

**Pasqua First Nation
Treaty Land Entitlement Trust
Capital and Revenue Funds
Financial Statements
*December 31, 2010***

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Financial Statements
Index**

For the Year Ended December 31, 2010

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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 safe guarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Trustee and Chief and Council are responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial statements. These responsibilities are fulfilled by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors.

Chalupiak & Associates, an independent auditing firm, is appointed to audit the financial statements and their report follows.

Management

Chalupiak & Associates
Certified Management Accountant
3261 Saskatchewan Drive, Regina, SK S4T 6S4
Phone (306) 359-3711 Fax (306) 569-3030

AUDITOR'S REPORT

To the members of **Pasqua First Nation**

We have audited the balance sheet of **Pasqua First Nation Treaty Land Entitlement Trust Capital and Revenue Funds** as at December 31, 2010, the statement of financial activities and trust balances, and statement of cash flows for the year then ended. These financial statements are the responsibility of 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 **Pasqua First Nation Treaty Land Entitlement Trust Capital and Revenue Funds** as at December 31, 2010 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
February 18, 2011

Edwin W. Chalupiak, CMA

**Pasqua First Nation
Treaty Land Entitlement Trust
Capital and Revenue Funds
Balance Sheet
December 31, 2010**

	2010			2009		
	Capital Trust Fund	Revenue Trust Fund	Total	Capital Trust Fund	Revenue Trust Fund	Total
ASSETS						
Current assets						
Cash	\$ 34,724	\$ 93,794	\$ 128,518	\$ 69,047	\$ 90,116	\$ 159,163
Due from (to) Revenue Fund	(61,977)	-	(61,977)	3,972	-	3,972
Due from (to) Capital Fund	-	61,977	61,977	-	(3,972)	(3,972)
Total current assets	(27,253)	155,771	128,518	73,019	86,144	159,163
Investments - note 5	7,076,625	-	7,076,625	7,689,207	-	7,689,207
	\$ 7,049,372	\$ 155,771	\$ 7,205,143	\$ 7,762,226	\$ 86,144	\$ 7,848,370
LIABILITIES AND TRUST BALANCES						
Current liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to Pasqua First Nation TLE Revenue Account - note 2 (b), 4	-	155,771	155,771	-	86,144	86,144
Trust balances						
Capital trust fund	7,049,372	-	7,049,372	7,762,226	-	7,762,226
Revenue trust fund	-	-	-	-	-	-
Total trust balances	7,049,372	-	7,049,372	7,762,226	-	7,762,226
	\$ 7,049,372	\$ 155,771	\$ 7,205,143	\$ 7,762,226	\$ 86,144	\$ 7,848,370

Approved:

Pasqua First Nation
Treaty Land Entitlement Trust
Capital and Revenue Funds
Statement of Financial Activities and Trust Balances
For the Year Ended December 31, 2010

	2010			2009		
	Capital Trust Fund	Revenue Trust Fund	Total	Capital Trust Fund	Revenue Trust Fund	Total
Receipts						
Settlement monies - Canada	\$ -	\$ -	\$ -	\$ 4,117,527	\$ -	\$ 4,117,527
Settlement monies - Saskatchewan	441,164	-	441,164	441,164	-	441,164
Settlement monies - negotiation costs	-	-	-	-	-	-
Less: negotiation loans repaid	-	-	-	-	-	-
Interest and dividend revenue	-	250,074	250,074	-	227,052	227,052
Gain on sale of investments	75,641	75,641	151,282	29,920	15,505	45,425
Total receipts	516,805	325,715	842,520	4,588,611	242,557	4,831,168
Transfers between funds	-	-	-	-	-	-
Disbursements						
Transferred to Pasqua First Nation - land purchase	1,340,000	-	1,340,000	-	-	-
Professional fees - fund management	-	75,832	75,832	-	68,079	68,079
Professional fees - audit - note 2(g)	-	-	-	-	-	-
Total disbursements	1,340,000	75,832	1,415,832	-	68,079	68,079
Excess of receipts over disbursements and transfers	(823,195)	249,883	(573,312)	4,588,611	174,478	4,763,089
Add: Unrealized gains - market value adjustments - note 2 (c)	110,341	-	110,341	888,081	-	888,081
Transfer surplus to Pasqua TLE Revenue account - note 2 (b), 4	-	(249,883)	(249,883)	-	(174,478)	(174,478)
Trust balance - beginning of year	7,762,226	-	7,762,226	2,285,534	-	2,285,534
Trust balance - end of year	\$ 7,049,372	\$ -	\$ 7,049,372	\$ 7,762,226	\$ -	\$ 7,762,226

**Pasqua First Nation
Treaty Land Entitlement Trust
Capital and Revenue Funds
Statement of Cash Flows**
For the Year Ended December 31, 2010

	2010			2009		
	Capital Trust Fund	Revenue Trust Fund	Total	Capital Trust Fund	Revenue Trust Fund	Total
Cash flows from (used in) operating activities						
Excess of receipts over disbursements	\$ (712,854)	\$ -	\$ (712,854)	\$ 5,476,692	\$ -	\$ 5,476,692
Changes in non-cash working capital						
Due from (to) Revenue Fund	65,949	-	65,949	505	-	505
Due from (to) Capital Fund		(65,949)	(65,949)		(505)	(505)
Accounts payable	-	-	-	-	-	-
Due to Pasqua First Nation TLE Revenue Account	-	69,627	69,627	-	80,384	80,384
Total changes in non-cash working capital	65,949	3,678	69,627	505	79,879	80,384
Cash flows from (used in) investing activities						
Purchase of investments	612,582	-	612,582	(5,448,594)	-	(5,448,594)
Net increase in cash	(34,323)	3,678	(30,645)	28,603	79,879	108,482
Cash position - beginning of year	69,047	90,116	159,163	40,444	10,237	50,681
Cash position - end of year	\$ 34,724	\$ 93,794	\$ 128,518	\$ 69,047	\$ 90,116	\$ 159,163
Cash position comprised of:						
Cash in investment account	\$ 34,724	\$ 93,794	\$ 128,518	\$ 69,047	\$ 90,116	\$ 159,163

1. General

The Pasqua First Nation Treaty Land Entitlement Trust was established to manage funds received pursuant to a Settlement Agreement dated May 18, 2008. The Trustee is responsible to invest trust funds and any investment income less expenses as set out in the Pasqua First Nation Treaty Land Entitlement Trust Agreement. The Trust Agreement and Settlement Agreement provide specific provisions as to the procedures to be followed in the operation of the Trust.

Royal Trust Corporation of Canada is the appointed Trustee pursuant to an agreement between the Trustee and the First Nation. The Trustee is responsible to invest trust funds and is authorized to pay and incur certain costs related to the operations of the trust.

These financial statements include only the financial transactions of the Capital and Revenue Funds. The first financial transaction occurred October 27, 2008 when the first instalment of settlement funds was received.

Pursuant to the Settlement Agreement, the Pasqua First Nation Treaty Land Entitlement Trust is to purchase land on behalf of the Pasqua First Nation. However, the Trust cannot be the registered owner of the land. As a consequence, Pasqua TLE Holdings Inc. was incorporated to hold land and buildings purchased on behalf of the Pasqua First Nation Treaty Land Entitlement Trust. Once the appropriate approvals have been obtained, the land and buildings will be transferred to Her Majesty the Queen in Right of Canada in Trust for the Pasqua First Nation, and set apart as reserve lands.

The Pasqua First Nation will receive "Entitlement Monies" of \$8,823,273. These funds will be used to purchase a minimum of 6,687 acres (shortfall) and a maximum of 32,505 acres (equity quantum). Once the "shortfall" acres have been purchased funds may be used for certain band development projects. The Pasqua First Nation will also receive "Negotiation, Acquisition and Ratification Compensation" of \$711,590.

2. Significant Accounting Policies

- a) These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and to comply with the accounting requirements of the trust agreement.
- b) A fund basis of accounting is used. The following funds are used:
 - The capital fund which reports the capital investments held by the trust.
 - The revenue fund which reports the earnings and expenses of the trust to arrive at the "Annual Income" as defined in the agreement. The revenue includes interest, dividends, and the taxable portion of the net capital gains; authorized expenses are specified in the agreement. The "Annual Income" is distributed to the Pasqua First Nation by transferring funds to the TLE Revenue Account.

2. Significant Accounting Policies (continued)

- c) Portfolio investments are valued at their fair market value as determined by the Royal Trust Corporation of Canada. The difference between the cost value and market value is reported as a “market value adjustment.”
- d) Revenue is recognized on investments on an accrual basis.
- e) The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management 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 financial statements, and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in the periods in which they become known.
- f) The amounts reported for the investment carrying value, which is based on the estimated market value, can fluctuate by material amounts in short periods.
- g) Audit fees reported as an expense in the year they are paid, not in the year accrued, in order to better match the revenue and expenses reported by the Trustee and the audited financial statements. The audit fees for the 2008 and 2009 fiscal years were paid through the development account.

3. Financial Instruments

The Trust as part of its operations carries a number of financial instruments. It is management’s opinion that the Trust is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The carrying value of cash, accounts receivable, accounts payable and accrued liabilities approximates their fair value due to the short-term nature of these items.

4. Due to Pasqua First Nation TLE Revenue Account

	<u>2010</u>	<u>2009</u>
Balance, beginning of year	\$ 86,144	\$ 5,760
Add: current year revenue trust surplus	249,883	174,478
Less: transferred in the current year	<u>(180,256)</u>	<u>(94,094)</u>
Balance, end of the year	<u>\$ 155,771</u>	<u>\$ 86,144</u>

**Pasqua First Nation
Treaty Land Entitlement Trust
Capital and Revenue Funds
Notes to the Financial Statements**
For the Year Ended December 31, 2010

5. Investments

	2010		2009	
	Cost	Market	Cost	Market
Investments held in Canadian Funds				
Fixed income investments	\$ 3,649,213	\$3,963,646	\$ 3,587,209	\$3,864,837
Common equities	2,431,279	3,112,978	3,213,917	3,824,370
	\$ 6,080,492	\$7,076,624	\$ 6,801,126	\$7,689,207

6. Use of capital funds

Capital funds have been used as follows:

	<u>Land Purchases</u>	<u>Band Development</u>
2008 fiscal year	\$ 0	\$ 0
2009 fiscal year	0	300,000
2010 fiscal year	1,340,000	0
	<u>\$ 1,340,000</u>	<u>\$ 300,000</u>

7. Land purchases

The following land has been purchased and is being held in trust by Pasqua TLE Holdings Inc. until such time as it is converted to reserve status.

<u>Year Purchased</u>	<u>Number of Acres</u>	<u>Cost</u>
2010	1,630	\$ 1,340,000
Total	<u>1,630</u>	<u>\$ 1,340,000</u>

**Pasqua First Nation
Treaty Land Entitlement Trust
Capital and Revenue Funds
Notes to the Financial Statements**
For the Year Ended December 31, 2010

8. Settlement Agreement

	2010	2009	2008
Entitlement Monies			
Total as per agreement			
Canada	\$ 6,176,291	\$ 6,176,291	\$ 6,176,291
Saskatchewan	<u>2,646,982</u>	<u>2,646,982</u>	<u>2,646,982</u>
	<u>8,823,273</u>	<u>8,823,273</u>	<u>8,823,273</u>
Less: Received in the current year			
Canada	0	4,117,527	2,058,764
Saskatchewan	<u>441,164</u>	<u>441,164</u>	<u>441,164</u>
	<u>441,164</u>	<u>4,558,691</u>	<u>2,499,928</u>
Less: Received in prior years			
Canada	6,176,291	2,058,764	0
Saskatchewan	<u>882,328</u>	<u>441,164</u>	<u>0</u>
	<u>7,058,619</u>	<u>2,499,928</u>	<u>0</u>
Amount Receivable			
Canada	0	0	4,117,527
Saskatchewan	<u>1,323,490</u>	<u>1,764,654</u>	<u>2,205,818</u>
	<u>\$ 1,323,490</u>	<u>\$ 1,764,654</u>	<u>\$ 6,323,345</u>

Negotiation, Acquisitions, and Ratification Monies

Agreement amount	\$ 0	\$ 0	\$ 711,590
Applied to loan advances	0	0	611,590
Paid to the First Nation	<u>0</u>	<u>0</u>	<u>100,000</u>
	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 711,590</u>