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DEGUIS HARDWARE LIMITED PARTNERSHIP

FINANCIAL STATEMENTS

(UNAUDITED)

MARCH 31, 2023

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**INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT**

To the Chief, Council and Membership  
Peguis First Nation

We have reviewed the accompanying financial statements of Peguis Hardware Limited Partnership that comprise the balance sheet as at March 31, 2023, statements of earnings, partners' capital and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian Accounting Standards for Private Enterprises, 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.

**Practitioner's Responsibility**

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of Peguis Hardware Limited Partnership as at March 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Private Enterprises.

*Baker Tilly HMA LLP*

Chartered Professional Accountants

Winnipeg, Manitoba  
January 25, 2024

AUDIT • TAX • ADVISORY

# PEGUIS HARDWARE LIMITED PARTNERSHIP

STATEMENT 1


## BALANCE SHEET

(UNAUDITED)

MARCH 31

|   | 2 0 2 3                    | 2 0 2 2                    |
|---|----------------------------|----------------------------|
| <b>A S S E T S</b>                                |                            |                            |
| <b>CURRENT</b>                                    |                            |                            |
| Cash  | \$ 152,598                 | \$ 164,064                 |
| Accounts receivable (Note 3)                      | 145,802                    | 213,076                    |
| Prepaid expenses                                  |                            | 4,991                      |
| Inventory   | <u>576,175</u>             | <u>540,588</u>             |
|   | <b>874,575</b>             | <b>922,719</b>             |
| DUE FROM RELATED PARTIES (Note 4)                 | <b>447,060</b>             | <b>351,010</b>             |
| LONG TERM INVESTMENTS (Note 5)                    | <b>377,480</b>             | <b>359,221</b>             |
| CAPITAL ASSETS (Note 6)                           | <u>1,111,415</u>           | <u>1,177,003</u>           |
|   | <b>\$ <u>2,810,530</u></b> | <b>\$ <u>2,809,953</u></b> |
| <b>L I A B I L I T I E S</b>                      |                            |                            |
| <b>CURRENT</b>                                    |                            |                            |
| Accounts payable and accrued liabilities (Note 7) | \$ 141,363                 | \$ 172,691                 |
| Due to related parties (Note 8)                   | 6,466                      | 4,191                      |
| Accrued termination entitlement (Note 10)         | <u>-</u>                   | <u>32,459</u>              |
|   | <u>147,829</u>             | <u>209,341</u>             |
| <b>P A R T N E R S ' C A P I T A L</b>            |                            |                            |
| PARTNERS' CAPITAL                                 | <u>2,662,701</u>           | <u>2,600,612</u>           |
|   | <b>\$ <u>2,810,530</u></b> | <b>\$ <u>2,809,953</u></b> |

Approved on behalf of the Board of Directors:

  
 .....  
 Chief

  
 .....  
 Councillor

  
 .....  
 Councillor

  
 .....  
 Councillor

# PEGUIS HARDWARE LIMITED PARTNERSHIP

STATEMENT 2

## STATEMENT OF EARNINGS

(UNAUDITED)

YEAR ENDED MARCH 31

|                                 | 2023             | 2022                |
|---------------------------------|------------------|---------------------|
| <b>SALES</b>                    |                  |                     |
| Sales                           | \$ 2,276,075     | \$ 2,260,664        |
| Lotto sales                     | 36,525           | 37,658              |
| Bingo commission                | 762              | 237                 |
| Other income                    | <u>9,669</u>     | <u>418,885</u>      |
|                                 | <u>2,323,031</u> | <u>2,717,444</u>    |
| <b>COST OF GOODS SOLD</b>       |                  |                     |
| Purchases                       | 1,627,479        | 1,036,955           |
| Lotto purchases                 | 35,598           | 38,548              |
| Freight                         | <u>64,098</u>    | <u>36,782</u>       |
|                                 | <u>1,727,175</u> | <u>1,112,285</u>    |
| <b>GROSS PROFIT</b>             | <u>595,856</u>   | <u>1,605,159</u>    |
| <b>EXPENSES</b>                 |                  |                     |
| Advertising and sales promotion | 35,640           | 25,755              |
| Amortization of capital assets  | 65,587           | 15,336              |
| Bad debts (recovery)            | 51,054           | ( 185,373)          |
| Bank charges                    | 9,715            | 10,019              |
| Insurance                       | 8,512            | 9,484               |
| Office                          | 8,389            | 4,290               |
| Professional fees               | 22,594           | 39,338              |
| Property tax                    | 4,242            | 4,268               |
| Repairs and maintenance         | 14,219           | 17,816              |
| Salaries and benefits           | 253,794          | 329,676             |
| Shop supplies                   | 7,278            | 15,844              |
| Travel                          | 32,667           | 18,878              |
| Utilities                       | <u>20,076</u>    | <u>24,626</u>       |
|                                 | <u>533,767</u>   | <u>329,957</u>      |
| <b>NET EARNINGS FOR YEAR</b>    | <u>\$ 62,089</u> | <u>\$ 1,275,202</u> |

# PEGUIS HARDWARE LIMITED PARTNERSHIP

STATEMENT 3

## STATEMENT OF CHANGES IN PARTNERS' CAPITAL

(UNAUDITED)

YEAR ENDED MARCH 31, 2023

|   | Investment  | Balance<br>March 31, 2022 | Net Earnings<br>for the Year | Balance<br>March 31, 2023 |
|---|-------------|---------------------------|------------------------------|---------------------------|
| General Partner - 5957380 Manitoba Inc.         | \$ 1        | \$ 1,276                  | \$ 62                        | \$ 1,338                  |
| Limited Partner - Chief Peguis Investment Trust | -           | 2,599,336                 | 62,027                       | 2,661,363                 |
|   | <u>\$ 1</u> | <u>\$ 2,600,612</u>       | <u>\$ 62,089</u>             | <u>\$ 2,662,701</u>       |

YEAR ENDED MARCH 31, 2022

|   | Investment  | Balance<br>March 31, 2021 | Net Earnings<br>for the Year | Balance<br>March 31, 2022 |
|---|-------------|---------------------------|------------------------------|---------------------------|
| General Partner - 5957380 Manitoba Inc.         | \$ 1        | \$ 1                      | \$ 1,275                     | \$ 1,276                  |
| Limited Partner - Chief Peguis Investment Trust | -           | 1,325,409                 | 1,273,927                    | 2,599,336                 |
|   | <u>\$ 1</u> | <u>\$ 1,325,410</u>       | <u>\$ 1,275,202</u>          | <u>\$ 2,600,612</u>       |

# PEGUIS HARDWARE LIMITED PARTNERSHIP

STATEMENT 4

## STATEMENT OF CASH FLOWS

(UNAUDITED)

YEAR ENDED MARCH 31

|  | 2023              | 2022              |
|--|-------------------|-------------------|
| CASH FLOW FROM                           |                   |                   |
| <i>OPERATING ACTIVITIES</i>              |                   |                   |
| Net earnings                             | \$ 62,089         | \$ 1,275,202      |
| Item not affecting cash:                 |                   |                   |
| Amortization of capital assets           | <u>65,587</u>     | <u>15,336</u>     |
|  | <u>127,676</u>    | <u>1,290,538</u>  |
| Changes in non-cash working capital:     |                   |                   |
| Prepays                                  | 4,991             | ( 4,991)          |
| Accounts receivable                      | 67,274            | ( 55,037)         |
| Due to/from related parties              | 2,275             | ( 702,548)        |
| Inventory                                | ( 35,587)         | ( 193,408)        |
| Accounts payable and accrued liabilities | ( 31,328)         | ( 32,583)         |
| Accrued termination entitlement          | <u>( 32,459)</u>  | <u>13,971</u>     |
|  | <u>( 24,834)</u>  | <u>( 974,596)</u> |
| <i>INVESTING ACTIVITIES</i>              |                   |                   |
| Purchase of capital assets               |                   | ( 110,000)        |
| Purchase of long-term investments        | <u>( 18,258)</u>  | <u>( 26,636)</u>  |
|  | <u>( 18,258)</u>  | <u>( 136,636)</u> |
| <i>FINANCING ACTIVITY</i>                |                   |                   |
| Net operating loan proceeds (repayments) | <u>-</u>          | <u>( 20,000)</u>  |
| NET INCREASE IN CASH DURING YEAR         | 84,584            | 159,306           |
| CASH, <i>beginning of year</i>           | <u>164,064</u>    | <u>4,758</u>      |
| CASH, <i>end of year</i>                 | \$ <u>248,648</u> | \$ <u>164,064</u> |

# PEGUIS HARDWARE LIMITED PARTNERSHIP

## NOTES TO FINANCIAL STATEMENTS

(UNAUDITED)

MARCH 31, 2023

### 1. NATURE OF BUSINESS

The partnership is engaged in the operation of a hardware store in Peguis, Manitoba. These financial statements present the financial position and results of operations of Peguis Hardware Limited Partnership and do not include all assets, liabilities, revenues and expenses of the partners. The statement of operations does not include any provision for income taxes nor charges for partners' salaries or interest on invested capital.

The partnership was acquired by Chief Peguis Investment Trust in 2014.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### *BASIS OF PRESENTATION*

The financial statements have been prepared in accordance with the Canadian accounting standards for private enterprises, and include the following significant accounting policies:

#### *INVENTORY*

Inventory is recorded at the lower of cost and net realizable value with cost being determined on a first in, first out basis.

#### *CAPITAL ASSETS*

The Partnership records the acquisition of capital assets at cost. Amortization of capital assets is computed using the following rates and methods:

|             |     |                      |
|-------------|-----|----------------------|
| Automobiles | 30% | straight-line method |
| Buildings   | 5%  | straight-line method |
| Computers   | 30% | straight-line method |
| Equipment   | 20% | straight-line method |

#### *PARTNERS CAPITAL*

These financial statements do not reflect assets, liabilities, revenues or expenses of any of the partners, nor has provision been made for any income taxes which may be payable or recoverable by any of the partners.

There have been no charges by any of the limited partners for salaries, interest or similar items.

#### *REVENUE RECOGNITION*

Revenue from product sales is recognized when the delivery of goods has occurred, the amount of revenue can be measured reliably at fair value, the Partnership has transferred the risks and rewards of ownership to the buyer and the Partnership retains neither continuing managerial involvement with ownership nor effective control over the goods sold.

**NOTES TO FINANCIAL STATEMENTS**

(UNAUDITED)

**MARCH 31, 2023**

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

*MEASUREMENT OF FINANCIAL INSTRUMENTS*

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are recorded at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed for those items remeasured at fair value at each balance sheet date and charged to the financial instrument for those measured at amortized cost.

*USE OF ESTIMATES*

The preparation of financial statements in accordance with Canadian accounting standards for private enterprise, requires management to make certain estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosure of contingent liabilities at the date of financial statements and the reported amounts of certain revenue and expenses during the reporting period. Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

3. ACCOUNTS RECEIVABLE

|                                 | 2 0 2 3                  | 2 0 2 2                  |
|---------------------------------|--------------------------|--------------------------|
| Trade                           | \$ 164,929               | \$ 171,841               |
| Goods and services tax          | 124,091                  | 133,287                  |
| ASKI Loans                      | <u>-</u>                 | <u>112</u>               |
|                                 | <b>289,020</b>           | <b>305,240</b>           |
| Allowance for doubtful accounts | <u>( 143,218)</u>        | <u>( 92,164)</u>         |
|                                 | <b>\$ <u>145,802</u></b> | <b>\$ <u>213,076</u></b> |

4. DUE FROM RELATED PARTIES

The parties are related due to common controlling interest through Peguis First Nation and the Chief Peguis Investment Trust.

At the end of the period, the amounts due from related parties are as follows:

|  | 2 0 2 3                  | 2 0 2 2                  |
|--|--------------------------|--------------------------|
| Peguis First Nation                              | \$ 218,902               | \$ 176,088               |
| Peguis Development Corporation                   | 176,166                  | 134,389                  |
| Chief Peguis Industries 2018 Limited Partnership | 23,181                   | 23,181                   |
| Peguis School Board                              | 12,148                   | 11,635                   |
| Peguis Training and Employment                   | 1,406                    | 3,376                    |
| Peguis Midway Limited Partnership                | 511                      | 1,385                    |
| Peguis Senior Centre                             | 13,918                   | 858                      |
| Peguis Gaming Commission                         | <u>828</u>               | <u>98</u>                |
|  | <b>\$ <u>447,060</u></b> | <b>\$ <u>351,010</u></b> |



**NOTES TO FINANCIAL STATEMENTS**

(UNAUDITED)

**MARCH 31, 2023**

5. LONG-TERM INVESTMENTS

|   | 2 0 2 3           | 2 0 2 2           |
|---|-------------------|-------------------|
| Five-year notes receivable, interest paid quarterly | \$ 41,604         | \$ 33,780         |
| Portfolio shares - Home Hardware Ltd. at cost       | <u>335,876</u>    | <u>325,441</u>    |
|   | <u>\$ 377,480</u> | <u>\$ 359,221</u> |

Common shares and special shares are redeemable when the partnership is sold, when there is a change in management, or when share capitalization has been reached. The term notes receivable mature between December 31, 2022 and 2026 (December 31, 2021 and 2026 in 2021), and carry an interest rate of 5.2%.

The fair value of these Canadian private company shares are not practicable to determine since there is not an active market and cash flows from these shares are uncertain.

6. CAPITAL ASSETS

|                           | Cost                | Accumulated<br>amortization | Net book value      |                     |
|---------------------------|---------------------|-----------------------------|---------------------|---------------------|
|                           |                     |                             | 2 0 2 3             | 2 0 2 2             |
| Assets under construction | \$ 1,025,998        | \$                          | \$ 1,025,998        | \$ 1,025,998        |
| Automobiles               | 15,550              | 12,350                      | 3,200               | 4,800               |
| Buildings                 | 228,760             | 171,041                     | 57,719              | 120,457             |
| Computers                 | 93,289              | 93,289                      | -                   | -                   |
| Equipment                 | 111,554             | 109,056                     | 2,498               | 3,748               |
| Land                      | <u>22,000</u>       | <u>-</u>                    | <u>22,000</u>       | <u>22,000</u>       |
|                           | <u>\$ 1,497,151</u> | <u>\$ 385,736</u>           | <u>\$ 1,111,415</u> | <u>\$ 1,177,003</u> |

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

|                        | 2 0 2 3           | 2 0 2 2           |
|------------------------|-------------------|-------------------|
| Trade accounts payable | \$ 140,266        | \$ 168,408        |
| Government remittances | <u>1,097</u>      | <u>4,283</u>      |
|                        | <u>\$ 141,363</u> | <u>\$ 172,691</u> |

8. DUE TO RELATED PARTIES

The parties are related due to common controlling interest through Peguis First Nation and the Chief Peguis Investment Trust.

At the end of the period, the amounts due to related parties are as follows:

|                                   | 2 0 2 3         | 2 0 2 2         |
|-----------------------------------|-----------------|-----------------|
| Peguis Foods Limited Partnership  | \$ 5,582        | \$ 3,307        |
| Chief Peguis One Stop Partnership | <u>884</u>      | <u>884</u>      |
|                                   | <u>\$ 6,466</u> | <u>\$ 4,191</u> |

NOTES TO FINANCIAL STATEMENTS

(UNAUDITED)

MARCH 31, 2023

9. OPERATING LINE OF CREDIT

As at March 31, 2023, the partnership has an approved overdraft of \$75,000. The bank overdraft bears interest at 8.70% per annum at March 31, 2023, calculated and payable monthly. It is secured by a general security agreement covering all assets except real property and a guarantee by Peguis First Nation. At March 31, 2023, the partnership had \$75,000 (\$75,000 in 2022) of undrawn credit capacity under this facility.

10. ACCRUED TERMINATION ENTITLEMENT

The partnership's contractual commitment for the termination entitlement for employees is to pay out one week of salary for each year of service upon voluntary or involuntary termination of employment, if the employee has full-time status of employment and has completed one full year of service, subject to a maximum entitlement.

During the 2022 fiscal year, the termination entitlements were settled to the majority of employees who qualified for the severance under the valuation conducted. Any outstanding amounts are to be settled in full by March 31, 2023. Management believes that there will be no further actions by current or past employees to further contest the validity of the valuation, as outlined on their settlement agreement.

An analysis of the changes in the employee benefits payable is as follows:

|                                   | 2 0 2 3          | 2 0 2 2          |
|-----------------------------------|------------------|------------------|
| Balance, <i>beginning of year</i> | \$ 32,459        | \$ 18,488        |
| Net change in entitlement         | <u>( 32,459)</u> | <u>13,971</u>    |
| Balance, <i>end of year</i>       | <u>\$ -</u>      | <u>\$ 32,459</u> |

11. ECONOMIC DEPENDENCE

Purchases from Home Hardware Ltd. represents substantially all of the partnership's total purchases for the year ended March 31, 2023.

Sales to Peguis First Nation and its affiliates represents substantially all of the sales of the partnership for the year ended March 31, 2023.

12. FINANCIAL INSTRUMENTS

The Partnership is exposed to different types of risk in the normal course of operations, including credit risk and liquidity risk. The Partnership's objective in risk management is to optimize the risk return trade-off, within set limits, by applying integrated risk management and control strategies, policies and procedures throughout the Partnership's activities.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Partnership is exposed to credit risk resulting from the possibility that a customer or counterparty to a financial instrument defaults on their financial obligations; if there is a concentration of transactions carried out with the same counterparty; or of financial obligations which have similar economic characteristics such that they could be similarly affected by changes in economic conditions. The Partnership's financial instruments that are exposed to concentrations of credit risk relate primarily to its accounts receivable from customers. The Partnership provides credit to its clients in the normal course of its operations. The Partnership is also exposed to credit risk arising from its balances due from related parties.

**NOTES TO FINANCIAL STATEMENTS****(UNAUDITED)****MARCH 31, 2023**

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12. FINANCIAL INSTRUMENTS *(continued)*

The Partnership is not exposed to significant credit risk as the receivables are mainly from First Nations Health. The Partnership establishes an allowances for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off. There is no allowance for doubtful accounts set up at year end.

Liquidity Risk

Liquidity risk is the risk that the organization encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the company will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. Liquidity risk arises from trade payables.

## 13. COMPARATIVE FIGURES

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