

Algonquin Opportunity (No. 2) Corporation

Financial Statements

For the year ended 31 March 2016

Wilfred J. Lamb
CHARTERED PROFESSIONAL ACCOUNTANT

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INDEPENDENT AUDITOR'S REPORT

The Shareholders,
Algonquin Opportunity (No. 2) Corporation.

I have audited the accompanying financial statements of Algonquin Opportunity (No. 2) Corporation, which comprise the balance sheet as at 31 March 2016, and the statements of deficit, operations and 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian Generally Accepted Auditing Standards. Those standards require that I 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 judgment, 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Algonquin Opportunity (No. 2) Corporation as at 31 March 2016, and the results of its operations and cash flows for the year then ended in accordance with Canadian Accounting Standards for Private Enterprises.



KANATA, Ontario.
21 July 2016.

Wilfred Lamb,
CPA, CA, LPA

Algonquin Opportunity (No. 2) Corporation

Balance Sheet

As at 31 March 2016
(with 2015 figures for comparison)

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
Current:		
Cash in bank	\$ 97,268	\$ 85,730
Accounts receivable	91,666	
Due from Algonquin Treaty Negotiation Funding Trust (Note 5)	<u> </u>	<u>4,931</u>
	<u>\$ 188,934</u>	<u>\$ 90,661</u>

LIABILITIES AND SHAREHOLDERS' DEFICIT

Current liabilities:		
Accounts payable and accrued liabilities	\$ 38,263	\$ 28,244
Due to Ministry of Aboriginal Affairs	61,980	
Deferred revenue (Note 7)	82,824	60,568
Due to Algonquin Treaty Negotiation Funding Trust (Note 5)	1,343	
Government remittances payable	<u>4,835</u>	<u>2,160</u>
	<u>\$ 189,245</u>	<u>\$ 90,972</u>
Shareholders' deficit:		
Capital:		
Common shares:		
Authorized - unlimited common shares		
Issued - 100 common shares (Note 5)	\$ 10	\$ 10
Deficit	<u>(321)</u>	<u>(321)</u>
	<u>\$ (311)</u>	<u>\$ (311)</u>
	<u>\$ 188,934</u>	<u>\$ 90,661</u>

Approved on behalf of the Board:

(See accompanying notes)

Algonquin Opportunity (No. 2) Corporation

Statement of Deficit

For the year ended 31 March 2016
(with 2015 figures for comparison)

	<u>2016</u>	<u>2015</u>
Balance at the beginning of the year	\$ (321)	\$ (321)
Net income (loss) for the year	<u>-</u>	<u>-</u>
Balance at the end of the year	<u>\$ (321)</u>	<u>\$ (321)</u>

(See accompanying notes)

Algonquin Opportunity (No. 2) Corporation

Statement of Operations

For the year ended 31 March 2016
(with 2015 figures for comparison)

	<u>2016</u>	<u>2015</u>
Negotiation Operations - Algonquin Treaty Negotiation Funding Trust	\$ <u>445,857</u>	\$ <u>462,819</u>
Expenses:		
Interest and bank charges	\$ 615	\$ 763
Lease (Note 9)	114,887	110,502
Salaries	<u>330,355</u>	<u>351,554</u>
	\$ <u>445,857</u>	\$ <u>462,819</u>
Operating income from Negotiation Operations	\$ <u>-</u>	\$ <u>-</u>
New Relationship Funding - Core Funding	\$ 530,515	\$ 221,695
Less surplus repayable	<u>61,980</u>	<u>-</u>
	\$ <u>468,535</u>	\$ <u>221,695</u>
Expenses:		
Administration costs	\$ 15,607	\$ 22,143
Consultants and professional fees	119,258	38,134
Community outreach events including travel and honorariums	42,463	54,680
Software (Drape)	-	40,000
Salaries	282,330	65,014
Training	<u>8,877</u>	<u>1,724</u>
	\$ <u>468,535</u>	\$ <u>221,695</u>
Operating income from New Relationship Funding - Core Funding	\$ <u>-</u>	\$ <u>-</u>
New Relationship Funding - Enhanced Funding	\$ <u>50,000</u>	\$ <u>50,000</u>
Expenses:		
Administration costs	\$ 4,510	\$ 4,186
Equipment	-	8,807
Honorarium	2,010	-
Community outreach	1,554	-
Professional fees	1,499	3,592
Salaries	39,674	29,740
Travel	<u>753</u>	<u>3,675</u>
	\$ <u>50,000</u>	\$ <u>50,000</u>
Operating income from New Relationship Funding - Enhanced Funding	\$ <u>-</u>	\$ <u>-</u>
Funding from other programs	\$ <u>92,904</u>	\$ <u>-</u>
Expenses:		
Other program expenses	\$ <u>92,904</u>	\$ <u>-</u>
Operating income from other programs	\$ <u>-</u>	\$ <u>-</u>
Net income (loss) for the year	\$ <u>-</u>	\$ <u>-</u>

(See accompanying notes)

Algonquin Opportunity (No. 2) Corporation

Statement of Cash Flows

For the year ended 31 March 2016
(with 2015 figures for comparison)

	<u>2016</u>	<u>2015</u>
Net change in non cash working capital balances related to operations:		
- decrease (increase) in accounts receivable	\$ (91,666)	\$ -
- decrease (increase) in due from Algonquin Treaty Negotiation Funding Trust	4,931	(4,931)
- increase (decrease) in government remittances payable	2,675	(3,757)
- increase (decrease) in accounts payable and accrued liabilities	72,000	9,050
- increase (decrease) in deferred revenue	22,255	36,000
- increase (decrease) in due to Algonquin Treaty Negotiation Funding Trust	<u>1,343</u>	<u>(57,804)</u>
Net increase (decrease) in cash and cash equivalents during the year	\$ 11,538	\$ (21,442)
Cash and cash equivalents at the beginning of the year	<u>85,730</u>	<u>107,172</u>
Cash and cash equivalents at the end of the year	<u>\$ 97,268</u>	<u>\$ 85,730</u>

(See accompanying notes)

Algonquin Opportunity (No. 2) Corporation

Notes to the Financial Statements

For the year ended 31 March 2016

1. NATURE OF THE BUSINESS

The company was incorporated 26 March 2009 under the laws of Ontario and its operations consist of assisting in the Algonquins of Ontario treaty settlement.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian Accounting Standards for Private Enterprises 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 management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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 on hand and in bank and investments due no greater than three months from the date of acquisition or that are cashable on demand.

d) Income taxes:

The company applies the future income taxes method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on the difference between the carrying amounts of existing assets and liabilities and their respective tax basis. Any change in the net amount of future income tax assets and liabilities is included in income. Future income tax assets and liabilities are determined based on enacted or substantively enacted tax rates and laws which are expected to apply to taxable income for the years in which the assets and liabilities will be recovered. Future income tax assets are recognized when it is more likely than not that they will be realized.

e) Revenue recognition:

Provincial funding and transfers from Algonquin Treaty Negotiation Funding Trust are recognized at the time expenses are incurred.

f) Financial instruments:

Where not disclosed, the carrying amount of the company's financial instruments, being cash in bank, accounts receivable, due from Algonquin Treaty Negotiation Funding Trust, accounts payable and accrued liabilities and due to Algonquin Treaty Negotiation Funding Trust, approximates their fair values, except where fair values are not readily obtainable. Unless otherwise noted, it is management's opinion that the company is not exposed to significant interest rate, currency or credit risks arising from these financial instruments.

3. FINANCIAL INSTRUMENTS

Risks and concentrations:

The following analysis provides a measure of the company's risk exposure at the balance sheet date, 31 March 2016.

Algonquin Opportunity (No. 2) Corporation

Notes to the Financial Statements

For the year ended 31 March 2016

Liquidity risk:

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with the financial liabilities. The company is exposed to this risk mainly in respect of its accounts payable and accrued liabilities and due to Algonquin Treaty Negotiation Funding Trust.

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 company's main credit risk relates to the amount due from Algonquin Treaty Negotiation Funding Trust.

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 company is not exposed to any significant market risks.

4. ECONOMIC DEPENDENCE

The company is dependent on the Government of Ontario and the Algonquin Treaty Negotiation Funding Trust for 100% of its revenue.

5. RELATED PARTY TRANSACTIONS

Algonquin Opportunity (No. 2) Corporation is 100% owned by Algonquins of Ontario Opportunities Trust.

The Algonquin Treaty Negotiation Funding Trust provides funding to cover costs of assisting the operations of the Algonquin Treaty Negotiation Funding Trust operating within Algonquin Opportunity (No. 2) Corporation. All transactions with related parties were in the normal course of business and recorded at exchange value.

The amount due to Algonquin Treaty Negotiation Funding Trust is interest free and has no specific repayment terms.

6. CONSOLIDATION

The financial statements are consolidated with Algonquin Treaty Negotiation Funding Trust for reporting purposes under the funding programs.

Algonquin Opportunity (No. 2) Corporation

Notes to the Financial Statements

For the year ended 31 March 2016

7. DEFERRED REVENUE

a) Deferred revenue relates to funds received for work not yet commenced at year end.

	<u>2016</u>	<u>2015</u>
Balance at the beginning of the year	\$ 60,568	\$ 24,568
Additions during the year	<u>22,256</u>	<u>36,000</u>
Balance at the end of the year	<u>\$ 82,824</u>	<u>\$ 60,568</u>

b) Consisting of:

	<u>2016</u>	<u>2015</u>
City of Ottawa	\$ 24,568	\$ 24,568
Ministry of Natural Resources	40,999	36,000
Energy Ottawa	<u>17,257</u>	<u> </u>
	<u>\$ 82,824</u>	<u>\$ 60,568</u>

8. COMPARATIVE FIGURES

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

9. LEASE

The lease relates to premises to accommodate the negotiations activities. The lease is based on \$ 115,764 annually, payable monthly and is with Ontario Infrastructure and Lands Corporation with the lease expiring on 31 May 2018.