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PEGUIS FOODS 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 Foods 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**

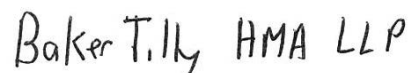
Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

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 Foods 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.



Chartered Professional Accountants

Winnipeg, Manitoba  
January 25, 2024

# PEGUIS FOODS 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	\$ 161,392	\$ 390,467
Accounts receivable (Note 3)	28,588	48,051
Inventory	134,954	110,026
Prepaid expenses	<u>-</u>	<u>10,199</u>
	<b>324,934</b>	<b>558,743</b>
DUE FROM RELATED PARTIES (Note 4)	<b>487,284</b>	54,731
LONG TERM INVESTMENTS	<b>9,556</b>	8,536
CAPITAL ASSETS (Note 5)	<u><b>389,780</b></u>	<u>396,887</u>
	<u><b>\$ 1,211,554</b></u>	<u>\$ 1,018,897</u>
<b>L I A B I L I T I E S</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 167,604	\$ 195,598
Government remittances	6,585	5,907
Accrued termination entitlement (Note 6)		72,250
Due to related parties (Note 7)	132,514	48,126
Current portion of long term debt (Note 8)	<u>40,532</u>	<u>39,822</u>
	<b>347,235</b>	<b>361,703</b>
LONG TERM DEBT (Note 8)	<u><b>234,179</b></u>	<u>274,707</u>
	<u><b>581,414</b></u>	<u>636,410</u>
<b>P A R T N E R S ' C A P I T A L</b>		
PARTNERS' CAPITAL	<u><b>630,140</b></u>	<u>382,487</u>
	<u><b>\$ 1,211,554</b></u>	<u>\$ 1,018,897</u>

Approved on behalf of the Board of Directors:

  
 Chief

  
 Councillor

  
 Councillor

  
 Councillor

# PEGUIS FOODS LIMITED PARTNERSHIP

STATEMENT 2

## STATEMENT OF EARNINGS

(UNAUDITED)

YEAR ENDED MARCH 31

	2 0 2 3	2 0 2 2
<b>SALES</b>		
Grocery sales	\$ 5,092,858	\$ 5,459,499
Restaurant sales	50,721	85,432
Dividend income	1,887	1,264
Gain on investment	<u>1,020</u>	<u>863</u>
	<u>5,146,486</u>	<u>5,547,058</u>
<b>COST OF SALES</b>		
Purchases	3,836,146	4,264,694
Salaries and benefits	<u>735,971</u>	<u>718,432</u>
	<u>4,572,117</u>	<u>4,983,126</u>
<b>GROSS PROFIT</b>	<u>574,369</u>	<u>563,932</u>
<b>EXPENSES</b>		
Advertising and promotion	21,034	16,787
Amortization of capital assets	74,723	81,908
Bad debts (recovery)	( 5,323)	49,603
Bank charges and interest	20,694	21,675
Donation and cash shortage	460	49
Equipment rentals	5,208	4,367
Insurance	28,049	26,579
Interest on long-term debt	6,078	6,797
Office	4,153	4,089
Other expenses		393,231
Professional fees	5,091	19,497
Rent	62,399	63,896
Repairs and maintenance	41,021	32,252
Supplies	26,807	35,190
Travel	331	637
Utilities	<u>35,991</u>	<u>37,117</u>
	<u>326,716</u>	<u>793,674</u>
<b>NET EARNINGS (LOSS) FOR YEAR</b>	<u>\$ 247,653</u>	<u>\$ ( 229,742)</u>

# PEGUIS FOODS LIMITED PARTNERSHIP

STATEMENT 3

## STATEMENT OF CHANGES IN PARTNERS' CAPITAL

(UNAUDITED)

YEAR ENDED MARCH 31, 2023

	Balance March 31, 2022	Net Earnings for Year	Balance March 31, 2023
General Partner - 5957321 Manitoba Ltd.	\$ 1	\$	\$ 1
Limited Partner - Chief Peguis Investment Trust	<u>382,486</u>	<u>247,653</u>	<u>630,139</u>
	<u>\$ 382,487</u>	<u>\$ 247,653</u>	<u>\$ 630,140</u>

YEAR ENDED MARCH 31, 2022

	Balance March 31, 2021	Net Loss for Year	Balance March 31, 2022
General Partner - 5957321 Manitoba Ltd.	\$ 1	\$	\$ 1
Limited Partner - Chief Peguis Investment Trust	<u>612,228</u>	<u>( 229,742)</u>	<u>382,486</u>
	<u>\$ 612,229</u>	<u>\$ ( 229,742)</u>	<u>\$ 382,487</u>

# PEGUIS FOODS LIMITED PARTNERSHIP

STATEMENT 4

## STATEMENT OF CASH FLOWS

(UNAUDITED)

YEAR ENDED MARCH 31

	2023	2022
CASH FLOW FROM		
<i>OPERATING ACTIVITIES</i>		
Net earnings (loss)	\$ 247,653	\$( 229,742)
Items not affecting cash:		
Amortization of capital assets	74,723	81,908
Unrealized gain on investment	( 1,020)	( 863)
	<u>321,356</u>	<u>( 148,697)</u>
Changes in non-cash working capital:		
Accounts receivable	19,463	70,342
Inventory	( 24,928)	32,355
Prepaid expenses	10,199	2,101
Accounts payable and accrued liabilities	( 27,994)	26,543
Government remittances	678	( 96)
Accrued termination entitlement	( 72,250)	72,250
Deferred revenue	-	( 40,351)
	<u>( 94,832)</u>	<u>163,144</u>
	<u>226,524</u>	<u>14,447</u>
<i>INVESTING ACTIVITY</i>		
Acquisition of capital assets	( 67,616)	( 5,243)
<i>FINANCING ACTIVITIES</i>		
Net change in related party balances	84,388	273,320
Repayment of long-term debt	( 39,818)	( 19,722)
	<u>44,570</u>	<u>253,598</u>
NET INCREASE IN CASH DURING YEAR	203,478	262,802
CASH, <i>beginning of year</i>	<u>390,467</u>	<u>127,665</u>
CASH, <i>end of year</i>	<u>\$ 593,945</u>	<u>\$ 390,467</u>

# PEGUIS FOODS LIMITED PARTNERSHIP

## NOTES TO FINANCIAL STATEMENTS

(UNAUDITED)

MARCH 31, 2023

### 1. NATURE OF BUSINESS

The partnership is engaged in the operation of a retail grocery store and restaurant in Peguis, Manitoba. These financial statements present the financial position and results of operations of Peguis Foods 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.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### *BASIS OF PRESENTATION*

These financial statements have been prepared in accordance with the Canadian accounting standards for private enterprises ("ASPE") as defined by the CPA Canada Handbook - accounting, which encompasses the following principles:

#### *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*

Capital assets are stated at cost less accumulated amortization. Amortization is based on the estimated useful life of the asset and is calculated on a diminishing balance basis as follows

Leasehold improvements	10%	straight-line method
Store equipment	20%	straight-line method
Computer software	100%	straight-line method
Office 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)*

*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 receivables	\$ 94,984	\$ 107,217
Goods and services tax	<u>4,250</u>	<u>6,856</u>
	<b>99,234</b>	114,073
Allowance for doubtful accounts	<u>( 70,646)</u>	<u>( 66,022)</u>
	<b>\$ 28,588</b>	<b>\$ 48,051</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 Development Corporation Ltd.	\$ 383,385	\$ 15,557
Peguis Alcare	4,366	-
Peguis Home Hardware LP	5,582	3,307
Peguis Midway	39,116	-
Peguis School Board	17,601	21,672
Peguis Gaming Commission	5,849	1,411
Peguis Fisher Ambulance Services	2,729	3,158
Peguis Senior Centre	8,908	7,450
Peguis Training and Employment	11,786	2,176
Peguis Jordan's Principle	<u>7,962</u>	<u>-</u>
	<b>\$ 487,284</b>	<b>\$ 54,731</b>



**NOTES TO FINANCIAL STATEMENTS**

(UNAUDITED)

**MARCH 31, 2023**

5. CAPITAL ASSETS

	Cost	Accumulated amortization	Net book value	
			2 0 2 3	2 0 2 2
Leasehold improvements	\$ 203,366	\$ 76,609	\$ 126,757	\$ 140,841
Store equipment	1,060,833	800,134	260,699	255,026
Computer software	68,621	66,302	2,319	1,014
Office equipment	<u>11,357</u>	<u>11,352</u>	<u>5</u>	<u>6</u>
	\$ <u>1,344,177</u>	\$ <u>954,397</u>	\$ <u>389,780</u>	\$ <u>396,887</u>

6. 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, beginning of year	\$ 72,250	\$ -
Net change in entitlement	<u>( 72,250)</u>	<u>72,250</u>
Balance, end of year	\$ <u>-</u>	\$ <u>72,250</u>

7. 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:

	2023	2022
Peguis Industries 1803	\$ 42,328	\$ 24,478
Peguis Band	62,463	23,500
Peguis Midway LP	-	148
Peguis Pharmacy	<u>27,723</u>	<u>-</u>
	\$ <u>132,514</u>	\$ <u>48,126</u>

**NOTES TO FINANCIAL STATEMENTS**

(UNAUDITED)

**MARCH 31, 2023**

8. LONG TERM DEBT

	2 0 2 3	2 0 2 2
First Peoples Economic Growth Fund demand loan payable bearing no interest, repayable in monthly installments of \$2,500, secured by a general security agreement over all partnership assets, maturing February 2029.	\$ 192,500	\$ 222,500
First Peoples Economic Growth Fund demand loan payable at 7.0%, repayable in monthly installments of \$1,329 principal and interest, secured by a general security agreement over all partnership assets, maturing February 2029.	<u>82,211</u>	<u>92,029</u>
	<u>274,711</u>	<u>314,529</u>
Less: current portion	<u>40,532</u>	<u>39,822</u>
	<u>\$ 234,179</u>	<u>\$ 274,707</u>

The aggregate of principal payments required to meet retirement provisions in the next five years is estimated to be as follows:

2024	\$ 40,532
2025	41,294
2026	42,110
2027	42,985
2028	43,924
Thereafter	<u>63,866</u>
	<u>\$ 274,711</u>

**NOTES TO FINANCIAL STATEMENTS**

(UNAUDITED)

**MARCH 31, 2023**

9. RELATED PARTY TRANSACTIONS

These transactions are in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the related parties), which approximates the arm's length equivalent value for sales of product. The parties are related due to common controlling interest through Peguis First Nation and the Chief Peguis Investment Trust.

The following table summarizes the partnership's significant related party transactions for the year:

	2 0 2 3	2 0 2 2
Expense		
Rent paid to - Peguis Development Corporation	\$ <u>83,365</u>	\$ <u>63,896</u>

The revenues generated from related parties is indeterminable due to the large quantity and cash nature of sales. While the partnership is not economically dependant on revenues from any single related entity the revenues generated from all related entities combined comprises a significant portion of the partnership's sales.

10. 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.

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 that is less than what they are worth; or may be unable to settle or recover a financial asset. Liquidity risk arises from trade payables.

## NOTES TO FINANCIAL STATEMENTS

(UNAUDITED)

MARCH 31, 2023

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### 11. FRANCHISE AGREEMENT

Peguis Family Foods is a franchise of MacDonald Consolidated and accordingly its operations are subject to the standard franchise restrictions. The principal restrictions are to purchase all products from MacDonald Consolidated, participate in their advertising and adhere strictly to their suggested pricing policy.