

Penticton Indian Band
Consolidated Financial Statements
For the year ended March 31, 2021

Penticton Indian Band
TABLE OF CONTENTS
For the year ended March 31, 2021

Management's Responsibility for Financial Reporting	2
Independent Auditor's Report	3 - 5
Consolidated Financial Statements	
Consolidated Statement of Financial Position	6
Consolidated Statement of Operations	7
Consolidated Statement of Change in Net Financial Assets	8
Consolidated Statement of Cash Flows	9
Notes to the Consolidated Financial Statements	10 - 30
Supplementary Information (Unaudited)	31
Operating Fund	
Summary Statement of Financial Position	32
Summary Statement of Revenue, Expenditures and Equity (Deficit) by Program	33
Schedules of Revenue, Expenditures and Equity (Deficit)	
Health Program	34 - 37
Social Development Program	38 - 41
Education Program	42 - 43
Job Development Program	44 - 45
Community Maintenance and Service Program	46 - 48
Band Housing Program	49
Band Administration Support Program	50 - 53
Lands, Estates and Memberships Program	54 - 57
Economic Development Program	58
Capital Infrastructure Program	59 - 60
Natural Resources Program	61 - 62
Capital Fund	
Statement of Financial Position	63
Statement of Changes in Equity	64
Social Housing Fund	
Statement of Financial Position	65
Statement of Revenue, Expenditures and Deficit	66
Trust Fund	
Statement of Financial Position	67
Statement of Receipts, Disbursements and Equity	68 - 69
Okanagan Nation Family Intervention and Services Society	
Statement of Financial Position	70
Statement of Revenue, Expenditures and Equity	71

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Penticton Indian Band are the responsibility of management and have been approved by the Chief and another Band Councilor on behalf of the Band Council.

These consolidated financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards. Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the consolidated financial statements are presented fairly, in all material respects.

Penticton Indian Band maintains systems of internal accounting and administrative controls, consistent with reasonable costs. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Band's assets are appropriately accounted for and adequately safeguarded.

Penticton Indian Band is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. Council carries out this responsibility principally through its Finance and Audit Committee.

The Finance and Audit Committee reviews the Band's consolidated financial statements and recommends their approval to Council. The Committee 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 annual report, consolidated financial statements and external auditor's report. The Committee reports its findings to the Council for consideration when approving the consolidated financial statements for issuance to the members. The Committee also considers, for review by the Council, the engagement of the external auditors.

The consolidated financial statements have been audited by BDO Canada LLP in accordance with Canadian generally accepted auditing standards on behalf of the members. BDO Canada LLP has full and free access to the Band Council.

DocuSigned by:

F7ABA800D5AD464...
Chief

DocuSigned by:

B00E538317A241D...
Band Councilor



Tel: 250 492 6020
Fax: 250 492 8110
www.bdo.ca

BDO Canada LLP
100 Front Street, Unit #102
Penticton, BC V2A 1H1 Canada

Independent Auditor's Report

To the Members of Penticton Indian Band

We have audited the consolidated financial statements of Penticton Indian Band ("the Band"), which comprise the consolidated statement of financial position as at March 31, 2021, the consolidated statements of operations, change in net financial assets, and cash flows for the year then ended, and notes to the consolidated financial statements including a summary of significant accounting policies and other explanatory information.

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Band as at March 31, 2021, and the results of its operations, change in net financial assets, and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matter - Supplementary Information

These consolidated financial statements include unaudited supplementary schedules which present detailed program revenues and expenditures and have been prepared to assist management of the Band to meet the reporting requirements of various funding agencies. Our report is intended solely for management of the Band and various funding agencies. As a result, the consolidated financial statements should not be distributed to or used by other parties.

Penticton Indian Band has also prepared another set of consolidated financial statements for the year ended March 31, 2021 in accordance with Canadian public sector accounting standards. However, those consolidated financial statements do not include unaudited supplementary schedules. Our audit report on the other set of financial statements was issued to Chief and Council and was dated July 26, 2021.

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 the Band'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 Band or to cease operations, or has no realistic alternative but to do so.

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

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

Our 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 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.

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 the Band'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 Band'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 the Band 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 Band 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.

BDO Canada LLP

Chartered Professional Accountants

Penticton, British Columbia

July 26, 2021

Penticton Indian Band Consolidated Statement of Financial Position

March 31	2021	Restated 2020
Financial assets		
Cash and cash equivalents (Note 4)	\$ 4,496,523	\$ 3,246,668
Short-term investments (Note 4)	10,814,704	8,518,743
Funds held in trust (Note 5)	298,053	297,268
Accounts receivable (Note 6)	3,376,600	2,943,942
Loans receivable from band members (Note 7)	63,504	72,237
Debt reserve fund (Note 8)	625,271	619,875
Due from related parties (Note 19)	5,540,345	5,446,383
Investment in business enterprise (Note 9)	2,103,823	4,078,957
Investment in business partnership (Note 10)	1,804,652	1,547,079
	29,123,475	26,771,152
Liabilities		
Accounts payable and accrued liabilities (Note 11)	3,130,650	2,303,134
Deferred revenue (Note 12)	2,689,803	1,441,889
Long-term debt (Note 16)	14,244,664	14,822,445
	20,065,117	18,567,468
Net financial assets	9,058,358	8,203,684
Non-financial assets		
Prepaid expenses	556,775	271,752
Tangible capital assets (Note 15)	44,272,385	44,529,129
	44,829,160	44,800,881
Accumulated surplus	\$ 53,887,518	\$ 53,004,565

Approved on behalf of Council

<p><small>DocuSigned by:</small>  F7ABA800D5AD464... <small>DocuSigned by:</small></p>	Chief
<p> B00E538317A241D... <small>DocuSigned by:</small></p>	Band Councilor
<p> A24CFA0C1718465... <small>DocuSigned by:</small></p>	Chief Financial Officer
<p> C6D8E9EF95CB4A8...</p>	Finance and Audit Committee

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

Penticton Indian Band Consolidated Statement of Operations

For the year ended March 31	(Note 24) Budget	2021	Restated 2020
Revenues			
Federal Government			
Indigenous Services Canada	\$ 7,468,039	\$ 10,003,048	\$ 8,709,683
Canada Mortgage & Housing Corporation	196,057	205,847	237,955
First Nations Health Authority	1,226,736	1,347,939	1,334,855
Provincial Government			
First Nations Education Steering Committee	749,250	910,694	825,443
Okanagan Training & Development Council	114,300	123,638	111,465
Province of British Columbia	1,027,487	3,025,080	1,503,501
BC First Nations Gaming	500,000	533,489	499,348
Other			
Housing charges and rental	372,100	404,146	439,047
Interest and investment income	144,000	156,538	265,477
Other contracts and miscellaneous	2,562,375	3,483,971	2,396,118
Property taxes (Note 14)	1,028,492	1,393,635	1,129,512
Royalties	360,000	274,644	395,627
Total revenues for the year	15,748,836	21,862,669	17,848,031
Expenditures (Note 25)			
Administration	2,992,180	5,570,300	4,215,348
Community health	1,819,796	1,665,400	1,611,118
Economic development	-	94,097	94,097
Education	5,347,529	4,803,150	4,866,163
Housing	959,848	866,006	840,364
Land, estates and memberships	1,673,302	1,926,335	1,417,696
ONTEH	665,781	760,458	654,585
Public works	1,766,981	1,460,916	1,595,900
Social development	1,604,936	2,115,493	1,570,144
Total expenditures for the year	16,830,353	19,262,155	16,865,415
Excess of revenue (expenditures) for the year	(1,081,517)	2,600,514	982,616
Loss from business enterprise (Note 9)		(1,975,134)	(2,871,325)
Net income from business partnership (Note 10)		257,573	355,251
Annual surplus (deficit)		882,953	(1,533,458)
Accumulated surplus, beginning of year, as previously stated		53,152,602	54,538,023
Comparative figures adjustment (Note 3)		(148,037)	-
Accumulated surplus, beginning of year, as restated		53,004,565	54,538,023
Accumulated surplus, end of year		\$ 53,887,518	\$ 53,004,565

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

Penticton Indian Band
Consolidated Statement of Change in Net Financial Assets

For the year ended March 31	(Note 24) Budget	2021	Restated 2020
Annual surplus (deficit)	\$ (1,081,517)	\$ 882,953	\$ (1,533,458)
Acquisition of tangible capital assets (Note 15)	(153,043)	(1,683,506)	(1,332,799)
Amortization of tangible capital assets (Note 15)	-	1,940,250	1,869,788
	(153,043)	256,744	536,989
Acquisition of prepaid expenses	-	(285,023)	(42,023)
Net change in net financial assets	(1,234,560)	854,674	(1,038,492)
Net financial assets, beginning of year, as previously stated		8,351,721	9,242,176
Comparative figures adjustment (Note 3)		(148,037)	-
Net financial assets, beginning of year, as restated		8,203,684	9,242,176
Net financial assets, end of year		\$ 9,058,358	\$ 8,203,684

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

Penticton Indian Band Consolidated Statement of Cash Flows

For the year ended March 31	2021	2020
Cash flows from operating activities		
Cash received during the year	\$ 22,521,387	\$ 17,972,195
Cash paid to suppliers and employees	(16,234,153)	(16,039,860)
Interest paid	(545,259)	(561,910)
Interest received	156,538	266,488
	5,898,513	1,636,913
Cash flows from capital activities		
Purchase of tangible capital assets	(1,683,506)	(1,332,799)
Cash flows from financing activities		
Repayment of long-term debt	(577,781)	(562,396)
Increase in debt reserve fund	(5,396)	(24,729)
Increase in trust funds	(785)	(4,708)
	(583,962)	(591,833)
Cash flows from investing activities		
Decrease in member loans receivable	8,733	5,130
Decrease (increase) in related party balance	(93,962)	361,651
Distribution from business enterprise	-	516,000
Dividend from business enterprise	-	42,626
	(85,229)	925,407
Increase in cash for the year	3,545,816	637,688
Cash and cash equivalents, beginning of year	11,765,411	11,127,723
Cash and cash equivalents, end of year	\$ 15,311,227	\$ 11,765,411
Represented by:		
Unrestricted (Note 4)	\$ 7,545,666	\$ 5,298,486
Restricted (Note 4)	7,765,561	6,466,925
	\$ 15,311,227	\$ 11,765,411

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

Penticton Indian Band Notes to the Consolidated Financial Statements

March 31, 2021

1. Summary of Significant Accounting Policies

Nature of Business Penticton Indian Band provides services and support to its band members. Penticton Indian Band is an Indian Band and, as such, is exempt from income tax under section 87 of the Indian Act.

Basis of Accounting 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.

Reporting Entity The Penticton Indian Band reporting entity includes the Penticton Indian Band government and all related entities that are controlled by the First Nation.

Principles of Consolidation The consolidated financial statements consolidate the assets, liabilities and financial activities for the following organizations which use accounting principles that lend themselves to consolidation with the Penticton Indian Band:

- Penticton Indian Band (PIB)
- Penticton Indian Band Utilities Limited Partnership (PIBULP)
- Okanagan Nation Family Intervention and Services Society (ONTEH)

All inter-organization accounts and transactions have been eliminated on consolidation.

The band accounts for investments in government business enterprises (GBE's) and government business partnerships (GBP's) using the modified equity basis of accounting. It includes the cost of the Band's investment in the entities, plus the undistributed proportionate share of earnings. Under this method, interorganizational balances are not eliminated.

The following entities have been accounted for on the modified equity basis:

- K'ul Management Group Ltd. (KMGLTD)
- Skaha Hills Limited Partnership (SHLP)

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 and prepaid expenses.

Penticton Indian Band

Notes to the Consolidated Financial Statements

March 31, 2021

1. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, bank balances and investments in money market instruments with maturities of three months or less. Cash and cash equivalents on the Consolidated Statement of Cash Flows is represented by cash and short term investments as disclosed on the Consolidated Statement of Financial Position.

Short-term Investments

Short-term investments include guaranteed investment certificates maturing at various times during the next fiscal year. These investments are recorded at cost.

Revenue Recognition

Revenue is recognized as it becomes receivable under the terms of applicable funding agreements. Revenue received under the funding arrangements which relates to a subsequent fiscal period is reflected as deferred revenue in the year of receipt and classified as such on the Consolidated Statement of Financial Position.

Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. For property taxes, the taxable event is the period for which the tax is levied. As taxes recorded are initially based on management's best estimate of the taxes that will be received, it is possible that changes in future conditions, such as reassessments due to audits, appeals and court decisions, could result in a change in the amount of tax revenue recognized. Taxes are recognized net of an allowance for anticipated uncollectable amounts.

Taxation arrears and interest revenue are recognized at the time of issuing overdue property tax notices to the rate payers for the fiscal year based on the time overdue.

Rental revenue is recognized when the services are provided to tenants, and collection is reasonably assured. When rental payments are received in advance of contracted services, the Band records this as deferred revenue.

Interest income on loans receivable and on funds held in trust are recorded as revenue when received by the Band.

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when the transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Penticton Indian Band Notes to the Consolidated Financial Statements

March 31, 2021

1. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management 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 revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. Assessing the valuation of accounts receivable and calculating the amortization of the tangible capital assets are the primary estimates evaluated by management on an ongoing basis.

Tangible Capital Assets

Tangible capital assets are valued at acquisition cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital assets including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs.

Amortization is charged on a straight line basis against tangible capital assets based on the estimated useful life of the asset as follows.

Asset Class	Rate
Automotive equipment	5 - 15 years
Buildings	20 - 50 years
Equipment	5 - 10 years
Infrastructure	15 - 60 years
Land improvements	15 - 20 years

Included in the infrastructure asset class are water, sewer, drainage, roads and electrical assets.

Tangible capital assets under construction, development or that have been removed from service are not amortized until they are available to be put into service.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Band'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 at their fair value on the date of contribution, except in unusual circumstances where fair value cannot be reasonably determined, in which case they are recognized at nominal value.

Penticton Indian Band Notes to the Consolidated Financial Statements

March 31, 2021

1. Summary of Significant Accounting Policies (continued)

Segmented Information Penticton Indian Band is a First Nation organization that provides a wide range of services to its members including social, education, health, housing, public works and economic activities. For management reporting purposes, the Band's operations and activities are organized and reported by fund. Funds were created for the purpose of recording specific activities to attain certain objectives with special regulations, restrictions or limitations. Services are provided by programs and their activities are reported in these funds. Certain programs have been separately disclosed in the segmented information, along with the services they provide, and are detailed in the Schedule of Segmented Operations.

Administration Services

The Administration Services program provides administration support to other band operated programs and services.

Social Development

The Social Development program provides financial benefits and services to individuals and families, resident on reserve, who are in need.

Education

The Education program provides services to eligible First Nations students enrolled in elementary/secondary education programs and eligible post-secondary education programs.

Community Health

The Band provides health programs and services under an agreement with First Nations Health Authority, and the Province of British Columbia.

Housing

The Housing program provides on-reserve housing to eligible members under the CMHC housing programs for First Nations.

Public Works

The Public Works program is responsible for the construction and maintenance of public spaces within the community and includes the Penticton Indian Band Utilities Limited Partnership (PIBULP).

Land, Estates and Memberships

The Land, Estates and Memberships program negotiates and implements land claim and self-government agreements on behalf of the Band.

Economic Development

The Economic Development program provides planning and capacity development initiatives under agreements with the Province of British Columbia.

Okanagan Nation Family Intervention and Services Society (ONTEH)

The ONTEH program is a Band-run organization that operates a transition house.

Penticton Indian Band Notes to the Consolidated Financial Statements

March 31, 2021

2. Economic Dependence

Penticton Indian Band received approximately 46% (2020 - 49%) of its revenues pursuant to funding arrangements from Indigenous Services Canada (ISC).

3. Comparative Figures Adjustment

During the year, management identified \$148,037 of revenues that were incorrectly included in the prior year. This resulted in overstated profit for the year on the Consolidated Statement of Operations and overstated accounts receivable, net financial assets and accumulated surplus on the Consolidated Statement of Financial Position at March 31, 2020. The comparative information has been updated to reflect this correction.

Certain other comparative information has been reclassified to conform to the current year's presentation.

4. Cash and Short-term Investments

	2021	2020
Consist of:		
Cash	\$ 4,496,523	\$ 3,246,668
Short-term investments		
Term deposits	3,107,875	2,107,872
Mutual funds	7,706,829	6,410,871
	10,814,704	8,518,743
	\$ 15,311,227	\$ 11,765,411
Externally Restricted		
Ottawa trust funds	\$ 58,731	\$ 56,053
Social housing replacement reserve (Note 18)	438,156	523,839
Social housing operating reserve (Note 18)	933,364	780,927
	1,430,251	1,360,819
Internally Restricted		
Band capital trust OSR funds	3,478,306	2,493,501
Band revenue trust OSR funds	1,277,235	1,136,593
Capital fund	1,295,036	1,192,010
Contingency fund	284,733	284,002
	6,335,310	5,106,106
	7,765,561	6,466,925
Unrestricted	7,545,666	5,298,486
	\$ 15,311,227	\$ 11,765,411

Penticton Indian Band Notes to the Consolidated Financial Statements

March 31, 2021

4. Cash and Short-term Investments (continued)

Term deposits consist of five one-year cashable GIC's at rates varying from 0.75-1.41% per annum, maturing between April 2021 and June 2021.

In 2004, the Band removed their funds from the Ottawa trust funds and have set up a separate trust fund account administered by the Band Council. The amount remaining in this fund represents the interest earned in the fiscal year that transfers to the Band on April 1 of each year.

The Band holds Revenue and Capital Trusts which are funds retained from Band Own Source Revenues (OSR) for investment.

OSR funds received from recurring sources such as government business profits, rents, and local casino agreement are allocated to the Revenue Trust investment account. These funds may be authorized by Council, to provide services or benefits to members which would not otherwise be provided by government transfers.

OSR funds received from items such as long-term land leases, specific claims and resource extraction royalties are allocated to the Capital Trust investment account, and may be used, once authorized by Council, for capital and infrastructure projects.

The capital fund is designed to be used as designated by Chief and Council from time to time for extraordinary capital expenditures which benefit or service rate payers. The capital fund is currently underfunded by \$5,309.

The contingency fund is designed to hold any surplus monies remaining in the taxation fund at the end of the fiscal year as specified in the Expenditure By-law Annual Budget Schedule, and may be applied towards the operation and administration costs for the next fiscal year. The contingency fund is currently fully funded.

Penticton Indian Band Notes to the Consolidated Financial Statements

March 31, 2021

5. Funds Held in Trust

As at March 31, funds were held for Penticton Indian Band as follows:

	2021	2020
Cedar Law Corporation, Barristers and Solicitors	\$ 298,053	\$ 297,268

Peace Hills Trust (Minors Trust) holds \$77,433 (2020 - \$77,433) on deposit in a Minors Trust fund for minor band members. This amount is not included in these consolidated financial statements.

6. Accounts Receivable

	2021	Restated 2020
First Nation Education and Steering Committee	\$ 102,013	\$ 102,013
Indigenous Services Canada	32,773	188,312
Trade	1,652,510	1,158,405
Property taxes	642,183	510,863
Rent receivable	648,458	715,161
Canada Mortgage and Housing Corporation	11,226	11,226
Skaha Hills Limited Partnership	1,374,231	1,111,324
Allowance for doubtful accounts	(1,086,794)	(853,362)
	\$ 3,376,600	\$ 2,943,942

7. Loans Receivable from Band Members

	2021	2020
Members' loans receivable	\$ 63,504	\$ 72,237

Loans receivable from Band Members are non-interest bearing, unsecured, and due on demand.

8. Debt Reserve Fund

The Penticton Indian Band has the option to issue its long-term debt through the First Nation Finance Authority ("FNFA"). As a condition of borrowing, 5% of the gross debenture proceeds are withheld by the FNFA as a debt reserve fund. The debt reserve fund is invested by the FNFA and interest earned and expenses incurred are reported annually to the Band. If at any time the FNFA does not have sufficient funds to meet payments or sinking fund contributions due on its obligations, the payments will be made from the debt reserve fund. Details of cash deposits held in the debt reserve fund are as follows:

	2021	2020
Debt Reserve Fund - Cash Deposits	\$ 625,271	\$ 619,875

Penticton Indian Band Notes to the Consolidated Financial Statements

March 31, 2021

9. Investment in Business Enterprise

	2021	2020
K'ul Management Group Ltd. (KMGLTD)	\$ 2,103,823	\$ 4,078,957

Penticton Indian Band holds 100% interest in KMGLTD who in turn holds controlling investments in the following entities:

Limited Partnerships	Corporations
<ul style="list-style-type: none"> • Westhills Aggregates LP • Coyote Cruises LP • Snpinktn Forestry LP • K'ul Construction LP • Skaha Hills Residential Development LP • K'ul Management Group LP 	<ul style="list-style-type: none"> • Westhills Aggregates GP Inc. • Coyote Cruises GP Inc. • Snpinktn Forestry GP Inc. • K'ul Construction Inc. • K'ul Developments Inc.

The following summary discloses the condensed consolidated financial information of the KMGLTD:

	2021	2020
Assets		
Current	\$ 15,029,023	\$ 17,333,699
Non-current	4,031,263	3,522,171
	\$ 19,060,286	\$ 20,855,870
Liabilities		
Current	\$ 9,185,650	\$ 7,655,430
Non-current	7,770,813	9,121,483
	16,956,463	16,776,913
Equity	2,103,823	4,078,957
	\$ 19,060,286	\$ 20,855,870
Revenue	\$ 17,150,200	\$ 11,768,245
Expenditures	(19,125,334)	(14,639,570)
Loss for the year	\$ (1,975,134)	\$ (2,871,325)

Penticton Indian Band Notes to the Consolidated Financial Statements

March 31, 2021

10. Investment in Business Partnership

	2021	2020
Skaha Hills Limited Partnership (SHLP)	\$ 1,804,652	\$ 1,547,079

Penticton Indian Band holds 20% interest in SHLP and as such, the investment in SHLP is 20% of the equity in SHLP. The following summary discloses the condensed financial information of the SHLP:

	2021	2020
Assets		
Current	\$ 4,787,481	\$ 3,210,103
Non-current	4,820,263	7,402,740
	\$ 9,607,744	\$ 10,612,843
Liabilities		
Current	\$ 584,001	\$ 2,877,064
Equity	9,023,743	7,735,779
	\$ 9,607,744	\$ 10,612,843
Revenue	\$ 4,735,589	\$ 11,647,313
Expenditures	(3,447,625)	(9,871,058)
Total income	\$ 1,287,964	\$ 1,776,255
Allocation	\$ 257,573	\$ 355,251

Penticton Indian Band
Notes to the Consolidated Financial Statements

March 31, 2021

11. Accounts Payable and Accrued Liabilities

	2021	2020
Trade payables	\$ 2,447,192	\$ 1,617,066
Accrued liabilities	229,910	275,968
Accrued salaries and employee benefits payable	453,548	410,100
	\$ 3,130,650	\$ 2,303,134

12. Deferred Revenue

Deferred revenue represents monies received in advance for rent, in addition to contributions received from the federal, provincial and local governments along with other sources for specific projects or programs in which the expenditures have not yet been incurred.

	Balance, beginning of year	Contributions	Revenue Recognized	Balance, end of year
FNESC	\$ 181,111	\$ (181,111)	\$ 547,982	\$ 547,982
FNHA	7,223	(7,223)	226,349	226,349
ISC	1,059,962	(262,968)	830,955	1,627,949
Province of BC	125,713	(125,713)	79,713	79,713
Other	67,880	(41,874)	181,804	207,810
2021 Totals	\$ 1,441,889	\$ (618,889)	\$ 1,866,803	\$ 2,689,803
2020 Totals	\$ 1,074,857	\$ 1,426,878	\$ (1,059,846)	\$ 1,441,889

Penticton Indian Band
Notes to the Consolidated Financial Statements

March 31, 2021

13. Property Tax Collected for Other Governments

The Band collects taxation revenue on behalf of other entities for government services as follows:

	<u>2021</u>	<u>2020</u>
BC Assessment Authority	\$ 20,676	\$ 18,276
Regional District Okanagan-Similkameen	93,546	82,151
Hospital	115,193	111,496
Sewer	-	30,986
Library	34,073	36,135
Fire protection	300,886	282,470
	<u>\$ 564,374</u>	<u>\$ 561,514</u>

14. Property Taxes

	<u>2021</u>	<u>2020</u>
Gross property taxation revenue	\$ 2,418,974	\$ 2,069,170
Less: Home owner grants	(460,965)	(378,144)
Less: Collections on behalf of other governments (Note 13)	(564,374)	(561,514)
Net property taxation revenue	<u>\$ 1,393,635</u>	<u>\$ 1,129,512</u>

Penticton Indian Band
Notes to the Consolidated Financial Statements

March 31, 2021

15. Tangible Capital Assets

	2021											
	Automotive Equipment	Buildings	Equipment	Land & Land Improvements	Roads	Water, Sewer, & Drainage	Electrical	Work in Progress	Social Housing	ONTEH	PIBULP	Total
Cost, beginning of year	\$ 1,121,214	\$ 18,854,314	\$ 1,865,228	\$ 1,764,938	\$ 14,487,814	\$ 19,577,888	\$ 285,917	\$ 545,403	\$ 6,871,102	\$ 379,358	\$ 3,100	\$ 65,756,276
Additions	100,224	37,825	161,209	436,192	-	635,383	-	286,618	-	26,055	-	1,683,506
Transfers	-	679,935	13,333	-	-	(56,767)	-	-	(636,501)	-	-	-
Cost, end of year	1,221,438	19,572,074	2,039,770	2,201,130	14,487,814	20,156,504	285,917	832,021	6,234,601	405,413	3,100	67,439,782
Accumulated amortization, beginning of year	812,783	7,621,556	1,437,968	1,092,886	3,929,497	3,825,120	42,380	-	2,169,077	292,780	3,100	21,227,147
Amortization	85,515	569,227	140,009	22,962	351,780	426,337	7,148	-	295,043	42,229	-	1,940,250
Transfers	-	478,825	-	-	-	-	-	-	(478,825)	-	-	-
Accumulated amortization, end of year	898,298	8,669,608	1,577,977	1,115,848	4,281,277	4,251,457	49,528	-	1,985,295	335,009	3,100	23,167,397
Net carrying amount, end of year	\$ 323,140	\$ 10,902,466	\$ 461,793	\$ 1,085,282	\$ 10,206,537	\$ 15,905,047	\$ 236,389	\$ 832,021	\$ 4,249,306	\$ 70,404	\$ -	\$ 44,272,385

Penticton Indian Band
Notes to the Consolidated Financial Statements

March 31, 2021

15. Tangible Capital Assets (continued)

2020

	Automotive Equipment	Buildings	Equipment	Land & Land Improvements	Roads	Water, Sewer, & Drainage	Electrical	Work in Progress	Social Housing	ONTEH	PIBULP	Total
Cost, beginning of year	\$ 1,001,948	\$ 18,187,976	\$ 1,811,637	\$ 1,764,938	\$ 14,487,814	\$ 15,497,630	\$ 285,917	\$ 3,554,040	\$ 7,471,965	\$ 356,512	\$ 3,100	\$ 64,423,477
Additions	119,266	65,475	53,591	-	-	1,019,111	-	52,510	-	22,846	-	1,332,799
Transfers	-	600,863	-	-	-	3,061,147	-	(3,061,147)	(600,863)	-	-	-
Cost, end of year	1,121,214	18,854,314	1,865,228	1,764,938	14,487,814	19,577,888	285,917	545,403	6,871,102	379,358	3,100	65,756,276
Accumulated amortization, beginning of year	741,813	6,609,801	1,261,415	1,069,924	3,577,717	3,407,481	35,235	-	2,397,988	252,885	3,100	19,357,359
Amortization	70,970	536,343	176,553	22,962	351,780	417,639	7,145	-	246,501	39,895	-	1,869,788
Transfers	-	475,412	-	-	-	-	-	-	(475,412)	-	-	-
Accumulated amortization, end of year	812,783	7,621,556	1,437,968	1,092,886	3,929,497	3,825,120	42,380	-	2,169,077	292,780	3,100	21,227,147
Net carrying amount, end of year	\$ 308,431	\$ 11,232,758	\$ 427,260	\$ 672,052	\$ 10,558,317	\$ 15,752,768	\$ 243,537	\$ 545,403	\$ 4,702,025	\$ 86,578	\$ -	\$ 44,529,129

Penticton Indian Band Notes to the Consolidated Financial Statements

March 31, 2021

16. Long-term Debt

	2021	2020
Operating		
Term loan - repayable at \$4,437 monthly, including interest at 4.16% per annum, maturing March 2022, secured by ministerial guarantee from ISC.	\$ 228,338	\$ 271,108
Capital		
Demand loan - repayable at \$372 monthly, including interest at prime plus 1% per annum, maturing December 2021, secured by specific asset.	21,665	25,305
Term loan - repayable at \$12,357 monthly, including interest at 3.65% per annum, maturing June 2028, secured by debt reserve fund.	2,420,093	2,477,301
Term loan - repayable at \$10,590 monthly, including interest at 4.33% per annum, maturing October 2021, secured by ministerial guarantee from ISC.	1,296,166	1,365,628
Term loan - repayable at \$39,113 monthly, including interest at 3.79% per annum, maturing June 2024, secured by debt reserve fund.	7,283,453	7,471,633
Social Housing		
Mortgage - repayable at \$1,409 monthly, including interest at 1.82% per annum, maturing June 2026.	84,514	99,786
Mortgage - repayable at \$2,390 monthly, including interest at 1.04% per annum, maturing October 2025.	128,201	155,487
Mortgage - repayable at \$1,214 monthly, including interest at 1.31% per annum, maturing December 2031.	146,089	158,669
Mortgage - repayable at \$2,504 monthly, including interest at 1.30% per annum, maturing May 2028.	205,586	232,790
Mortgage - repayable at \$2,246 monthly, including interest at 0.94% per annum, maturing September 2035.	365,104	388,728
Balance carried forward	\$ 12,179,209	\$ 12,646,435

Penticton Indian Band
Notes to the Consolidated Financial Statements

March 31, 2021

16. Long-term Debt (continued)

Balance brought forward	<u>\$ 12,179,209</u>	<u>\$ 12,646,435</u>
-------------------------	----------------------	----------------------

Social Housing (continued)

Mortgage - repayable at \$8,099 monthly, including interest at 2.68% per annum, maturing October 2038.	1,362,979	1,423,044
Mortgage - repayable at \$3,219 monthly, including interest at 2.14% per annum, maturing March 2024.	702,476	725,896
Mortgage - repaid during the year.	-	27,070
	<u>\$ 14,244,664</u>	<u>\$ 14,822,445</u>

All Social Housing mortgages are secured by a ministerial guarantee from ISC, and facilitated by All Nations Trust Company.

Principal repayments on long-term debt for the next five years and thereafter are estimated as follows:

2022	\$ 2,130,121
2023	600,987
2024	2,237,502
2025	6,828,885
2026	355,100
Thereafter	<u>2,092,069</u>
	<u>\$ 14,244,664</u>

17. Federal Assistance Payments

The Social Housing Fund receives federal assistance through CMHC to reduce mortgage interest expense to 2% to enable the project to provide housing to low income individuals. The amount of the assistance received for the year ended March 31, 2021 was \$193,847 (2020 - \$213,637), and this amount is included in CMHC revenue on the Consolidate Statement of Operations.

Penticton Indian Band Notes to the Consolidated Financial Statements

March 31, 2021

18. Housing Reserves

	2021	2020
Replacement reserve	\$ 440,115	\$ 436,840
Operating reserve	771,203	931,387
	\$ 1,211,318	\$ 1,368,227

Under the terms of the agreement with CMHC, the Replacement Reserve account is to be credited in the amount of \$47,368 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 CDIC or as may otherwise be approved by CMHC. Withdrawals are credited to interest first and then principal.

	2021	2020
Replacement reserve	\$ 440,115	\$ 436,840
Restricted cash (Note 4)	438,156	523,839
Under/(over) funded	\$ 1,959	\$ (86,999)

Under the terms of the agreement with Canada Mortgage and Housing Corporation, the Operating Reserve account is to be credited with any surplus amount in phase 8 to 15, based on the minimum rent calculation.

	2021	2020
Operating reserve	\$ 771,203	\$ 931,386
Restricted cash (Note 4)	933,364	780,927
Under/(over) funded	\$ (162,161)	\$ 150,459

19. Related Party Transactions and Balances

At the year end, the related party balance of \$5,540,345 (2020 - \$5,446,383) is due from K'ul Management Group Ltd. This balance is secured by the land held in inventory in K'ul Management Group Ltd., bears no interest, has no maturity date, and is repayable at \$50,000 per land sale until fully settled.

During the year, transactions with business entities which the Band owns and controls, and that are not disclosed separately in these consolidated financial statements are as follows:

- (a) Royalties revenue received of \$274,644 (2020 - \$395,627) - K'ul Management Group Ltd.
- (b) Fees paid for services of \$517,823 (2020 - \$1,487,670) - K'ul Management Group Ltd.

These transactions are in the normal course of operations and are measured at the exchange value, which is the amount of consideration established and agreed to by the related parties.

Penticton Indian Band Notes to the Consolidated Financial Statements

March 31, 2021

20. Contingencies

Various lawsuits have been filed against the Band for incidents which arose in the ordinary course of business. In the opinion of management and legal counsel, the outcome of the lawsuits, now pending, is not determinable. Should any loss result from the resolution of these claims, such loss will be charged to operations in the year of resolution.

21. Loan Guarantees

Penticton Indian Band's portion of debt guaranteed, and the amounts drawn upon those debt facilities for related entities are as follows:

	<u>Guaranteed</u>	<u>2021</u>	<u>2020</u>
K'ul Management Group LP (i)	\$ 9,050,000	\$ 6,340,231	\$ 5,156,215
Westhills Aggregates LP (ii)	\$ 1,475,000	\$ 566,566	\$ 48,202
Skaha Hills LP (iii)	\$ 1,750,000	\$ -	\$ 320,000

- (i) The facilities were secured by a general security agreement with first ranking over all personal property of K'ul Management Group LP, in addition to the corporate guarantees from Penticton Indian Band and K'ul Management Group Ltd. There are no financial covenants.
- (ii) In addition to the corporate guarantees, the facilities are secured by a general security agreement with first ranking over all personal property of Westhills Aggregates Limited Partnership. There are no financial covenants.
- (iii) Skaha Hills Limited Partnership has available a credit facility for an amount up to \$8,750,000. In addition to Penticton Indian Band's corporate guarantee, the facility is also secured by a mortgage, an assignment of rents on the property under development, general security agreements by Penticton Indian Band and Brenlar Investments Ltd, and postponement of claim from each Penticton Indian Band, Brenlar Investments Ltd. and Greyback Development Ltd.
- (iv) ISC has provided ministerial loan guarantees to various financial institutions for certain loans to the Band and individual band members. The Band is contingently liable for these loans and has provided repayment agreements to ISC in the event of default.

Penticton Indian Band Notes to the Consolidated Financial Statements

March 31, 2021

22. Pension Plan

The Band and certain of its employees contribute to the Penticton Indian Band Pension Plan (the "Plan"). The Plan is a defined contribution plan. Capri Insurance administers the Plan through Great West Life, including the payment of pension benefits on behalf of the employer and employees in accordance with the federal legislation.

During the year, the Band paid \$282,563 (2020 - \$250,894) to the Plan on behalf of its employees.

23. Impact of COVID-19

Although the disruption from COVID-19 is expected to be temporary, given the dynamic nature of these circumstances, the duration of business disruption and the related financial impact cannot be reasonably estimated at this time. Additional funding has been received during the year to assist in the provision of community services including a member distribution.

If the impacts of COVID-19 continue, there could be an impact on the Band and its members, suppliers and other third party business associates. Such events could impact the timing of, and amounts realized on the Band's assets. At this time, the future potential impact of COVID-19 on the Band is not known.

24. Budget

The Band Council Budget Resolution adopted by Council was not prepared on a basis consistent with that used to report actual results (public sector accounting standards). The budget was prepared on a modified accrual basis while public sector accounting standards require a full accrual basis. The budget figures anticipated use of surpluses accumulated in previous years to reduce current year expenditures in excess of current year revenues to nil. In addition, the budget expensed all tangible capital expenditures rather than including amortization expense. As a result, the budget figures presented in the Consolidated Statements of Operations and Change in Net Financial Assets represent the Budget adopted by Council with adjustments as follows:

	2021
Budget Bylaw deficit for the year	\$ -
Add:	
Capital expenditures	153,043
Less:	
Budgeted transfers from accumulated surplus	(1,234,560)
Budget deficit per Consolidated Statement of Operations	\$ (1,081,517)

Penticton Indian Band
Notes to the Consolidated Financial Statements

March 31, 2021

25. Expenditures by Object

	<u>2021</u>	<u>2020</u>
Advertising and promotion	7,415	997
Amortization	1,940,250	1,869,788
Bad debts	385,447	189,017
Bank charges	41,580	35,197
Contract services	1,338,136	1,041,931
Community outreach	64,259	52,547
Direct social assistance	1,529,481	974,389
Honoraria	353,690	317,519
Insurance	239,349	225,077
Interest on long-term debt	545,259	561,910
Lease payments	63,855	49,202
Materials, supplies and services	1,289,579	612,448
Office	85,564	38,665
Professional fees	1,134,389	947,434
Rental of facilities and equipment	8,360	-
Repairs and maintenance	361,103	426,897
Salaries and benefits	7,206,053	6,352,254
Student allowances and tuition	1,816,769	2,054,168
Telephone	123,493	108,262
Travel and meetings	154,874	334,176
Utilities	207,943	224,986
Vehicle	65,541	54,012
Workshops, seminars and training	299,766	394,539
Total expenditures for the year	\$ 19,262,155	\$ 16,865,415

Penticton Indian Band
Notes to the Consolidated Financial Statements
Schedule of Segmented Operations

For the year ended March 31

2021

	Administration Services	Social Development	Education	Community Health	Housing	Public Works	Lands, Estates and Memberships	Economic Development	ONTEH	Total
Revenue										
ISC	\$ 2,701,897	\$ 2,056,688	\$ 3,088,129	\$ -	\$ -	\$ 858,743	\$ 360,770	\$ -	\$ 936,821	\$10,003,048
CMHC	-	-	-	-	205,847	-	-	-	-	205,847
FNESC	-	-	910,694	-	-	-	-	-	-	910,694
FNHA	-	2,840	-	1,321,448	-	23,651	-	-	-	1,347,939
Taxation	1,393,635	-	-	-	-	-	-	-	-	1,393,635
Province of B.C.	1,494,876	121,052	408,485	197,503	-	-	803,164	-	-	3,025,080
BC First Nations Gaming	533,489	-	-	-	-	-	-	-	-	533,489
Other contracts	976,970	19,865	552,295	329,097	382,064	980,461	1,024,064	80,333	97,788	4,442,937
	7,100,867	2,200,445	4,959,603	1,848,048	587,911	1,862,855	2,187,998	80,333	1,034,609	21,862,669
Expenditure										
Administrative	1,082,200	3,070	71,740	89,492	209,683	562,918	202,289	94,097	37,951	2,353,440
Amortization	1,595,998	-	-	-	301,738	-	-	-	42,514	1,940,250
Direct Assistance	-	1,529,481	-	-	-	-	-	-	-	1,529,481
Lease payments	14,101	1,307	13,849	10,796	827	960	19,796	-	2,219	63,855
Materials, supplies & utilities	733,851	66,657	324,605	214,832	9,539	180,141	69,986	-	171,226	1,770,837
Operations & maintenance	259,458	29,738	149,821	132,265	185,559	508,572	411,712	-	30,474	1,707,599
Student costs	-	-	1,816,379	-	-	-	390	-	-	1,816,769
Transportation costs	103,624	75,570	25,604	141,684	76	17,034	139,328	-	17,261	520,181
Wages and benefits	1,781,068	409,670	2,401,152	1,076,331	158,584	191,291	1,082,834	-	458,813	7,559,743
	5,570,300	2,115,493	4,803,150	1,665,400	866,006	1,460,916	1,926,335	94,097	760,458	19,262,155
Excess (deficiency) of revenue for the year	\$ 1,530,567	\$ 84,952	\$ 156,453	\$ 182,648	\$ (278,095)	\$ 401,939	\$ 261,663	\$ (13,764)	\$ 274,151	\$ 2,600,514

Penticton Indian Band
Notes to the Consolidated Financial Statements
Schedule of Segmented Operations

Restated
2020

For the year ended March 31

	Administration Services	Social Development	Education	Community Health	Housing	Public Works	Lands, Estates and Memberships	Economic Development	ONTEH	Total
Revenue										
ISC	\$ 1,626,297	\$ 1,500,723	\$ 3,243,164	\$ -	\$ 66,119	\$ 1,418,473	\$ 239,158	\$ -	\$ 615,749	\$ 8,709,683
CMHC	-	-	-	-	246,737	(8,782)	-	-	-	237,955
FNESC	-	-	825,443	-	-	-	-	-	-	825,443
FNHA	-	5,000	-	1,329,855	-	-	-	-	-	1,334,855
Taxation	1,129,512	-	-	-	-	-	-	-	-	1,129,512
Province of B.C.	42,214	284,203	543,500	3,308	-	-	630,276	-	-	1,503,501
BC First Nations Gaming	499,348	-	-	-	-	-	-	-	-	499,348
Other	1,306,312	81,680	323,358	334,351	433,758	262,531	745,004	26,084	94,656	3,607,734
	4,603,683	1,871,606	4,935,465	1,667,514	746,614	1,672,222	1,614,438	26,084	710,405	17,848,031
Expenditure										
Administrative	667,118	2,951	60,993	84,876	178,589	532,419	306,470	94,097	23,855	1,951,368
Amortization	1,583,395	-	-	-	246,498	-	-	-	39,895	1,869,788
Direct Assistance	-	974,389	-	-	-	-	-	-	-	974,389
Lease payments	11,532	1,796	10,119	17,520	-	-	6,564	-	1,670	49,201
Materials, supplies & utilities	177,441	84,488	239,398	190,148	8,115	162,244	53,551	-	136,479	1,051,864
Operations & maintenance	164,676	15,172	140,003	89,361	225,499	636,111	161,254	-	30,060	1,462,136
Student costs	-	-	2,054,168	-	-	-	-	-	-	2,054,168
Transportation costs	196,279	109,052	111,135	188,511	2,286	26,684	108,224	-	40,556	782,727
Wages and benefits	1,414,907	382,296	2,250,347	1,040,702	179,377	238,442	781,633	-	382,070	6,669,774
	4,215,348	1,570,144	4,866,163	1,611,118	840,364	1,595,900	1,417,696	94,097	654,585	16,865,415
Excess (deficiency) of revenue for the year	\$ 388,335	\$ 301,462	\$ 69,302	\$ 56,396	\$ (93,750)	\$ 76,322	\$ 196,742	\$ (68,013)	\$ 55,820	\$ 982,616