

**PRIMROSE LAKE ECONOMIC
DEVELOPMENT CORPORATION**

AUDITORS' REPORT AND FINANCIAL STATEMENTS

March 31, 2010

Management's Responsibility

To the members of Primrose Lake Economic Development Corporation:

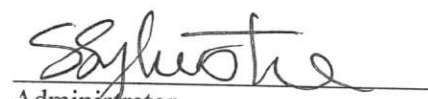
Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles. This responsibility includes selecting appropriate 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 is composed of directors who are not employees of the organization. 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 the administration and discussing relevant matters with external auditors. The Board is also responsible for recommending the appointment of the organization's external auditors.

Holm Svenkeson Raiche, an independent firm of chartered accountants, is appointed by the Board to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and administration to discuss their audit findings.


Chairperson


Administrator

Holm Svenkeson Raiche,
Chartered Accountants, P.C. Ltd.

G.K. Holm, CA*
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AUDITORS' REPORT

To the Board of Directors
of Primrose Lake Economic Development Corporation

We have audited the statement of financial position of Primrose Lake Economic Development Corporation as at March 31, 2010 and the statements of operations and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

North Battleford, Saskatchewan
September 7, 2010

Holm Svenkeson Raiche

Chartered Accountants

PRIMROSE LAKE ECONOMIC DEVELOPMENT CORPORATION**Statement of Financial Position
March 31, 2010****ASSETS**

	Operating Fund	<u>Restricted Investment Funds</u>			2010 Total	2009 Total (Re-stated)
		<u>CED</u>	<u>CEI</u>	<u>SED</u>		
Current						
Cash	\$ 80,464	\$ 144,709	\$ 155,298	\$ 23,642	\$ 404,113	\$ 239,484
Accounts receivable	5,230	1,007	1,007		7,244	30,807
Due from Primrose Lake Economic Development Trust (Note 3)	165,889	167,113	167,102	63,556	563,660	614,521
Inter-fund receivable		20,000		47,190		
Prepaid expenses	<u>3,700</u>				<u>3,700</u>	
	<u>\$ 255,283</u>	<u>\$ 332,829</u>	<u>\$ 323,407</u>	<u>\$ 134,388</u>	<u>\$ 978,717</u>	<u>\$ 884,812</u>

LIABILITIES

Current						
Bank indebtedness						\$ 32,475
Accounts payable and accrued liabilities	\$ 10,028				\$ 10,028	10,243
Inter-fund payable	<u>67,190</u>					
	<u>77,218</u>				<u>10,028</u>	<u>42,718</u>

NET ASSETS

Externally restricted		\$ 332,829	\$ 323,407	\$ 134,388	790,624	698,527
Unrestricted	<u>178,065</u>				<u>178,065</u>	<u>143,567</u>
	<u>178,065</u>	<u>332,829</u>	<u>323,407</u>	<u>134,388</u>	<u>968,689</u>	<u>842,094</u>
	<u>\$ 255,283</u>	<u>\$ 332,829</u>	<u>\$ 323,407</u>	<u>\$ 134,388</u>	<u>\$ 978,717</u>	<u>\$ 884,812</u>

Approved by the Board:

M. Bourne Director

PRIMROSE LAKE ECONOMIC DEVELOPMENT CORPORATION**Statement of Operations and Changes in Net Assets
for the year ended March 31, 2010**

	Operating Fund	Restricted Investment Funds			2010 Total	2009 Total (Re-stated)
		CED	CEI	SED		
Revenue						
Grants - INAC						\$ 47,250
- Ministry of First Nations						14,267
Interest income	\$ 503	\$ 1,007	\$ 1,007	\$ 190	\$ 2,707	5,557
Trust distribution		<u>242,113</u>	<u>242,102</u>	<u>79,445</u>	<u>563,660</u>	<u>614,521</u>
	<u>503</u>	<u>243,120</u>	<u>243,109</u>	<u>79,635</u>	<u>566,367</u>	<u>681,595</u>
Expenses						
Advertising and promotion	792				792	
Bank charges and interest	996	187	132	30	1,345	4,926
Board honorarium	31,981				31,981	5,332
Board travel	19,612				19,612	11,326
Consulting fees	44,458				44,458	25,872
Elders Economic Initiative				239,154	239,154	187,332
Grants		20,375	39,000		59,375	
Meeting costs	1,054				1,054	960
Miscellaneous	48				48	
Office supplies	5,269				5,269	256
Professional fees	8,579				8,579	9,520
Rent	3,250				3,250	
Scholarships		9,000			9,000	
Telephone	2,031				2,031	
Travel	6,255				6,255	
Wages and benefits	<u>7,569</u>				<u>7,569</u>	
	<u>131,894</u>	<u>29,562</u>	<u>39,132</u>	<u>239,184</u>	<u>439,772</u>	<u>245,524</u>
Excess (deficiency) of revenue over expenses	(131,391)	213,558	203,977	(159,549)	126,595	436,071
Fund balance at beginning of year	<u>143,567</u>	<u>194,271</u>	<u>194,430</u>	<u>309,826</u>	<u>842,094</u>	<u>406,023</u>
	12,176	407,829	398,407	150,277	968,689	842,094
Inter-fund transfers (Note 5)	<u>165,889</u>	<u>(75,000)</u>	<u>(75,000)</u>	<u>(15,889)</u>		
Fund balance at end of year	<u>\$ 178,065</u>	<u>\$ 332,829</u>	<u>\$ 323,407</u>	<u>\$ 134,388</u>	<u>\$ 968,689</u>	<u>\$ 842,094</u>

PRIMROSE LAKE ECONOMIC DEVELOPMENT CORPORATION**Statement of Cash Flows**
for the year ended March 31, 2010

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Cash received from trust distributions	\$ 614,521	\$ 200,451
Cash received from grants	26,080	35,437
Cash paid to elders, suppliers and employees	(443,687)	(396,453)
Interest income received	<u>190</u>	<u>5,557</u>
Net cash provided (used) in the year	197,104	(155,008)
Cash and cash equivalents at beginning of year	<u>207,009</u>	<u>362,017</u>
Cash and cash equivalents at end of year	\$ <u>404,113</u>	\$ <u>207,009</u>

Cash and cash equivalents

Cash and cash equivalents consists of cash on hand, balances and loans with financial institutions. Cash and cash equivalents included in the cash flow statement is comprised of the following statement of financial position amounts:

Cash	\$ 404,113	\$ 239,484
Bank indebtedness	<u> </u>	<u>(32,475)</u>
	\$ <u>404,113</u>	\$ <u>207,009</u>

PRIMROSE LAKE ECONOMIC DEVELOPMENT CORPORATION**Notes to Financial Statements****March 31, 2010****1. Nature of the corporation**

Primrose Lake Economic Development Corporation is a non-profit corporation 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 has been established to support and advance economic development for its Metis communities and membership through management, utilization and investment of annual earnings from a \$17,500,000 trust fund. The trust fund and use of the earnings are 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

The purpose of the trust fund is to hold and invest the \$17,500,000 for the long-term use and benefit of the residents of the four northern municipalities. Specifically, the trust fund is to be used to promote economic development, invest in strategic infrastructure, enhance the economic viability and sustainability of the region and provide programs, services and benefits to the residents.

2. Significant accounting policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. Outlined below are those policies the corporation considered particularly significant.

a) Fund accounting

The corporation follows the restricted method of accounting for contributions.

The Operating Fund accounts for the corporation's operating costs and general revenue. This fund reports unrestricted resources and restricted operating grants. Pursuant to Article 5.6 of 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 that shall not exceed \$150,000 per year for each of the first five years of the agreement and shall not exceed 15% of the annual income generated by the federal portion of the trust fund thereafter for the duration of the agreement. 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 20% of the annual income.

PRIMROSE LAKE ECONOMIC DEVELOPMENT CORPORATION**Notes to Financial Statements****March 31, 2010****2. Significant accounting policies (continued)**

The Restricted Investment Funds report restricted resources that are to be used in accordance with their respective federal and provincial government agreements.

The Canada Economic Development (CED) fund shall be available directly for investment and to enhance long-term viability and sustainability. Funds shall be 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.

The Canada Economic Infrastructure (CEI) fund shall be available for those categories of 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.

The Saskatchewan Economic Development (SED) fund shall be available directly for investment and to enhance long-term viability and sustainability. Funds shall be 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. There shall be a subcategory of the SED fund that is specifically designated for projects and programs of particular interest to and for the benefit of Elders in the Primrose Lake Area. These may include projects for Elders' housing units and special care facilities, housing repairs or improvements, the establishment of scholarships by the Elders, training programs in traditional economic activities, skills and crafts and other projects and programs designed to meet the special needs or interest of Elders. The amount allocated for Elders projects and programs shall be determined by the Board in its discretion.

b) Income taxes

The corporation is exempt from income taxes under the *Income Tax Act* as a non-profit corporation.

c) Revenue recognition

Revenue is recognized in the period that it is considered to have been earned and ultimate collection is reasonably assured.

PRIMROSE LAKE ECONOMIC DEVELOPMENT CORPORATION**Notes to Financial Statements****March 31, 2010****2. Significant accounting policies (continued)****d) Use of estimates**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles 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 revenue and expenses during the reporting period. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the period in which they become known.

e) Recent accounting pronouncements**International Financial Reporting Standards**

The AcSB plans to converge Canadian GAAP with International Financial Reporting Standards (IFRS) over a transition period expected to end in 2011. AcSB has also developed a framework option for private enterprises in addition to IFRS which is Private Enterprise GAAP. On January 1, 2011, private companies will have a free choice of IFRS or Private Enterprise GAAP. The impact of the transition to IFRS or Private Enterprise GAAP on the corporation's financial statements has yet to be determined.

3. Due from Primrose Lake Economic Development Trust

The Government of Canada entered into an agreement with Primrose Lake Economic Development Corporation dated the 30th of March 2007, in which Canada agreed to provide a grant of \$15,000,000 to be deposited into a community banking arrangement or trust established for the Primrose Lake Communities affected by the establishment of the Primrose Lake Air Weapons Range in northwest Saskatchewan in 1953. The Province of Saskatchewan also agreed to provide a grant of \$4,500,000 to be deposited into the trust established for the Primrose Lake Communities. In turn, the Primrose Lake Communities have irrevocably authorized and directed Canada and Saskatchewan to pay their grants of \$15,000,000 and \$4,500,000, respectively, into trust accounts. From the Province of Saskatchewan grant, \$2,000,000 has been expended on payments to Elders leaving \$2,500,000 in trust.

The Primrose Lake Economic Development Trust Agreement dated the 17th day of June 2007, between Primrose Lake Economic Development Corporation (beneficiary) and The Bank of Nova Scotia trust Company (Trustee) sets out the obligations of the Trustee regarding the management and investment of the grants deposited into the trust, the distribution of income earned from the trust and the reporting requirements which govern the Trustee.

The purpose of the Primrose Lake Economic Development Trust is to hold and invest the Trust Property for the long-term use and benefit of the beneficiary, to facilitate the attainment of the objects and purposes as set forth in the Trust Agreement and, specifically, 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.

	<u>2010</u>	<u>2009</u>
Annual income allocation as of December 31	\$ <u>563,660</u>	\$ <u>614,521</u>

PRIMROSE LAKE ECONOMIC DEVELOPMENT CORPORATION**Notes to Financial Statements
March 31, 2010****4. Comparative figures**

The corporation is changing its corporate bylaws whereby the \$2,000,000 advanced from the trust to finance the Elders Economic Initiative program is no longer repayable to the trust. As a result, the comparative figures have been re-stated as follows:

	As previously <u>reported</u>	As <u>Re-stated</u>
Due from Primrose Lake Economic Development Trust - SED	\$ 53,458	\$ 66,450
Current portion of long-term debt - SED	24,919	
Due to Primrose Lake Economic Development Trust - SED	1,962,089	
Externally restricted net assets - SED	(1,690,174)	309,826

5. Inter-fund transfers

During the year, \$75,000 (\$75,000 - 2009) from each of the Canada Economic Development and Canadian Economic Initiative funds was transferred to the General Fund to offset operating expenses. As well, \$15,889 (\$16,613 - 2009) which is 20% of the annual income allocation was transferred from the Saskatchewan Economic Development Fund to the General Fund to offset operating expenses.

6. Credit facility agreement

The corporation has a credit facility agreement with its financial institution that covers its operating line of credit in the amount of \$200,000.

Interest on the line of credit is prime plus 2%. Security for the line of credit is a general security agreement and assignment of accounts receivable. The balance owing at year end under this line of credit was \$Nil (2009 - \$32,475).

7. Financial instruments

The corporation carries various forms of financial instruments. Unless otherwise noted, it is management's opinion that the corporation is not exposed to significant interest, currency or credit risk arising from these financial instruments.

The fair value of the corporation's cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximates their fair value due to their immediate or short-term nature.

The corporation does not have a significant exposure to any individual customer or counter party. The corporation conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific customers, historical trends and other information. There was no allowance for doubtful accounts for March 31, 2010 and 2009.

PRIMROSE LAKE ECONOMIC DEVELOPMENT CORPORATION

Notes to Financial Statements
March 31, 2010

8. Commitments

Under the corporation's Economic Development Assistance program, there were \$146,416 in projects approved by the Board of Directors but the grant funds had not been disbursed as of March 31, 2010.

9. Economic dependence

The corporation receives 99.5% (2009 - 90%) of its income from annual distributions from the Primrose Lake Economic Development Trust. Should this trust cease to distribute income to the corporation, management is of the opinion that continued viable operations would be doubtful.