

# Algonquin Treaty Negotiation Funding Trust

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## Financial Statements

For the year ended 31 March 2017



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## Independent Auditor's Report

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### To the members of Algonquin Treaty Negotiation Funding Trust

We have audited the accompanying financial statements of Algonquin Treaty Negotiation Funding Trust, which comprise the balance sheet as at March 31, 2017, and the statements of deficit, consolidated statement of revenue and expenses, statement of revenue and expenses for the Native Claims Loan, Negotiation Preparedness Initiative, Consultation Program, Enrolment and Ratification, Other Funding and statement of 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.

#### Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Algonquin Treaty Negotiation Funding Trust as at March 31, 2017, and the results of operations and cash flows for the year then ended in accordance with Canadian Accounting Standards for Private Enterprises.



**Collins Barrow Ottawa LLP**  
Chartered Professional Accountants  
301 Moodie Drive, Suite 400  
Ottawa, Ontario K2H 9C4  
Canada  
T: 613.820.8010  
F: 613.820.0465  
Email: [ottawa@collinsbarrow.com](mailto:ottawa@collinsbarrow.com)  
[www.collinsbarrow.com](http://www.collinsbarrow.com)

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## Independent Auditor's Report (continued)

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### Other Matter

The financial statements of Algonquin Treaty Negotiation Funding Trust as at March 31, 2016, were audited by another auditor who expressed an unqualified opinion on those financial statements.

*Collins Barrow Ottawa LLP*

Chartered Professional Accountants, Licensed Public Accountants  
July 20, 2017  
Ottawa, Ontario

Algonquin Treaty Negotiation Funding Trust

Balance Sheet

As at 31 March 2017  
(with 2016 figures for comparison)

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Current:		
Cash in trust account	\$ 1,445,527	\$ 1,081,829
Funding receivables	60,000	70,000
Accounts receivable	4,713	3,550
Due from related parties (Note 4)	<u>5,424</u>	<u>31,477</u>
	<u>\$ 1,515,664</u>	<u>\$ 1,186,856</u>
<u>LIABILITIES AND DEFICIT</u>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 588,437	\$ 564,010
Deferred revenue (Note 5)	91,829	94,617
Due to related parties (Note 4)	<u>263,001</u>	<u>                    </u>
	\$ 943,267	\$ 658,627
Long term liability:		
Loan payable (Note 6)	<u>25,550,258</u>	<u>23,259,048</u>
	<u>\$ 26,493,525</u>	<u>\$ 23,917,675</u>
Deficit (Note 10)	<u>\$ (24,977,861)</u>	<u>\$ (22,730,819)</u>
	<u>\$ 1,515,664</u>	<u>\$ 1,186,856</u>

Approved on behalf of the Trust:

  
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(See accompanying notes)

Algonquin Treaty Negotiation Funding Trust

Statement of Deficit

For the year ended 31 March 2017  
(with 2016 figures for comparison)

	<u>2017</u>	<u>2016</u>
Deficit at the beginning of the year	\$ (22,730,819)	\$ (20,480,509)
Net income (loss) for the year	<u>(2,247,042)</u>	<u>(2,250,310)</u>
Deficit at the end of the year	<u>\$ (24,977,861)</u>	<u>\$ (22,730,819)</u>

(See accompanying notes)

Algonquin Treaty Negotiation Funding Trust

Consolidated Statement of Revenue and Expenses

For the year ended 31 March 2017

(with 2017 budget and 2016 actual figures for comparison)

	<u>2017</u> <u>Budget</u>	<u>2017</u> <u>Actual</u>	<u>2016</u> <u>Actual</u>
Revenue:			
Aboriginal Affairs and Northern Development Canada	\$ 600,684	\$ 600,684	\$ 851,983
Ministry of Aboriginal Affairs	1,531,009	1,531,009	1,799,457
Other funding	<u>88,240</u>	<u>95,525</u>	<u>85,764</u>
	<u>\$ 2,219,933</u>	<u>\$ 2,227,218</u>	<u>\$ 2,737,204</u>
Expenses:			
Accommodations, meals and travel	\$ 240,000	\$ 253,628	\$ 244,048
Accounting and reporting	257,920	257,858	257,244
AIP signing ceremony	25,000	26,853	
ANR - office support	727,125	665,369	664,107
Archaeologist	19,500	19,250	49,146
Auditors	13,000	15,550	13,000
Capacity building	70,000	54,507	58,929
Communications			18,716
Community meetings	20,000	11,037	8,754
Consultation office overhead	80,000	95,000	67,430
Consultation office rent	130,813	131,962	129,822
Economic consultation	5,000	9,501	103,362
Elders/youth/community members	295,000	178,259	217,845
Election process	50,000	42,704	
Enrolment management and consultation	80,000	80,078	28,682
Facilitator	108,000	92,746	
Geographic overview			11,630
Harvest process	88,240	88,240	85,764
Land selection consultation	214,136	213,348	386,418
Lebreton	21,250	20,323	
Legal	270,000	233,630	258,645
Legal meals and travel			10,358
Newsletters	80,000	96,227	72,257
Other funding expenditures		7,285	
Principal negotiator and senior legal counsel	545,000	501,229	516,178
Principal negotiator meals and travel			36,000
Ratification process			415,352
Rockcliffe development	25,099	23,438	46,705
Strategic policy advisor	10,000	9,693	
Third party communications	5,000	4,831	
Wages	<u>1,383,963</u>	<u>1,341,714</u>	<u>1,287,122</u>
	<u>\$ 4,764,046</u>	<u>\$ 4,474,260</u>	<u>\$ 4,987,514</u>
Net income (loss) for the year	<u>\$ (2,544,113)</u>	<u>\$ (2,247,042)</u>	<u>\$ (2,250,310)</u>

Algonquin Treaty Negotiation Funding Trust

Loan

Statement of Revenue and Expenses

For the year ended 31 March 2017

(with 2017 budget and 2016 actual figures for comparison)

	<u>2017</u>	<u>2017</u>	<u>2016</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Revenue	\$ -	\$ -	\$ -
Expenses:			
Accommodations and meals			\$ 244,048
Accounting and reporting	\$ 120,420	\$ 120,358	19,491
ANR - administrative office support	350,000	347,133	200,000
- community travel	44,375	31,297	11,875
- office overhead support	242,750	200,547	149,680
- rent	90,000	86,392	
Archaeologist			24,573
Audit			8,000
Capacity building	55,000	39,507	
Elders/youth/community members	168,500	51,622	150,345
Economic consultant	1,250	1,550	47,632
Enrolment management and research	40,000	40,000	14,341
Facilitator	30,000		
Land selection consultation	107,068	107,068	100,001
Legal	131,000	110,852	109,304
Newsletters	45,000	61,227	42,257
Principal negotiator and senior legal counsel	298,750	256,784	363,373
Ratification process			58,029
Rockcliffe development			7,500
Wages - ANRs	800,000	800,000	790,400
- communication coordinator			5,944
- part-time			15,980
- policy analyst	20,000		
Third party communications			18,716
	<u>\$ 2,544,113</u>	<u>\$ 2,254,337</u>	<u>\$ 2,381,489</u>
Net income (loss) for the year	<u>\$ (2,544,113)</u>	<u>\$ (2,254,337)</u>	<u>\$ (2,381,489)</u>

(See accompanying notes)

Algonquin Treaty Negotiation Funding Trust

Negotiation Preparedness Initiative

Statement of Revenue and Expenses

For the year ended 31 March 2017

(with 2017 budget and 2016 actual figures for comparison)

	<u>2017 Budget</u>	<u>2017 Actual</u>	<u>2016 Actual</u>
Revenue:			
Aboriginal Affairs and Northern Development Canada	<u>\$ 600,684</u>	<u>\$ 600,684</u>	<u>\$ 683,569</u>
Expenses:			
Accounting and reporting			\$ 80,000
AIP signing ceremony	\$ 25,000	\$ 26,853	
Archaeologist	19,500	19,250	
Audit	13,000	15,550	
Capacity building			40,000
Community meetings			8,754
Consultation office overhead	80,000	95,000	50,000
Consultation office rent	130,813	131,962	100,822
Geographic overview			6,539
Economic consultant			23,835
Elders/youth/community members	64,000	64,137	
Facilitator	78,000	92,746	
Land selection consultation			216,417
Lebreton development	21,250	20,323	
Rockcliffe development	25,099	23,438	
Strategic policy advisor - third party	10,000	9,693	
Third party communications	5,000	4,831	
Wages - communication co-ordinator	56,378	37,120	
- front office	12,866	12,866	51,058
- part time	30,795	17,932	
- resource technicians	<u>28,983</u>	<u>28,983</u>	<u>106,144</u>
	<u>\$ 600,684</u>	<u>\$ 600,684</u>	<u>\$ 683,569</u>
Net income (loss) for the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(See accompanying notes)



Algonquin Treaty Negotiation Funding Trust

Consultation Program

Statement of Revenue and Expenses

For the year ended 31 March 2017

(with 2017 budget and 2016 actual figures for comparison)

	<u>2017</u> <u>Budget</u>	<u>2017</u> <u>Actual</u>	<u>2016</u> <u>Actual</u>
Revenue:			
Ministry of Aboriginal Affairs	\$ 1,531,009	\$ 1,531,009	\$ 1,799,457
Expenses:			
Accommodations and meals	\$ 240,000	\$ 253,628	
Accounting and reporting	137,500	137,500	\$ 157,753
ANR - administrative office support			146,597
- community travel			8,763
- office overhead support			60,500
- office rent			86,692
Archaeologist			24,573
Audit			5,000
Capacity building	15,000	15,000	18,929
Community meetings	20,000	11,037	
Consultation office overhead			17,430
Consultation office rent			29,000
Economic consultation	3,750	7,951	31,895
Elders/youth/community members	62,500	62,500	67,500
Election process	50,000	42,704	
Enrolment management and research	40,000	40,078	14,341
Geographic overview			5,091
Land selection consultation	107,068	106,280	70,000
Legal	139,000	122,778	149,341
Legal meals/travel			10,358
Newsletters	35,000	35,000	30,000
Principal negotiator and senior legal counsel	246,250	244,445	152,805
Principal negotiator meals/travel			36,000
Ratification process			188,909
Rockcliffe			39,205
Wages - ANRs	160,000	160,000	169,600
- executive director	121,168	126,943	127,127
- front office	30,763	34,960	
- payroll costs	32,500	31,817	20,869
- policy analyst	5,000		
- resource technicians	85,510	91,093	
	<u>\$ 1,531,009</u>	<u>\$ 1,523,714</u>	<u>\$ 1,668,278</u>
Net income (loss) for the year	<u>\$ -</u>	<u>\$ 7,295</u>	<u>\$ 131,179</u>

(See accompanying notes)

Algonquin Treaty Negotiation Funding Trust

Enrolment and Ratification

Statement of Revenue and Expenses

For the year ended 31 March 2017

(with 2017 budget and 2016 actual figures for comparison)

	<u>2017</u> <u>Budget</u>	<u>2017</u> <u>Actual</u>	<u>2016</u> <u>Actual</u>
Revenue:			
Aboriginal Affairs and Northern Development Canada	\$ -	\$ -	\$ 168,414
Expenses:			
Ratification process	\$	\$	\$ 168,414
Net income (loss) for the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(See accompanying notes)

Algonquin Treaty Negotiation Funding Trust

Other Funding

Statement of Revenue and Expenses

For the year ended 31 March 2017

(with 2017 budget and 2016 actual figures for comparison)

	<u>2017</u> <u>Budget</u>	<u>2017</u> <u>Actual</u>	<u>2016</u> <u>Actual</u>
Revenue:			
Ministry of Natural Resources - Harvest	\$ 88,240	\$ 88,240	\$ 85,764
Other recoveries	<u>9,545</u>	<u>7,285</u>	<u>          </u>
	<u>\$ 97,785</u>	<u>\$ 95,525</u>	<u>\$ 85,764</u>
Expenses:			
Algonquin Harvest	\$ 88,240	\$ 88,240	\$ 85,764
Miscellaneous recoveries	<u>9,545</u>	<u>7,285</u>	<u>          </u>
	<u>\$ 97,785</u>	<u>\$ 95,525</u>	<u>\$ 85,764</u>
Net income (loss) for the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(See accompanying notes)

Algonquin Treaty Negotiation Funding Trust

Statement of Cash Flows

For the year ended 31 March 2017  
(with 2016 figures for comparison)

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Net income (loss) for the year	\$ <u>(2,247,042)</u>	\$ <u>(2,250,310)</u>
Net change in non cash working capital balances related to operations:		
Decrease (increase) in accounts receivable	\$ (1,163)	\$ 22,717
Decrease (increase) in funding receivables	10,000	20,000
Decrease (increase) in due from related parties	26,053	(18,623)
Increase (decrease) in accounts payable and accrued liabilities	24,427	(197,318)
Increase (decrease) in deferred revenue	(2,788)	(163,411)
Increase (decrease) in due to related parties	<u>263,001</u>	<u>(4,931)</u>
	<u>\$ 319,530</u>	<u>\$ (341,566)</u>
Cash flows used for operating activities	<u>\$ (1,927,512)</u>	<u>\$ (2,591,876)</u>
Cash flows from financing activities:		
Increase in loan payable	<u>\$ 2,291,210</u>	<u>\$ 2,426,692</u>
Net increase (decrease) in cash in trust account during the year	\$ 363,698	\$ (165,184)
Cash in trust account at the beginning of the year	<u>1,081,829</u>	<u>1,247,013</u>
Cash in trust account at the end of the year	<u>\$ 1,445,527</u>	<u>\$ 1,081,829</u>

(See accompanying notes)

Algonquin Treaty Negotiation Funding Trust

Notes to the Financial Statements

For the year ended 31 March 2017

1. NATURE OF THE TRUST

The Algonquin Treaty Negotiation Funding Trust was created on 20 December 2005. The objective of the Trust is to facilitate the negotiations for claim agreements with the Crown. The Trust is overseen by sixteen elected individuals from ten Algonquin communities, three of whom are appointed as trustees.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian Accounting Standards for Private Enterprises which are part of Canadian generally accepted accounting principles and include the following significant accounting policies:

a) Basis of accounting:

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

b) Use of estimates:

The preparation of financial statements in accordance with Canadian Accounting Standards for Private Enterprises requires the Trust's management to make estimates that affect the reported amounts of assets and liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

c) Cash and cash equivalents:

Cash and cash equivalents are comprised of cash in trust account and investments due no greater than three months from the date of acquisition or that are cashable on demand.

d) Income taxes:

The Trust uses the income taxes payable method of accounting for income taxes. Under this method, the Trust reports as an expense (income) of the period only the cost (benefit) of current income taxes determined in accordance with the rules established by taxation authorities.

e) Revenue recognition:

Revenue is recognized on an accrual basis as expenditures are made against the approved line items from the funding agencies.

f) Financial instruments:

The Trust's financial instruments consist of cash in trust account, accounts receivable, funding receivables, due from Algonquin Opportunity (No. 1) Corporation, due from/to Algonquin Opportunity (No. 2) Corporation, accounts payable and accrued liabilities and loan payable. The carrying amount approximates their fair value, except where fair values are not readily obtainable.

3. FINANCIAL INSTRUMENTS

Risks and concentrations:

The Trust is exposed to various risks through its financial instruments, without being exposed to concentrations of risk. The following analysis provides a measure of the Trust's risk exposure at the balance sheet date, 31 March 2017.

Algonquin Treaty Negotiation Funding Trust

Notes to the Financial Statements

For the year ended 31 March 2017

Liquidity risk:

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with the financial liabilities. The Trust is exposed to this risk mainly in respect of its accounts payable and accrued liabilities, due to Algonquin Opportunity (No.2) Corporation and loan payable.

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 Trust's main credit risks relate to the accounts receivable amounts due from Algonquin Opportunity (No. 1) Corporation and Algonquin Opportunity (No. 2) Corporation. The Trust provides credit in the normal course of its operations.

Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk; currency risk, interest rate risk and other price risk. The Trust is not exposed to any significant market risks.

#### 4. RELATED PARTY TRANSACTIONS

Algonquin Opportunity (No. 2) Corporation, Algonquin Opportunity (No. 1) Corporation, AOO Realty (Rockcliffe) Inc., AOO Energy (Denbigh) Corp. and AOO Energy (Solartrail) Corp. are 100% owned by the Algonquins of Ontario Opportunities Trust which is controlled by the members of the Algonquin Treaty Negotiation Funding Trust.

The Algonquin Treaty Negotiation Funding Trust provided funding to cover certain costs of assisting the operations of the Algonquin Treaty Negotiation Funding Trust operating within Algonquin Opportunity (No. 2) Corporation. The total funding provided for in 2017 was \$ 433,684 (2016 - \$ 445,857). All transactions with related parties were in the normal course of business and recorded at exchange value.

The Algonquin Treaty Negotiation Funding Trust provided working capital to operations of Algonquin Opportunity (No. 1) Corporation.

The amounts due from (to) related Corporations are interest free and have no specific repayment terms. The financial statements of Algonquin Opportunity (No. 2) Corporation are consolidated with the Algonquin Treaty Negotiation Funding Trust for reporting purposes under the funding program.

Due to related parties consists of Algonquin Opportunity (No. 2) Corporation of \$ 239,734 (2016 - \$ Nil) and due to AOO Realty (Rockcliffe) Inc. of \$ 23,267 (2016 - \$ Nil).

Due from related parties consists of Algonquin Opportunity (No. 1) Corporation of \$ 3,164 (2016 - \$ 30,134), Algonquin Opportunity (No. 2) Corporation - \$ Nil (2016 - \$ 1,343), AOO Energy (Denbigh) Corp. - \$ 1,130 (2016 - \$ Nil) and AOO Energy (Solartrail) Corp. - \$ 1,130 (2016 - \$ Nil).

#### 5. DEFERRED REVENUE

The Trust has received funding in advance to be applied to expenditures of subsequent years as follows:

	<u>2017</u>	<u>2016</u>
Native values	\$ 18,517	\$ 18,517
Forestry	9,712	17,000
Fisheries	4,500	
Nation Gathering	54,100	54,100
Other	<u>5,000</u>	<u>5,000</u>
	<u>\$ 91,829</u>	<u>\$ 94,617</u>

Algonquin Treaty Negotiation Funding Trust

Notes to the Financial Statements

For the year ended 31 March 2017

6. LOAN PAYABLE

Loan payable represents advances from the Aboriginal Affairs and Northern Development Canada (AANDC) for the purpose of financing costs incurred in the negotiations of claim agreements. The loans are to be deemed advances on an eventual claim settlement.

Total advances in the year amounted to \$ 2,291,210. Loans will be interest free until the earliest of:

- 1) The date such advances become due 31 March 2023;
- 2) The actual claims settlement date;
- 3) The date of demand by the Minister in event of a default having occurred.

Interest rates on advances bear interest rates equal to rates payable by Crown Corporations on loans from the consolidated revenue fund for a term of years equal to the term of years between the cheque issue date for the advance and the due date of the advance.

	<u>2017</u>	<u>2016</u>
Balance at the beginning of the year	\$ 23,259,048	\$ 20,832,356
Advances in current year on Workplan	<u>2,291,210</u>	<u>2,426,692</u>
Balance at the end of the year	<u>\$ 25,550,258</u>	<u>\$ 23,259,048</u>

7. ECONOMIC DEPENDENCE

The Trust is dependent on the Government of Ontario and the Aboriginal Affairs and Northern Development Canada for 100% of its revenue.

8. INCOME TAX LOSSES CARRYFORWARD

The Trust has losses carryforward for income tax purposes that expire as follows:

2027	\$ 1,194,014
2028	1,205,986
2029	1,200,001
2030	1,309,986
2031	1,966,603
2032	2,021,961
2033	2,264,256
2034	2,134,578
2035	2,307,126
2036	2,250,310
2037	2,247,042

9. REVISED FINANCIAL STATEMENTS

The current year's financial statements have been revised to provide additional information to the users.

10. DEFICIT

The deficit is funded by loan payable to AANDC. The difference between the deficit of \$ 24,977,861 and loan payable of \$ 25,550,258 is \$ 572,397 representing the surplus for 2016 - 2017. The surplus will be used to offset the AANDC loan funding in the amount of \$ 289,776 in 2017 - 2018 and the Ministry of Aboriginal Affairs contribution funding in the amount of \$ 282,621 in 2017 - 2018.

11. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's financial statement presentation.