

**1. Description of business**

The Company is incorporated under the Business Corporations Act of Saskatchewan and operates as a non-profit organization and is primarily engaged in providing management services and administering programs for the Prince Albert Grand Council and their member First Nations.

**2. Summary of significant accounting policies**

***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 of the Chartered Professional Accountants of Canada.

***Reporting Entity***

PADC Management Company Ltd. is the reporting entity for the Prince Albert Grand Council government and all related entities that are controlled by the Prince Albert Grand Council.

***Principles of Consolidation***

All controlled entities are fully consolidated on a line-by-line basis except for the commercial enterprises which meet the definition of government business enterprise, which are included in the Consolidated Financial Statements on a modified equity basis. Inter-organizational balances and transactions are eliminated upon consolidation. Organizations consolidated in the Company's financial statements include:

- Sakwatamo Lodge Inc.
- Sprucelodge Boarding Home Inc.
- Prince Albert Grand Council Women's Commission Inc.
- PAGC Learn and Grow Daycare Inc.
- PAGC Holdings Inc.
- Prince Albert Grand Council Urban Services Centre Inc.
- Prince Albert Grand Council Spiritual Healing Lodge

The Company has proportionately consolidated the assets, liabilities, revenues, and expenses of the following government partnerships:

- Northern Inter-Tribal Health Authority

***Cash and cash equivalents***

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

**2. Summary of significant accounting policies – continued**

***Tangible capital assets***

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset.

Leases that transfer substantially all the benefits and risks of ownership to the lessee are recorded as capital leases. Accordingly, at the inception of the leases, the tangible capital asset and related lease obligations are recorded at an amount equal to the present value of future lease payments discounted at the lower of the interest rate inherent in the lease contracts and the Company's incremental cost of borrowing.

Amortization is provided for on a declining balance basis over their estimated useful lives as follows:

Buildings and leasehold improvements	5-15%
Furniture and fixtures	20-50%
Vehicles	30%
Computer equipment	50%

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Company'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 consolidated statement of operations.

Contributed capital assets are recorded into revenues at their fair value on the date of donation, except in circumstances where fair value cannot be reasonably determined, in which case they are recognized at nominal value. Transfers of capital assets from related parties are recorded at carrying value.

Certain assets which have historical or cultural value, including works of art, historical documents and historical and cultural artifacts, are not recognized as tangible capital assets. Assets under construction are not amortized until the asset is available to be put into service.

***Long-lived assets***

Long-lived assets consist of tangible capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

PADC Management Company Ltd. performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying amount of an asset, or group of assets, may not be recoverable. The carrying amount of a long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted future cash flows from its use and disposal. Impairment is measured as the amount by which the asset's carrying amount exceeds its fair value. Fair value is measured using prices for similar items. Any impairment is included in surplus for the year.

**2. Summary of significant accounting policies – continued**

***Asset classification***

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

***Net debt***

PADC Management Company Ltd.'s financial statements are presented so as to highlight net debt as the measurement of financial position. The net debt of PADC Management Company Ltd. is determined by its financial assets less its liabilities. Net debt is comprised of two components, non-financial assets and accumulated surplus.

***Revenue Recognition***

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

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 transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Contributions from other sources are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purpose

Revenue related to fees or services received in advance of the fee being earned or the service is performed is deferred and recognized when the fee is earned or service performed.

***Segments***

PADC Management Company Ltd. provides a range of services to its members. For management reporting purposes, operations and activities are organized and reported by each segment separately reported, the segment revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The presentation by segment is based on the same accounting policies as described in the summary of Significant Accounting Policies as described in Note 2.

**First Nations Government and Administration** – includes First Nations Government, Tribal Council administration, the PAGC Women's Commission, Administration, the Treaty Defence Fund, Band Employee Benefits, IT Services and Special Projects.

**Community Services** – includes the Childcare and Education Center, the daycare center, sports, culture and recreation and the Saskatchewan First Nations Winter Games.

**Economic Development** – includes CEDO funds, CEOP projects, the agriculture program, active measures programs and the community development corporation.

**2. Summary of significant accounting policies -- continued**

**Education** – includes all second level services and direct services for the member First Nations schools, active measures, post-secondary education, urban service, Denesuline labour force training and employment, and summer student employment.

**Health** – includes contribution programs and health transfer services, treatment centers and capital addition to Sakwatamo Lodge.

**Infrastructure Services** – includes Engineering and Technical services and forest fire suppression.

**Justice** – includes community justice initiatives, alternative measures, court workers, family violence and the spiritual healing lodge.

**NITHA**– includes a government partnership in a 3<sup>rd</sup> level health provider

The segment results for the period are shown in the attached schedules.

**Measurement uncertainty**

In preparing the consolidated financial statements for the Company, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

**3. Cash resources**

Cash in bank	377,138	393,172
Cash in bank - government partnership (NITHA)	<u>841,905</u>	<u>1,052,655</u>
	<u>1,219,043</u>	<u>1,445,827</u>

**4. Accounts receivable**

	<u>2015</u>	<u>2014</u> (Restated, Note 25)
Federation of Saskatchewan Indian Nations	202,101	225,970
Due from funding agencies		
Aboriginal Affairs and Northern Affairs Canada	150,750	
Health Canada	624,739	
Justice Canada	121,045	
Canada Mortgage and Housing Corporation	11,740	
Public Safety Canada	98,795	
Correctional Services Canada	<u>103,497</u>	
Subtotal – Federal Government	1,110,566	884,759
Saskatchewan Justice	148,597	
Saskatchewan Ministry of Health	84,520	
Saskatchewan Ministry of Environment	70,581	
Saskatchewan First Nations and Metis Relations	<u>7,046</u>	
Subtotal – Provincial Government	310,744	260,601
Saskatchewan Indian Institute of Technology	1,170,655	
Athabasca Residential Schools IAP	90,918	
ADNT Trust	28,305	
First Nations Child and Family Services	319,250	
Northern Lights Community Development Corp.	<u>152,345</u>	
Subtotal – Other agencies	1,761,473	1,180,549

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**4. Accounts receivable continued**

Other receivables	1,001,712	342,667
Council and staff advances	109,369	150,072
Canada Revenue Agency	<u>368,054</u>	<u>385,975</u>
	<u><u>4,864,019</u></u>	<u><u>3,430,593</u></u>

**5. Due from member First Nations**

Amounts due from member First Nations are short-term loans, advances and outstanding balances from prior years. No security has been taken and all receivables have no set terms of repayment.

	<u>2015</u>	<u>2014</u>
Black Lake	778,401	716,361
Cumberland House	223,351	266,590
Fond du Lac	297,486	306,965
Hatchet Lake	49,632	105,317
James Smith	510,187	562,888
Montreal Lake	-	100,150
Peter Ballantyne	186,151	200,291
Red Earth	114,073	26,290
Shoal Lake	8,691	-
Sturgeon Lake	-	7,008
Wahpeton	-	-
	<u><u>2,167,972</u></u>	<u><u>2,291,860</u></u>

**6. Note receivable**

An amount of \$27,587 (2014 - \$nil) was receivable from the Prince Albert First Nations Business Development Limited Partnership, a partnership controlled by the same shareholders as PADC Management Company Ltd. No interest is charged and no security has been taken. The receivable relates to a profit share allocation of this business partnership and will be repaid on a current basis.

**7. Bank indebtedness**

Bank indebtedness consists of outstanding cheques issued and bank balances at year end. Interest is payable at prime plus 1.00%, and is secured by a general security agreement covering all assets. Line of credit facilities were available from two banks with overdraft limits of \$3,000,000 and \$75,000, of which \$3,308,771 and \$69,802 respectively, were drawn at end of the year.

**8. Accounts payable and accrued liabilities**

	<u>2015</u>	<u>2014</u>
Trade payables	1,838,737	(Restated, Note 25) 2,083,962
Accrued salaries and benefits payable	<u>664,106</u>	<u>502,763</u>
	<u><u>2,502,843</u></u>	<u><u>2,586,725</u></u>

**9. Due to government and other government organizations**

Unexpended funds for the following programs will not be received from or will have to be repaid to the Saskatchewan Ministry of Justice and Justice Canada since they have not been spent in the current year:

	<u>2015</u>	<u>2014</u>
<u>Federal Government</u>		
AANDC - Band employee Benefits	107,806	-
AANDC - Education School Evaluations	<u>15,330</u>	-
	<u><u>123,136</u></u>	<u><u>-</u></u>

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**10. Deferred revenue**

Revenue received during the year from various funding agencies which pertain to future expenditures are recorded as deferred revenue and will be recognized as revenue in future years as follows:

	<u>2015</u>	<u>2014</u> (Restated, Note 25)
<u>Federal Government</u>		
Winter Games	-	140,330
Fire Prevention	381,149	-
Sakwatamo Lodge – Capital Addition	<u>128,834</u>	<u>279,203</u>
	<u>509,983</u>	<u>419,533</u>
<u>Provincial Government</u>		
Saskatchewan Ministry of Health - 15 Bed Facility	<u>49,200</u>	-
NITHA	<u>79,453</u>	<u>23,417</u>
Totals	<u>638,636</u>	<u>442,950</u>

**11. Due to member First Nations**

Amounts payable to member First Nations represent flow-through funds that have been received or are receivable from funding agencies for program activities. These amounts are usually paid out to member First Nations during the first month of the new fiscal year once the funds have been received from the funding agencies and when any required reports have been submitted by the member First Nations. No interest has been accrued on amounts due to member First Nations and no security has been provided to by the member First Nations on the outstanding amounts.

	<u>2015</u>	<u>2014</u>
Black Lake	-	-
Cumberland House	29,142	17,169
Fond du Lac	4,313	53,375
Hatchet Lake	24,520	162,430
James Smith	86	14,248
Lac La Ronge	755,261	629,069
Montreal Lake	164,499	122,760
Peter Ballantyne	62,579	1,928
Red Earth	2,476	70
Shoal Lake	51,747	29,998
Sturgeon Lake	29,752	236,177
Wahpeton	<u>24,624</u>	<u>15,046</u>
	<u>1,148,999</u>	<u>1,282,270</u>

**12. Note payable**

An amount of \$nil (2014 – \$360,000) was payable to the Prince Albert First Nations Business Development Limited Partnership, a partnership controlled by the same shareholders as PADC Management Company Ltd. Interest is charged at the rate of 4.5% and no security has been taken. Interest paid during the year was \$12,062 (2014 - \$51,925).

**13. Long-term debt**

	<u>2015</u>	<u>2014</u> (Restated, Note 25)
Mortgage loan payable to CMHC for Sprucelodge Boarding Home Inc, interest rate of 2.75%, payable in monthly installments of \$2,260 blended principal and interest, secured by capital assets, renewal February 1, 2016.	147,075	167,728
Current portion	<u>27,710</u>	<u>25,173</u>
	<u>119,365</u>	<u>142,555</u>

Principal amounts due in each of the next five years under the present terms are as follows:

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
27,710	23,905	24,617	25,348	26,103

**14. Tangible Capital Assets**

Tangible capital assets are summarized in Schedule 1.

Leasehold improvements include the roads and parking lot pavement on Chief Joseph Custer Reserve #201.

The RCMP Housing consists of 11 housing units located on five Peter Ballantyne Cree Nation Reserves which are leased as residences for the RCMP. The original capital cost of these RCMP was recorded as the net cost after deducting four years of rent receipts and maintenance costs.

**15. Contractual obligations**

The Company leases various facilities on Chief Joseph Custer Reserve #201 and in the City of Prince Albert under operating leases. Future lease payments will aggregate \$1,682,139 including the following amounts over the next five years.

<u>Office Leases:</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<b>Peter Ballantyne Office Complex</b>					
Lessor: Peter Ballantyne Cree Nation	112,848	112,848	112,848	112,848	112,848
Terms: Triple Net					
Expiry: March 31, 2020					
<b>John E. MacDonald Building</b>					
Lessor: Sturgeon Lake Developments	224,975	-	-	-	-
Terms: Inclusive					
Expiry: March 31, 2016					
<b>Tony Yannacoulis</b>					
Lessor: Tony Yannacoulis	64,260	-	-	-	-
Terms: Triple Net					
Expiry: March 31, 2016					
<b>Harlon Building</b>					
Lessor: Birch Bay Holdings	17,640	17,640	17,640	17,640	-
Terms: Triple Net					
Expiry: March 31, 2019					
<b>Land Use Fee</b>					
Reserve: Peter Ballantyne Cree Nation	88,000	88,000	88,000	88,000	88,000
Expiry: December 31, 2020					
	<u>507,723</u>	<u>218,488</u>	<u>218,488</u>	<u>218,488</u>	<u>200,848</u>

Vehicle Lease:

The Company has one vehicle lease with aggregate payments of \$29,565 over the next five years.

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Lessor: Jubilee Ford Ltd.	17,739	11,826	-	-	-
Expiry: November 30, 2017					

**16. Contingent liabilities**

The Company has entered into contribution agreements with various federal government departments. Funding received under these contribution agreements is subject to repayment if the First Nations fails to comply with the terms and conditions of the agreements.

In addition, in the normal course of its operations, the Company becomes involved in legal actions. Some of these potential liabilities may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded on the Company's financial statements.

**17. Federal government funding**

	<u>2015</u>	<u>2014</u>
<b>Aboriginal Affairs and Northern Development Canada</b>		
AANDC per confirmation	24,463,140	25,252,128
Add: Funds receivable – First Nations Emergency Forum	-	-
Add: Funds deferred from prior year	140,329	437,872
Less: Funds deferred to future years	(430,349)	(15,330)
Less: Funds repayable to AANDC	<u>(123,136)</u>	<u>-</u>
	<b>24,049,984</b>	<b>25,674,670</b>
<b>Health Canada (FNIH)</b>		
AANDC per confirmation	14,424,861	13,763,147
Add: Funds deferred from prior year	279,203	-
Less: Funds deferred to future years	(128,834)	(279,203)
Add: NITHA	<u>1,293,841</u>	<u>1,052,888</u>
	<b>15,869,071</b>	<b>14,536,832</b>
<b>Public Health Agency Canada</b>		
Urban Community Action Program for Children	80,946	80,946
<b>Justice Canada</b>		
Community Justice Initiatives	447,549	447,549
Urban Alternative Measures	36,628	36,628
Restorative Justice	<u>7,705</u>	<u>56,658</u>
	<b>491,882</b>	<b>540,835</b>
<b>Correctional Services Canada</b>		
Spiritual Healing Lodge	345,900	42,316
<b>Canadian Nuclear Safety Commission</b>		
Site Remediation Engagement	10,200	40,591
<b>Public Safety Canada</b>		
Community Healing Initiatives	89,999	-
<b>CMHC</b>		
Section 95 Loan Subsidy	2,025	2,025
Housing Inspections	93,219	116,992
Building Permit and Mold Remediation Training	<u>-</u>	<u>44,120</u>
	<b>95,244</b>	<b>163,137</b>
<b>Natural Resources Canada</b>		
Community Engagement	-	55,000
<b>AANDC – Other Funding</b>		
Truth and Reconciliation	-	132,697
First Nations Emergency Forum	-	13,611
Urban Treaty Day	<u>-</u>	<u>1,000</u>
	<b>-</b>	<b>147,308</b>
<b>Totals</b>	<b>41,033,226</b>	<b>41,281,635</b>



**18. Economic dependence**

PADC Management Company Ltd. receives a significant portion of its revenue from Aboriginal Affairs and Northern Development Canada and Health Canada for the delivery of programs and services to member First Nations, as part of the Government of Canada's treaty obligations to these First Nations. These funds are provided under certain terms and conditions as administered by AANDC and Health Canada. The Company's ability to continue to operate is dependent upon the Government of Canada continuing these financial commitments to provide services to its members First Nations.

**19. Administration fees and services**

PADC Management Company Ltd. bills related entities for services that are provided throughout the year related to rent, information technology support, and other administration services.

During the year, administration fees and services were earned from the following related entities:

	<u>2015</u>	<u>2014</u> (Restated, Note 25)
Prince Albert Development Corporation	127,587	104,398
White Buffalo Youth Inhalant Treatment Center	78,480	-
Valley Hill Youth Treatment Centre	<u>194,562</u>	<u>94,250</u>
	<u>400,629</u>	<u>198,648</u>

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

**20. Comparative figures**

Certain of the prior years' figures have been reclassified to conform to the presentation adopted for the current year.

**21. Related party transactions**

A number of transactions are carried out throughout the year with Member First Nations, businesses owned by common shareholders and members of the Board and staff. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

At the year-end date, various amounts were receivable from related parties as disclosed in Notes 3 and 4, and amounts payable as disclosed in Notes 10, 11, and 12. Lease commitments to related parties are disclosed in Note 15.

**22. Accumulated deficit**

	<u>2015</u>	<u>2014</u> (Restated, Note 25)
Share capital – 12 Class A shares	12	12
Invested in tangible capital assets	3,537,469	3,790,814
Externally restricted reserves (MAR, CMHC)	229,793	202,046
Internally restricted reserves	749,700	734,400
Unrestricted surplus – partnership (NITHA)	977,665	911,484
Unrestricted deficit - operating	<u>(5,066,404)</u>	<u>(5,470,019)</u>
	<u>428,235</u>	<u>168,737</u>

**23. Budgeted figures**

The budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by Executive/Treasury Board on April 10, 2014 and the Board of Directors in May 2014.

**24. Subsequent event**

Subsequent to year-end, PADC Management Company Ltd. assisted with the administration and logistics of provincially mandated evacuations due to wildfires threatening numerous First Nation communities. The effect of the evacuation on the operations of PADC Management Company Ltd. are not known at this time.

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**25. Prior period adjustment**

During the year, PADC Management Company Ltd. identified changes to the previous financial statements and as a result, the 2014 PADC Management Company Ltd. financial information has been adjusted as follows:

	<i>Sub-Notes</i>	<i>As previously reported</i>	<i>Change</i>	<i>As restated</i>
<b>Consolidated Statement of Financial Position</b>				
Accounts receivable	(a) & (b)	3,363,542	67,501	3,430,593
Bank indebtedness	(a) & (b)	5,836,337	(1,086,924)	4,749,413
Accounts payable and accrued liabilities	(a) & (b)	2,249,212	337,513	2,586,725
Deferred revenue	(a) & (b) & (c)	548,620	(105,670)	442,950
Due to related company	(a)	1,000,803	(1,000,803)	-
Current portion of long-term debt	(a)	-	25,173	25,173
Long-term debt	(a) & (b)	-	142,555	142,555
Prepaid expenses	(a) & (b)	74,554	2,274	76,828
Tangible capital assets	(a) & (b)	4,160,918	(202,376)	3,958,542
Accumulated deficit	(a) & (b) & (c)	(1,386,368)	(1,555,105)	168,737
<b>Consolidated Statement of Operations and Accumulated Surplus</b>				
FNIHB	(a) & (b) & (c)	14,151,217	689,691	14,840,908
CMHC	(a)	161,112	2,025	163,137
Other sources	(a) & (b)	1,806,326	106,247	1,912,573
Health	(a)	15,568,325	(480,829)	15,087,496
NITHA	(b)	-	1,244,250	1,244,250
Annual surplus	(b)	518,801	44,474	563,275

**Sub-Notes**

- (a) The PADC Management Company Ltd. financial statements were adjusted through removal of financial activities of White Buffalo Youth Inhalant Treatment Centre Inc. and inclusion of Sprucelodge Boarding Home Inc. financial activities;
- (b) The PADC Management Company Ltd. financial statements were proportionately consolidated to include the financial activities of Northern Inter-Tribal Health Authority.
- (c) The PADC Management Company Ltd. financial statements were adjusted for an equity reserve which had been reported as deferred revenue previously.