

Primrose Lake Economic Development Corporation
Financial Statements
March 31, 2021

Primrose Lake Economic Development Corporation

Contents

For the year ended March 31, 2021

	Page
Management's Responsibility	
Independent Auditor's Report	
Financial Statements	
Statement of Financial Position.....	1
Statement of Operations and Changes in Fund Balances.....	2
Statement of Cash Flows	3
Notes to the Financial Statements	4

Management's Responsibility

To the Members of Primrose Lake Economic Development Corporation:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian accounting standards for not-for-profit organizations. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is composed entirely of Directors who are neither management nor employees of the Corporation. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for appointing the Corporation's external auditors.

MNP LLP, an independent firm of Chartered Professional Accountants, is appointed by the Board to audit the financial statements and report directly to the Members of Primrose Lake Economic Development Corporation; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

Executive Director

Independent Auditor's Report

To the Members of Primrose Lake Economic Development Corporation:

Opinion

We have audited the financial statements of Primrose Lake Economic Development Corporation (the "Corporation"), which comprise the statement of financial position as at March 31, 2021, and the statements of operations and changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

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

Emphasis of Matter – Restated Comparative Information

We draw attention to Note 8 to the financial statements, which explains that certain comparative information presented for the year ended March 31, 2020 has been restated. Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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.

In preparing the financial statements, management is responsible for assessing the Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the 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 financial statements.

Independent Auditor's Report *(Continued from previous page)*

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 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 Corporation'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 Corporation'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 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 Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Saskatoon, Saskatchewan
September 9, 2021

MNP **LLP**
Chartered Professional Accountants

MNP

Primrose Lake Economic Development Corporation
Statement of Financial Position

As at March 31, 2021

	<u>Operating</u>	<u>Restricted Investment Funds</u>			2021 Total	2020 Total <i>(Restated – Note 8)</i>
	Fund	CED	CEI	SED		
Assets						
Current						
Cash	62,364	284,375	685,074	109,301	1,141,114	750,712
Advances receivable	-	-	-	-	-	123,562
Prepaid expenses	1,334	-	-	-	1,334	1,334
Due from Primrose Lake Economic Development Trust (Note 3)	375,000	120,821	120,516	79,096	695,433	1,030,962
Inter-fund	(360,498)	94,939	299,713	(34,154)	-	-
	78,200	500,135	1,105,303	154,243	1,837,881	1,906,570
Liabilities						
Current						
Accounts payable and accrued liabilities	10,065	-	-	-	10,065	10,065
Grants payable	-	157,541	247,456	57,804	462,801	429,482
	10,065	157,541	247,456	57,804	472,866	439,547
Fund balances						
Externally restricted (Note 4)	-	342,594	857,847	96,439	1,296,880	1,411,168
Unrestricted	68,135	-	-	-	68,135	55,855
	68,135	342,594	857,847	96,439	1,365,015	1,467,023
	78,200	500,135	1,105,303	154,243	1,837,881	1,906,570

Approved on behalf of the Board:

_____ Director

_____ Director

Primrose Lake Economic Development Corporation
Statement of Operations and Changes in Fund Balances

For the year ended March 31, 2021

	<u>Operating Fund</u>		<u>Restricted Investment Funds</u>				
	2021 Total	2020 Total	CED	CEI	SED	2021 Total	2020 Total <i>(Restated – Note 8)</i>
Revenues							
Trust distribution (Note 3)	-	-	295,821	295,516	104,096	695,433	1,188,962
Interest income	-	-	813	1,990	228	3,031	13,400
	-	-	296,634	297,506	104,324	698,464	1,202,362
Expenses							
Grants	-	-	300,435	256,604	37,713	594,752	715,624
Wages and benefits	111,590	105,649	-	-	-	-	-
Travel and meetings	27,137	49,023	-	-	-	-	-
Professional fees	22,744	17,685	-	-	-	-	-
Scholarships	-	-	-	-	18,000	18,000	17,000
Office	11,716	12,874	-	-	-	-	-
Rent	6,000	6,000	-	-	-	-	-
Telephone	3,749	3,122	-	-	-	-	-
Insurance	2,120	2,000	-	-	-	-	-
Advertising and promotions	1,745	1,945	-	-	-	-	-
Bank charges	919	1,233	-	-	-	-	-
	187,720	199,531	300,435	256,604	55,713	612,752	732,624
Excess (deficiency) of revenues over expenses before inter-fund transfers	(187,720)	(199,531)	(3,801)	40,902	48,611	85,712	469,738
Inter-fund transfers (Note 5)	200,000	211,964	(87,500)	(87,500)	(25,000)	(200,000)	(211,964)
Excess (deficiency) of revenues over expenses	12,280	12,433	(91,301)	(46,598)	23,611	(114,288)	257,774
Fund balances, beginning of year	55,855	43,422	275,895	810,186	72,828	1,158,909	1,153,394
Correction of an error – Note 8	-	-	158,000	94,259	-	252,259	-
	55,855	43,422	433,895	904,445	72,828	1,411,168	1,153,394
Fund balances, end of year	68,135	55,855	342,594	857,847	96,439	1,296,880	1,411,168

Primrose Lake Economic Development Corporation
Statement of Cash Flows
For the year ended March 31, 2021

	Operating Fund	Restricted Investment Funds			2021 Total	2020 Total (Restated – Note 8)
		CED	CEI	SED		
Cash provided by (used for) the following activities:						
Operating activities						
Excess (deficiency) of revenues over expenses	12,280	(91,301)	(46,598)	23,611	(102,008)	270,207
Changes in working capital accounts:						
Advances receivable	-	100,000	23,562	-	123,562	(123,562)
Grants payable	-	(27,173)	46,138	14,354	33,319	178,974
Due from Primrose Lake Economic Development Trust (net)	(163,036)	153,317	313,453	31,795	335,529	(470,273)
	(150,756)	134,843	336,555	69,760	390,402	(144,654)
Financing activities						
Change in inter-fund accounts	175,097	(87,505)	(87,509)	(83)	-	-
Increase in cash	24,341	47,338	249,046	69,677	390,402	(144,654)
Cash, beginning of year	38,023	237,037	436,028	39,624	750,712	895,366
Cash, end of year	62,364	284,375	685,074	109,301	1,141,114	750,712

Primrose Lake Economic Development Corporation

Notes to the Financial Statements

As at March 31, 2021

1. Incorporation and nature of the corporation

Primrose Lake Economic Development Corporation (the "Corporation") was incorporated on February 14, 2006 in the Province of Saskatchewan under the *Non-Profit Corporations Act, 1995*. The Corporation has been established by the northern municipalities of Beauval, Cole Bay, Ile-a-la-Crosse and Jans Bay ("Primrose Lake Communities").

The Corporation was established to be the beneficiary of the Primrose Lake Economic Development Trust Agreement (the "Trust Agreement") dated June 17, 2007. As the beneficiary of the Trust Agreement the Corporation is to support and advance economic development for its communities and membership through management, utilization and investment of the annual income it receives from the trust fund. The trust fund was established from a \$15,000,000 settlement with Canada and a \$4,500,000 settlement with Saskatchewan. The Canada portion was equally invested (\$7,500,000 each) into the Canada Economic Development Trust Account and the Canada Economic Infrastructure Trust Account. Upon settlement, \$2,000,000 of the Saskatchewan portion was allocated to the Elders Economic Initiatives and has been disbursed in prior years. The remaining \$2,500,000 is being maintained in the Saskatchewan Economic Development Trust Account.

The trust accounts are being held and managed by the Primrose Lake Economic Development Trust (the "Trust"). The annual income is allocated to the restricted investment funds of the Corporation, and the use of the annual income is governed by the following agreements:

1. Canada-Primrose Lake Community Economic Development Agreement
2. Saskatchewan-Primrose Lake Community Economic Development Agreement
3. Primrose Lake Economic Development Trust Agreement
4. Organizational Bylaw of the Primrose Lake Economic Development Corporation

Impact on operations of COVID-19 (coronavirus)

In early March 2020 the impact of the global outbreak of COVID-19 (coronavirus) began to have a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders.

The Corporation's operations were impacted by COVID-19 due to reduced travel between communities and increased volatility in global markets have impacted the Trust Distributions that the Corporation receives.

At this time, some uncertainties still exist due to the inability to predict the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

Basis of presentation

The Primrose Lake Economic Development Agreements with Canada and Saskatchewan refer to the allocation and use of the annual income from the Trust. In order to ensure observance of limitations placed on the use of the annual income available to the Corporation, the accounts are maintained on a fund accounting basis. Accordingly, resources are classified for accounting and reporting purposes into the following funds:

Operating Fund and the Restricted Investment Funds - Canada Economic Development Initiatives Fund, Canada Economic Infrastructure Initiatives Fund, and Saskatchewan Economic Development Initiatives Fund.

The Trust is not controlled by the Board of Directors of the Corporation and has not been included in the financial statements of the Corporation.

The objectives of the funds maintained are:

Primrose Lake Economic Development Corporation

Notes to the Financial Statements

As at March 31, 2021

2. Significant accounting policies (continued)

Restricted investment funds

Canada Economic Development

The Canada Economic Development (“CED”) fund is available for projects or programs which are intended and expected to create, produce, or promote new or increased economic activity or opportunities in business enterprises, industry, professions and trades, scholarships, commercial resource development, employment, tourism, transportation, communications and traditional economies for the long-term benefit of the Primrose Lake Communities.

Canada Economic Infrastructure

The Canada Economic Infrastructure (“CEI”) fund is available for projects or programs which are intended and expected to result in new or improved infrastructure works within or connecting to the Primrose Lake Area that will facilitate or promote any new or increased economic activity for the long-term benefit of the Primrose Lake Communities. Eligible projects or programs under the CEI fund shall include roads and highways, public transport service facilities, public or industrial water or sewer service facilities, electronic telecommunication service facilities, pipelines, trades and other employment skills training facilities, any specialized infrastructure for major industrial developments and any other buildings, facilities and physical structures of a like nature.

Saskatchewan Economic Development

The Saskatchewan Economic Development (“SED”) fund is available for projects or programs which are intended and expected to create, produce or promote new or increased economic activity or opportunities in the nature of business enterprises, industry, professions and trades, scholarships, commercial resource development, employment, tourism, transportation, communications and traditional economies for the long-term benefit of the Primrose Lake Communities.

Operating Fund

The Operating Fund accounts for the Corporation's operating costs and general revenue. This fund reports unrestricted resources and restricted operating grants. As per the Canada-Primrose Lake Community Economic Development Agreement, the Corporation can draw from the annual income generated by the federal portion of the trust fund an amount for operating costs up to the greater of \$175,000 or 15% of the annual income generated by the federal portion of the trust fund. Pursuant to the Saskatchewan-Primrose Lake Community Economic Development Agreement, the Corporation can draw from the annual income generated by the provincial portion of the trust fund an amount for operating costs that shall not exceed 25% of the annual income. Draws from the annual income are reflected as transfers to the Operating Fund from the Restricted Investment Funds.

Cash and cash equivalents

Cash and cash equivalents include balances with banks and short-term investments with maturities of three months or less.

Financial instruments

The Corporation recognizes its financial instruments when the Corporation becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management.

At initial recognition, the Corporation may irrevocably elect to subsequently measure any financial instrument at fair value. The Corporation has not made any such election.

The Corporation subsequently measures investments in equity instruments quoted in an active market at fair value. Fair value is determined by published price quotations. All other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in the excess (deficiency) of revenues over expenses for the current period. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at amortized cost.

Primrose Lake Economic Development Corporation

Notes to the Financial Statements

As at March 31, 2021

2. Significant accounting policies (continued)

Financial asset impairment

The Corporation assesses impairment of all of its financial assets measured at cost or amortized cost. When there is an indication of impairment, the Corporation determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year. If so, the Corporation reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets; and the amount expected to be realized by exercising any rights to collateral held against those assets. Any impairment, which is not considered temporary, is included in current year excess (deficiency) of revenues over expenses.

The Corporation reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in the excess (deficiency) of revenues over expenses in the year the reversal occurs.

Revenue recognition

Trust distribution is recognized as distributions of annual income are declared by the Trust. Interest income is recorded when earned.

Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations, requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in excess (deficiency) of revenues over expenses in the period in which they become known.

Grants payable are recorded based on assumptions and estimates related to whether the grantee will fulfil their obligations required for the Corporation to settle their commitment and pay the grants. The Corporation considers the nature of the obligations, past history of obligations not being met and not having to pay the grants they committed to, and imposed deadlines when grants will lapse and no further funds are required to be paid. The Corporation also considers any grants that have been paid out subsequent to year-end. Prior period grants that have lapsed as well as funds that have been unused after a period are recognized as a recovery in the current year. If a grantee did not fulfil their obligations for a grant that was accrued, this grant will lapse which could have a material impact on the payable recognized.

3. Due from Primrose Lake Economic Development Trust

Pursuant to the Trust Agreement, the "Annual Income" of the Trust shall be transferred to the beneficiary, Primrose Lake Economic Development Corporation, to be used to promote economic development, investment in strategic infrastructure, enhancement of economic viability and sustainability of the Primrose Lake area and to provide programs, services and other benefits to residents of the Primrose Lake Communities.

The Trust has a December 31st fiscal year end.

	2021	2020
Annual income allocation as of March 31	695,433	1,188,962

4. Fund balances externally restricted

Use of the Corporation's fund balances is externally restricted by the terms contained within the Trust Agreement and its agreements with Canada and Saskatchewan.

The Corporation's fund balances are to be used in accordance with initiatives set out in the agreements (see Note 2).

Primrose Lake Economic Development Corporation

Notes to the Financial Statements

As at March 31, 2021

5. Inter-fund transfers

During the year, \$87,500 (2020 - \$87,500) from each of the CED and CEI funds was transferred to the operating fund as permitted by the Trust Agreement. As well, \$25,00 (2020 - \$36,964) which is approximately 25% of the annual income allocation was transferred from the SED fund to the operating fund as permitted by the Trust Agreement.

6. Financial instruments

The Corporation, as part of its operations, carries a number of financial instruments. It is management's opinion that the Corporation is not exposed to significant interest, currency, credit, liquidity or other price risk arising from these financial instruments except as otherwise disclosed.

Credit concentration

The financial instrument that potentially subjects the Corporation to concentrations of credit risk is the balance due from Primrose Lake Economic Development Trust. Management believes the risk is limited since the amounts due are from a related party that is required to make payment per the Trust Agreement and has maintained liquid assets to be able to make payment.

Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations associated with financial liabilities. The Corporation enters into transactions to purchase goods and services on credit, for which repayment is required at various maturity dates. The Corporation manages liquidity risk resulting from its accounts payable and accrued liabilities and grants payable by maintaining liquid assets.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. The Corporation is exposed to interest rate risk with respect to its cash. Cash has limited exposure to risk as the interest rate is fixed.

7. Economic dependence

The Corporation is economically dependent on the Primrose Lake Economic Development Trust to transfer "Annual Income" pursuant to the Primrose Lake Economic Development Trust Agreement.

8. Correction of an error

During the year the Corporation determined that commitments and advances it had provided for two projects had been incorrectly expensed as grants. The amounts that were recorded as committed were actually the maximum financing to be provided and the amounts that had been paid should have been recorded as advances receivable and no commitment recorded for the financing that had not been advanced. The financing that had been committed for the grants was \$158,000 from the CED fund and \$94,259 from the CEI fund. The amounts that had been advanced were \$100,000 from the CED fund and \$23,562 from the CEI fund and the remaining balance was recorded as a grant payable.

As a result, grant expense in the prior year has decreased \$252,259, advances receivable has increased \$123,562 and grants payable decreased \$128,697. This has also caused the excess of revenues over expenses and fund balances, end of year to both increase by \$252,259.