2 4
Accounts payable - trade	\$ 4,848,096	\$ 4,947,788
Accrued liabilities	1,287,074	1,328,768
Government remittances	501,701	619,673
Group insurance payable	270	79,439
Pension payable	106,205	138,595
Accrued wages	556,244	274,921
Payables to related parties	<u>117,445</u>	<u>2,028,985</u>
	<u>\$ 7,417,035</u>	<u>\$ 9,418,169</u>

9. DEFERRED REVENUE

	Balance, beginning of year	Funding received 2025	Revenue recognized 2025	Balance, end of year
Indigenous Services Canada				
Capital Housing (5 Units)	\$ 359,156	\$	\$ 359,156	\$
Community Dev Infrastructure	25,000		25,000	
Cultural	101,879	87,634	16,733	172,780
Elder's Six-Plex Construction	468,147		468,147	
Fixed Contribution Tuition and Allowances		268,947	135,450	133,497
Flood 2022-23		3,350,000	137,855	3,212,145
FNs & Inuit - Skill Link Program	366,316	154,017	156,175	364,158
FN Representative Service	1,055,590		79,619	975,971
Housing	209,150		209,150	
Structural Mitigation	854,448			854,448
S500 and S501 Projects	1,187,805		279,635	908,170
Water Systems	2,900,470			2,900,470
Water O & M	<u>274,526</u>	<u>566,508</u>	<u>206,310</u>	<u>634,724</u>
Carry forward	<u>7,802,487</u>	<u>4,427,106</u>	<u>2,073,230</u>	<u>10,156,363</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2025

9. DEFERRED REVENUE *(continued)*

	Balance, beginning of year	Funding received 2025	Revenue recognized 2025	Balance, end of year
Carry forward	7,802,487	4,427,106	2,073,230	10,156,363
Well and Septic Field Study	1,733,051			1,733,051
Cultural	87,634		87,634	
Percy E. Moore Hospital	1,721,624		-	1,721,624
Planning Risk Management	89,214		89,214	
Capacity Innovation	70,000		70,000	
Construction New Housing	1,624,350		905,496	718,854
CFS Renovations	789,302		219,177	570,125
CFS Renovations - 7 Units		2,755,874		2,755,874
Flood Recovery 2022-23	491,262	5,122,270	4,151,480	1,462,052
ESE Implen/Expan Ad Edu	<u>657,013</u>	<u>-</u>	<u>657,013</u>	<u>-</u>
	<u>15,065,937</u>	<u>12,305,250</u>	<u>8,253,244</u>	<u>19,117,943</u>
First Nations and Inuit Health				
Climate Change and Health	81,025		81,025	
Family Violence Prevention				
Project		63,000	61,200	1,800
Health Services Integration Fund		450,000		450,000
Home and Community Care		1,319,964	1,229,964	90,000
Peguis AI-Care Treatment	<u>2,079,946</u>	<u>3,803,287</u>	<u>4,250,842</u>	<u>1,632,391</u>
	<u>2,160,971</u>	<u>5,636,251</u>	<u>5,623,031</u>	<u>2,174,191</u>
Other				
Aboriginal Headstart		1,524,860	621,708	903,152
CMHC RRAP	297,366	220,200	220,200	297,366
Culture and Language	512,136		512,136	
Training and Employment	<u>1,420,420</u>	<u>2,201,885</u>	<u>1,296,504</u>	<u>2,325,801</u>
	<u>2,229,922</u>	<u>3,946,945</u>	<u>2,650,548</u>	<u>3,526,319</u>
	<u>\$ 19,456,830</u>	<u>\$ 21,888,446</u>	<u>\$ 16,526,823</u>	<u>\$ 24,818,453</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2025

10. TANGIBLE CAPITAL ASSETS

	2 0 2 5					
	Automotive	Buildings	Equipment	Land and infrastructure	Construction in progress	TOTAL
Cost, <i>beginning of year</i>	\$ 22,174,403	\$ 157,938,328	\$ 12,691,578	\$ 61,638,021	\$ 4,217,557	\$ 258,659,887
Additions	12,835,531	195,539	233,679		1,867,286	15,132,035
Disposals and adjustments	(385,000)	2,077,550	-	-	(2,077,550)	(385,000)
Cost, <i>end of year</i>	<u>34,624,934</u>	<u>160,211,417</u>	<u>12,925,257</u>	<u>61,638,021</u>	<u>4,007,293</u>	<u>273,406,922</u>
Accumulated amortization, <i>beginning of year</i>	13,325,905	59,373,233	10,482,282	18,230,147		101,411,567
Amortization	3,294,457	4,711,617	394,948	326,900		8,727,922
Disposals and adjustments	(224,648)	-	-	-	-	(224,648)
Accumulated amortization, <i>end of year</i>	<u>16,395,714</u>	<u>64,084,850</u>	<u>10,877,230</u>	<u>18,557,047</u>	<u>-</u>	<u>109,914,841</u>
Net carrying amount, <i>end of year</i>	<u>\$ 18,229,220</u>	<u>\$ 96,126,567</u>	<u>\$ 2,048,027</u>	<u>\$ 43,080,974</u>	<u>\$ 4,007,293</u>	<u>\$ 163,492,081</u>

	2 0 2 4					
	Automotive	Buildings	Equipment	Land and infrastructure	Construction in progress	TOTAL
Cost, <i>beginning of year</i>	\$ 27,666,077	\$ 156,974,269	\$ 7,546,031	\$ 61,638,021	\$ 1,148,924	\$ 254,973,322
Additions	420,549	795,684	319,868		3,068,633	4,604,734
Disposals and adjustments	(5,912,223)	168,375	4,825,679	-	-	(918,169)
Cost, <i>end of year</i>	<u>22,174,403</u>	<u>157,938,328</u>	<u>12,691,578</u>	<u>61,638,021</u>	<u>4,217,557</u>	<u>258,659,887</u>
Accumulated amortization, <i>beginning of year</i>	14,941,773	54,383,622	5,778,194	17,598,624		92,702,213
Amortization	2,425,244	5,238,230	700,093	345,787		8,709,354
Disposals and adjustments	(4,041,112)	(248,619)	4,003,995	285,736	-	-
Accumulated amortization, <i>end of year</i>	<u>13,325,905</u>	<u>59,373,233</u>	<u>10,482,282</u>	<u>18,230,147</u>	<u>-</u>	<u>101,411,567</u>
Net carrying amount, <i>end of year</i>	<u>\$ 8,848,498</u>	<u>\$ 98,565,095</u>	<u>\$ 2,209,296</u>	<u>\$ 43,407,874</u>	<u>\$ 4,217,557</u>	<u>\$ 157,248,320</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2025

11. LONG-TERM DEBT

	2 0 2 5	2 0 2 4
CMHC mortgage payable (Phase 1), interest at 3.84%, repayable in monthly installments of \$7,895 (Principal & Interest), due January 2029.	\$ 337,368	\$ 417,953
CMHC mortgage payable (Phase 2), interest at 1.01%, repayable in monthly installments of \$6,909 (Principal & Interest), due February 2031.	476,021	553,720
CMHC mortgage payable (Phase 3), interest at 3.29%, repayable in monthly installments of \$4,421 (Principal & Interest), due August 2032.	348,973	389,920
CMHC mortgage payable (Phase 4), interest at 1.13%, repayable in monthly installments of \$5,275 (Principal & Interest), due December 2040.	913,014	965,718
CMHC mortgage payable (Phase 5), interest at 4.08%, repayable in monthly installments of \$11,998 (Principal & Interest), due May 2034.	1,101,105	1,200,443
CMHC mortgage payable (Phase 8), interest at 4.18%, repayable in monthly installments of \$3,578 (Principal & Interest), due December 2038.	449,353	473,164
CMHC mortgage payable (Phase 9), interest at 3.02%, repayable in monthly installments of \$7,140 (Principal & Interest), due October 2039.	1,010,882	
CMHC mortgage payable (Phase 6), interest at 3.18%, repayable in monthly installments of \$5,683 (Principal & Interest), due March 2040.	813,950	
Mortgage payable, interest at nil, one time balloon payment of \$7,000,000, due September 2038, secured by a mortgage on land, recorded at initial present value and remeasured annually.	3,852,931	3,679,972
School bus loan payable, interest at 5.50%, repayable in monthly installments of \$3,287 (Principal & Interest), due March 2025.		38,312
Vehicle loans and leases payable, interest ranging from 3.43% to 14.00%, repayable in monthly installments ranging from \$742 to \$18,340 (Principal & Interest), due at various time between August 2020 and March 2030.	11,640,062	4,592,747
CMHC advance, Proposal Development Funding for constructing a new affordable personal care home on the Peguis First Nation. The agreement commenced on May 20, 2015, non-interest bearing and due on demand.	100,000	100,000
Advance payment under Partner Program Agreement entered into between Pharmacy Brands Canada and Peguis Pharmacy. The non-interest bearing agreement will be in operations for 10 years commencing November 1, 2023 and continue until October 31, 2033.	110,000	110,000

<u>110,000</u>	<u>110,000</u>
<u>\$ 21,153,000</u>	<u>\$ 12,521,949</u>



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2025

11. LONG-TERM DEBT *(continued)*

CMHC loans are secured by an ISC Ministerial Guarantee, a CMHC loan agreement and an assignment of fire insurance.

The scheduled principal amounts payable within the next five years and thereafter to meet retirement provisions is estimated to be as follows:

March 31, 2026	\$ 4,631,081
2027	4,033,001
2028	3,315,824
2029	1,832,647
2030	481,969
Thereafter	6,859,137

Interest expense for the year on the long-term debt is \$1,655,810 (2024 - \$1,015,140).

12. CONTINGENT LIABILITIES

- a) The First Nation has signed agreements with various government bodies for funding of programs which may require that surpluses be returned. If any amounts become repayable, they will be accounted for in the year of determination.
- b) The First Nation has guaranteed a line of credit of \$75,000 for Peguis Hardware LP. At March 31, 2025, the limited partnership had \$75,000 of undrawn capacity under this facility (2024 - \$75,000).
- c) On December 30, 2022, a claim was filed by the receiver of Bridging Finance Inc. in relation to the demand loans described in Note 6 in Manitoba Court of King's Bench, against Chief and Council, Peguis First Nation, Peguis Development Corporation, and Chief Peguis Investment Corporation in the amount of \$113 million in principal plus \$56 million dollars of interest. Chief and Council and Peguis First Nation had sought legal advice challenging the validity of the authentication of all of the documents signed; the validity of parties to the Comprehensive Funding Agreement and whether arrangements are valid as to sections 89 and 90 of the Indian Act; and whether a creditor's reliance on section 89(1) waiver for a different and higher debt amount is valid. Peguis' legal counsel believes that the BMO Section 89 Waiver, with references to section 89 and 90 of the Act in the BMO Loan Documents, and that \$23 million which are linked to BMO Facilities are not protected by section 89(1) of the Act. The remaining balance of the loans obtained, required BFI to obtain fresh section 89 waivers as opposed to the one assigned to the BMO loan. Thus, Chief and Council have written down the loan to \$25 million dollars, not accruing any further interest or additional costs. It is unknown whether the claim or counterclaim will be successful and the ultimate liability of the First Nation is not presently determinable.
- d) The First Nation defends itself from claims from time to time based on its operations. Management believes it has valid defences to minimize risk of possible loss. In the event any claims are successful, management will recognize the potential loss once amounts are confirmed or are reasonably estimated.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2025

13. RECONCILIATION OF INDIGENOUS SERVICES CANADA REVENUE

	2 0 2 5	2 0 2 4
Arrangement: #2021-MB-000013	\$ 86,979,149	\$ 81,022,241
Peguis AI-Care Government Funding	<u>3,803,287</u>	<u>3,545,612</u>
	90,782,436	84,567,853
Deferred from prior year		
Indigenous Services Canada	15,065,937	12,996,859
First Nations and Inuit Health	2,160,971	5,341,805
Deferred to following year		
Indigenous Services Canada	(19,117,943)	(15,065,937)
First Nations and Inuit Health	(2,174,191)	(2,160,971)
Flexible contribution funding transferred to Jordan's Principle	<u>(9,724,840)</u>	<u>(6,252,182)</u>
TOTAL REVENUE PER FINANCIAL STATEMENTS	\$ <u>76,992,370</u>	\$ <u>79,427,427</u>

REVENUE PER STATEMENT OF OPERATIONS *(Statement 2)*

Indigenous Services Canada	\$ 65,456,002	\$ 66,339,164
First Nations and Inuit Health	<u>11,536,368</u>	<u>13,088,263</u>
	\$ <u>76,992,370</u>	\$ <u>79,427,427</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2025

14. EXPENSES BY OBJECT

The following is a summary of expenses by object:

	2 0 2 5	2 0 2 4
Administration	\$ 6,021,234	\$ 5,904,878
Advertising	333	
Amortization	8,727,922	8,709,354
Bad debt	(994,215)	731,880
Bingo payouts	587,379	627,475
Community services	1,847,047	
Contractors	5,187,392	7,311,312
Donations and programs	5,440,997	5,046,647
Equipment	41,916	742,337
Insurance	1,135,987	1,734,250
Interest and bank charges	1,645,087	1,115,899
Materials and supplies	2,840,796	1,893,091
Medical travel	802,680	874,475
Office and administration	2,993,180	2,719,680
Other	1,383,854	1,245,998
Post secondary	5,535,316	4,362,248
Professional fees	4,061,814	2,703,499
Rent	2,281,457	2,187,583
Repairs and maintenance	4,353,425	3,759,699
Salaries and benefits	42,614,033	37,835,229
Social assistance	6,810,229	7,964,853
Training and development	1,661,442	1,830,813
Travel	2,337,741	1,307,649
Utilities	2,652,255	2,366,746
Eliminations	(7,421,878)	(6,270,236)
	<u>\$ 102,547,423</u>	<u>\$ 96,705,359</u>

15. RELATED PARTY TRANSACTIONS

In the normal course of business the First Nation enters into transactions with related parties. Related party transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Due to the significant volume of transactions between the First Nation and related parties, aggregate revenue and expenditures derived from related parties is not determinable.

16. ECONOMIC DEPENDENCE

Peguis First Nation receives a major portion of its revenues pursuant to a funding arrangement with Indigenous Services Canada.

17. COMPARATIVE FIGURES

Certain prior year comparative figures have been reclassified where necessary to conform to the presentation adopted for the current year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2025

18. FINANCIAL INSTRUMENTS

Management of risks arising from financial instruments

Peguis First Nation's principal financial liabilities comprise of trade and other payables, loans and borrowings. The main purpose of these financial liabilities to finance and support Peguis' operations. Peguis has trade and other receivables, cash, and restricted cash that are derived directly from its operations. It also holds deposits and investments in government business partnerships as part of its investing activities.

Peguis' activities expose it to a variety of financial risks: credit risk, liquidity risk, market risk (including interest risk) and fair value risk. Peguis' overall management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on Peguis' financial performance. Risk management is the responsibility of the financial management team who have the appropriate skills, experience, and supervision. The financial management team identify, evaluate, and, where appropriate, mitigate financial risks. Material risks are monitored and are discussed regularly with Chief and Council.

The risks associated with Peguis' financial instruments are as follows:

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations.

Peguis is exposed to credit risk from the possibility that parties may default on their financial obligations, or if the government fails to meet its obligations in accordance with agreed terms. Peguis considers a financial asset in default when internal or external information indicates that it is unlikely to receive the outstanding contractual amounts in full. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Cash and cash equivalents, restricted cash, and portfolio investments are subject to credit risk, however, it is substantially reduced from these assets being held by low-risk institutions such as governments, and high-credit quality financial institutions that have been graded by third party agencies.

The credit risk associated with balances outstanding is minimized as the larger part of the balances would be from Provincial and Federal government funding, Peguis partners, and parties that sustain a good relationship with the organization. Security arrangements to secure funding are also arranged through multi year agreements between the government and Peguis. Additionally, accounts receivable is measured at amortized cost and analyzed by means of aging analysis. The maximum exposure to credit risk is represented by the carrying value of financial assets in the balance sheet.

Liquidity risk

Liquidity risk is the risk that Peguis will not be able to provide sufficient cash and cash equivalents to meet its financial obligations when they come due. Peguis meets its liquidity requirements by preparing cash flows from operations, anticipating investing and financing activities, and holding assets that can be readily converted into cash. As of year-end March 31, 2025, Peguis does not have sufficient assets from cash and cash equivalents and accounts receivable to cover the total outstanding accounts payable and the demand loans payable, respectively. Peguis has portfolio investments that are not readily convertible into cash, as well as credit facilities to meet temporary fluctuations in cash requirements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2025

18. FINANCIAL INSTRUMENTS *(continued)*

To address the potential liquidity risk, management is actively working with the receiver to facilitate the settlement for the Bridging Finance Loan along with evaluating new economic development initiatives.

Market risk related to consolidated financial statements

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is composed of currency risk, interest rate risk, and equity price risk.

Foreign currency risk

Foreign currency risk refers to the changes in cash flows or fair values as a result of fluctuations in the value of various foreign currencies and exposure. The functional currency of Peguis is the Canadian Dollar. Peguis First Nation does not engage in significant foreign currency transactions, nor does it hold any foreign investments; therefore, foreign currency risk is minimal and Peguis has not entered into any foreign exchange hedging contracts.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Peguis' exposure to rate risk primarily stems from holdings of debt instruments with a variable rate component.

Equity price risk

Equity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market price of equity instruments. Peguis has investments in government business partnerships that are accounted for using the equity method, however, equity price risk is minimal as these are privately held entities.

Fair value

The First Nation accounts for its portfolio investments at fair value. Financial instruments reported at fair value are then categorized under a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The three levels of the fair value hierarchy are as follows:

- Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that management has the ability to access at the measurement date.
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 - Inputs that are not observable. There is little if any market activity. Inputs into the determination of fair value require significant judgment or estimation.

The First Nation has classified its portfolio investments accounted for at fair value as Level 1.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2025

18. SEGMENT DISCLOSURE

Peguis First Nation provides a range of services to its members. For management reporting purposes, operations and activities are reported by department. The presentation by segment is based on the same accounting policies as described in the summary of Significant Accounting Policies as described in Note 1. The segment results for the year are as follows:

	Finance and Administration		Social Development		Training and Development		Education		Health Services	
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
Revenues										
Indigenous Services Canada	\$ 3,249,204	\$ 2,843,057	\$ 8,796,697	\$ 13,271,879	\$ 260,314	\$ 248,211	\$ 34,101,758	\$ 32,126,095	\$	\$
First Nations and Inuit Health									11,536,368	12,383,145
Canada Mortgage and Housing										
Employment and Social Development					2,201,885	2,229,435				
Other	-	-	-	-	-	-	512,136	643	-	-
Subtotal	3,249,204	2,843,057	8,796,697	13,271,879	2,462,199	2,477,646	34,613,894	32,126,738	11,536,368	12,383,145
Other revenue	7,437,438	5,878,688	11,476	141,875	455,027	520,905	1,695,923	654,259	864,147	569,483
Total revenue	10,686,642	8,721,745	8,808,173	13,413,754	2,917,226	2,998,551	36,309,817	32,780,997	12,400,515	12,952,628
Expenses										
Amortization	5,901,733	5,100,046					1,650,698	2,578,648	120,617	116,730
Debt servicing	1,357,956	829,562	6,722	12,072			12,859	17,325	12,361	
Other	7,613,297	7,989,401	7,413,680	8,775,203	1,367,793	1,739,695	14,921,678	12,299,849	5,701,121	6,309,876
Salaries and benefits	5,337,722	3,909,710	290,103	423,054	1,549,433	1,321,439	14,536,540	10,720,947	7,344,324	7,530,891
Total expenses	20,210,708	17,828,719	7,710,505	9,210,329	2,917,226	3,061,134	31,121,775	25,616,769	13,178,423	13,957,497
Surplus (Deficit)	\$ (9,524,066)	\$ (9,106,974)	\$ 1,097,668	\$ 4,203,425	\$ -	\$ (62,583)	\$ 5,188,042	\$ 7,164,228	\$ (777,908)	\$ (1,004,869)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2025

18. SEGMENT DISCLOSURE (continued)

	Public Works		Community Services		Treaty Land Entitlement		Senior Centre		Housing	
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
Revenues										
Indigenous Services Canada	\$ 9,683,239	\$ 8,267,531	\$ 16,733	\$ 29,041	\$ -	\$ -	\$ 2,639,403	\$ 2,612,882	\$ 6,708,654	\$ 6,940,468
First Nations and Inuit Health				234,649						470,469
Canada Mortgage and Housing									715,182	402,739
Employment and Social Development	-	-	-	-	-	-	-	-	-	-
Subtotal	9,683,239	8,267,531	16,733	263,690			2,639,403	2,612,882	7,423,836	7,813,676
Other revenue	35,719	13,816	2,408,484	2,560,424	485,171	492,759	222,076	207,065	1,117,450	1,619,552
Total revenue	<u>9,718,958</u>	<u>8,281,347</u>	<u>2,425,217</u>	<u>2,824,114</u>	<u>485,171</u>	<u>492,759</u>	<u>2,861,479</u>	<u>2,819,947</u>	<u>8,541,286</u>	<u>9,433,228</u>
Expenses										
Amortization			399,663	399,663	8,122	3,042	5,691	5,691	448,776	356,611
Debt servicing	14	59	33,301	130,682					221,349	126,107
Other	6,142,773	4,377,500	(556,855)	1,529,819	98,172	89,622	1,242,696	843,833	4,280,583	4,029,441
Salaries and benefits	<u>2,784,895</u>	<u>2,559,858</u>	<u>2,172,492</u>	<u>3,112,199</u>	<u>359,821</u>	<u>390,271</u>	<u>2,088,643</u>	<u>2,040,608</u>	<u>2,465,010</u>	<u>2,191,504</u>
Total expenses	<u>8,927,682</u>	<u>6,937,417</u>	<u>2,048,601</u>	<u>5,172,363</u>	<u>466,115</u>	<u>482,935</u>	<u>3,337,030</u>	<u>2,890,132</u>	<u>7,415,718</u>	<u>6,703,663</u>
Surplus (Deficit)	\$ <u>791,276</u>	\$ <u>1,343,930</u>	\$ <u>376,616</u>	\$ <u>(2,348,249)</u>	\$ <u>19,056</u>	\$ <u>9,824</u>	\$ <u>(475,551)</u>	\$ <u>(70,185)</u>	\$ <u>1,125,568</u>	\$ <u>2,729,565</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2025

18. SEGMENT DISCLOSURE (continued)

	Own Source Development		Special Projects		Gaming		Eliminations		TOTAL	
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
Revenues										
Indigenous Services Canada	\$	\$	\$	\$	\$	\$	\$	\$	\$ 65,456,002	\$ 66,339,164
First Nations and Inuit Health									11,536,368	13,088,263
Canada Mortgage and Housing									715,182	402,739
Employment and Social Development									2,201,885	2,229,435
Other	<u>-</u>	<u>-</u>	<u>67,200</u>	<u>67,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>579,336</u>	<u>67,843</u>
Subtotal			67,200	67,200					80,488,773	82,127,444
Other revenue	<u>4,139,039</u>	<u>2,389,824</u>	<u>2,486,954</u>	<u>1,588,930</u>	<u>5,946,767</u>	<u>5,541,069</u>	<u>(7,421,878)</u>	<u>(6,270,236)</u>	<u>19,883,793</u>	<u>15,908,413</u>
Total revenue	<u>4,139,039</u>	<u>2,389,824</u>	<u>2,554,154</u>	<u>1,656,130</u>	<u>5,946,767</u>	<u>5,541,069</u>	<u>(7,421,878)</u>	<u>(6,270,236)</u>	<u>100,372,566</u>	<u>98,035,857</u>
Expenses										
Amortization	87,842	40,886	13,246	12,600	91,534	95,437			8,727,922	8,709,354
Debt servicing	525	66				26			1,645,087	1,115,899
Other	2,642,971	1,583,988	1,653,336	1,235,303	4,461,014	4,511,583	(7,421,878)	(6,270,236)	49,560,381	49,044,877
Salaries and benefits	<u>1,508,472</u>	<u>1,752,423</u>	<u>382,997</u>	<u>395,322</u>	<u>1,793,581</u>	<u>1,487,001</u>	<u>-</u>	<u>-</u>	<u>42,614,033</u>	<u>37,835,227</u>
Total expenses	<u>4,239,810</u>	<u>3,377,363</u>	<u>2,049,579</u>	<u>1,643,225</u>	<u>6,346,129</u>	<u>6,094,047</u>	<u>(7,421,878)</u>	<u>(6,270,236)</u>	<u>102,547,423</u>	<u>96,705,357</u>
Surplus (Deficit)	<u>\$(100,771)</u>	<u>\$(987,539)</u>	<u>\$ 504,575</u>	<u>\$ 12,905</u>	<u>\$(399,362)</u>	<u>\$(552,978)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$(2,174,857)</u>	<u>\$ 1,330,500</u>