

Algonquin Treaty Negotiation Funding Trust

Financial Statements

For the year ended 31 March 2016

Wilfred J. Lamb

CHARTERED PROFESSIONAL ACCOUNTANT

11 Humphrey Way
Kanata, On K2L 2S9

Tel (613) 836-6618

INDEPENDENT AUDITOR'S REPORT

To the members of,
Algonquin Treaty Negotiation Funding Trust.

I have audited the accompanying financial statements of the Algonquin Treaty Negotiation Funding Trust, which comprise the balance sheet as at 31 March 2016, and the statements of deficit, consolidated statement of revenue and expenses, revenue and expenses for the 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

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 the Algonquin Treaty Negotiation Funding Trust as at 31 March 2016 and the results of its operations 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 Treaty Negotiation Funding Trust

Balance Sheet

As at 31 March 2016

(with 2015 figures for comparison)

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
Current:		
Cash in trust account	\$ 1,081,829	\$ 1,247,013
Funding receivables	70,000	90,000
Accounts receivable	3,550	26,266
Due from Algonquin Opportunity (No. 1) Corporation (Note 4)	30,134	12,854
Due from Algonquin Opportunity (No. 2) Corporation (Note 4)	<u>1,343</u>	<u> </u>
	<u>\$ 1,186,856</u>	<u>\$ 1,376,133</u>
<u>LIABILITIES AND DEFICIT</u>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 564,010	\$ 761,327
Deferred revenue (Note 5)	94,617	258,028
Due to Algonquin Opportunity (No. 2) Corporation (Note 4)	<u> </u>	<u>4,931</u>
	\$ 658,627	\$ 1,024,286
Long term liability:		
Loan payable (Note 6)	<u>23,259,048</u>	<u>20,832,356</u>
	<u>\$ 23,917,675</u>	<u>\$ 21,856,642</u>
Deficit (Note 10)	<u>\$ (22,730,819)</u>	<u>\$ (20,480,509)</u>
	<u>\$ 1,186,856</u>	<u>\$ 1,376,133</u>

Approved on behalf of the Trust:

(See accompanying notes)

Algonquin Treaty Negotiation Funding Trust

Statement of Deficit

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

	<u>2016</u>	<u>2015</u>
Deficit at the beginning of the year	\$ (20,480,509)	\$ (18,173,383)
Net income (loss) for the year	<u>(2,250,310)</u>	<u>(2,307,126)</u>
Deficit at the end of the year	<u>\$ (22,730,819)</u>	<u>\$ (20,480,509)</u>

(See accompanying notes)

Algonquin Treaty Negotiation Funding Trust

Consolidated Statement of Revenue and Expenses

For the year ended 31 March 2016

(with 2016 budget and 2015 actual figures for comparison)

	<u>2016</u> <u>Budget</u>	<u>2016</u> <u>Actual</u>	<u>2015</u> <u>Actual</u>
Revenue:			
Indian and Northern Affairs Canada	\$ 851,983	\$ 851,983	\$ 700,000
Ministry of Aboriginal Affairs	1,943,604	1,799,457	1,733,133
Other funding	<u>85,764</u>	<u>85,764</u>	<u>95,520</u>
	<u>\$ 2,881,351</u>	<u>\$ 2,737,204</u>	<u>\$ 2,528,653</u>
Expenses:			
Accommodations, meals and travel	\$ 280,000	\$ 244,048	\$ 282,749
Accounting and reporting	257,753	257,244	266,536
ANR - office support	717,125	664,107	656,186
Archaeologist	72,500	49,146	2,681
Auditors	13,000	13,000	12,500
Capacity building	70,000	58,929	59,667
Communications	60,000	18,716	
Community meetings	17,500	8,754	10,605
Consultation office overhead	82,000	67,430	109,644
Consultation office rent	129,000	129,822	124,867
Economic consultation	111,000	103,362	34,971
Elders/youth/community members	235,000	217,845	204,366
Election process			11,075
Enrolment consultation	44,975	28,682	95,614
Geographic overview	14,000	11,630	47,999
Harvest process	85,764	85,764	75,000
Land selection consultation	370,000	386,418	429,537
Legal	285,000	258,645	357,528
Legal meals and travel	14,000	10,358	
Newsletters	75,000	72,257	87,865
Other funding expenditures			20,520
Principal negotiator and senior legal counsel	525,305	516,178	557,788
Principal negotiator meals and travel	36,000	36,000	
Ratification process	590,920	415,352	7,439
Rockcliffe development	15,000	46,705	10,528
Wages	<u>1,414,901</u>	<u>1,287,122</u>	<u>1,370,114</u>
	<u>\$ 5,515,743</u>	<u>\$ 4,987,514</u>	<u>\$ 4,835,779</u>
Net income (loss) for the year	<u>\$ (2,634,392)</u>	<u>\$ (2,250,310)</u>	<u>\$ (2,307,126)</u>

Algonquin Treaty Negotiation Funding Trust

Loan

Statement of Revenue and Expenses

For the year ended 31 March 2016

(with 2016 budget and 2015 actual figures for comparison)

	<u>2016</u> <u>Budget</u>	<u>2016</u> <u>Actual</u>	<u>2015</u> <u>Actual</u>
Revenue	\$ -	\$ -	\$ -
Expenses:			
Accommodations and meals	\$ 280,000	\$ 244,048	\$ 130,111
Accounting and reporting	20,000	19,491	10,000
ANR - administrative office support	200,000	200,000	159,905
- community travel	11,875	11,875	
- office overhead support	182,250	149,680	164,934
Archaeologist	35,000	24,573	2,681
Audit	8,000	8,000	7,500
Consultation office overhead	10,000		
Community meetings			10,605
Elders/youth/community members	167,500	150,345	154,366
Economic consultant	50,000	47,632	29,971
Enrolment consultation	22,975	14,341	37,014
Land selection consultation	100,000	100,001	87,969
Legal	125,000	109,304	128,376
Newsletters	45,000	42,257	26,093
Principal negotiator and senior legal counsel	372,500	363,373	358,983
Ratification process	125,946	58,029	
Rockcliffe development	7,500	7,500	10,528
Travel			152,639
Wages - ANRs	790,400	790,400	790,400
- communication coordinator	5,446	5,944	63,867
- part-time	15,000	15,980	
Third party communications	60,000	18,716	
	<u>\$ 2,634,392</u>	<u>\$ 2,381,489</u>	<u>\$ 2,325,942</u>
Net income (loss) for the year	<u>\$ (2,634,392)</u>	<u>\$ (2,381,489)</u>	<u>\$ (2,325,942)</u>

(See accompanying notes)

Algonquin Treaty Negotiation Funding Trust

Negotiation Preparedness Initiative

Statement of Revenue and Expenses

For the year ended 31 March 2016

(with 2016 budget and 2015 actual figures for comparison)

	<u>2016 Budget</u>	<u>2016 Actual</u>	<u>2015 Actual</u>
Revenue:			
Indian and Northern Affairs Canada	<u>\$ 683,569</u>	<u>\$ 683,569</u>	<u>\$ 700,000</u>
Expenses:			
Accounting and reporting	\$ 80,000	\$ 80,000	\$ 79,900
Capacity building	40,000	40,000	59,667
Community meetings	17,500	8,754	
Consultation office overhead	50,000	50,000	67,456
Consultation office rent	100,000	100,822	95,844
Geographic overview	7,000	6,539	20,879
Economic consultant	20,500	23,835	
Enrolment			5,000
Land selection consultation	200,000	216,417	207,109
Wages - front office	50,569	51,058	50,056
- resource technicians	<u>118,000</u>	<u>106,144</u>	<u>114,089</u>
	<u>\$ 683,569</u>	<u>\$ 683,569</u>	<u>\$ 700,000</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 2016

(with 2016 budget and 2015 actual figures for comparison)

	2016 <u>Budget</u>	2016 <u>Actual</u>	2015 <u>Actual</u>
Revenue:			
Ministry of Aboriginal Affairs	\$ 1,799,457	\$ 1,799,457	\$ 1,733,133
Expenses:			
Accounting and reporting	\$ 157,753	\$ 157,753	\$ 176,636
ANR - administrative office support	150,000	146,597	166,935
- community travel	22,500	8,763	21,220
- office overhead support	60,500	60,500	55,000
- office rent	90,000	86,692	88,192
Archaeologist	37,500	24,573	
Audit	5,000	5,000	5,000
Capacity building	30,000	18,929	
Consultation office overhead	22,000	17,430	42,188
Consultation office rent	29,000	29,000	29,023
Economic consultation	40,500	31,895	5,000
Elders/youth/community members	67,500	67,500	50,000
Election process			11,075
Enrolment consultation	22,000	14,341	53,600
Geographic overview	7,000	5,091	27,120
Land selection consultation	70,000	70,000	134,459
Legal	160,000	149,341	218,633
Legal meals/travel	14,000	10,358	10,519
Newsletters	30,000	30,000	61,772
Principal negotiator and senior legal counsel	152,805	152,805	169,041
Principal negotiator meals/travel	36,000	36,000	29,764
Ratification process	296,560	188,909	7,439
Rockcliffe	7,500	39,205	
Wages - ANRs	169,600	169,600	169,600
- consultation/economic development	59,632		30,273
- executive director	118,704	127,127	118,828
- payroll costs	32,550	20,869	30,747
- science/policy analyst	55,000		
- technical support			2,253
	<u>\$ 1,943,604</u>	<u>\$ 1,668,278</u>	<u>\$ 1,714,317</u>
Net income (loss) for the year	<u>\$ (144,147)</u>	<u>\$ 131,179</u>	<u>\$ (18,816)</u>

(See accompanying notes)

Algonquin Treaty Negotiation Funding Trust

Enrolment and Ratification

Statement of Revenue and Expenses

For the year ended 31 March 2016

(with 2016 budget and 2015 actual figures for comparison)

	<u>2016 Budget</u>	<u>2016 Actual</u>	<u>2015 Actual</u>
Revenue:			
Indian and Northern Affairs Canada	\$ <u>168,414</u>	\$ <u>168,414</u>	\$ <u>-</u>
Expenses:			
Ratification process	\$ <u>168,414</u>	\$ <u>168,414</u>	\$ <u>-</u>
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 2016

(with 2016 budget and 2015 actual figures for comparison)

	<u>2016 Budget</u>	<u>2016 Actual</u>	<u>2015 Actual</u>
Revenue:			
Ministry of Natural Resources - Harvest	\$ 85,764	\$ 85,764	\$ 75,000
Other recoveries	<u> </u>	<u> </u>	<u>20,520</u>
	<u>\$ 85,764</u>	<u>\$ 85,764</u>	<u>\$ 95,520</u>
Expenses:			
Algonquin Harvest	\$ 85,764	\$ 85,764	\$ 75,000
Miscellaenous recoveries	<u> </u>	<u> </u>	<u>20,520</u>
	<u>\$ 85,764</u>	<u>\$ 85,764</u>	<u>\$ 95,520</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 2016
(with 2015 figures for comparison)

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Net income (loss) for the year	\$ <u>(2,250,310)</u>	\$ <u>(2,307,126)</u>
Net change in non cash working capital balances related to operations:		
Decrease (increase) in accounts receivable	\$ 22,717	(16,266)
Decrease (increase) in funding receivables	20,000	\$ (38,000)
Decrease (increase) in due from Algonquin Opportunity (No.1) Corporation	(17,280)	(7,453)
Decrease (increase) in due from Algonquin Opportunity (No.2) Corporation	(1,343)	62,735
Increase (decrease) in accounts payable and accrued liabilities	(197,318)	369,172
Increase (decrease) in deferred revenue	(163,411)	5,000
Increase (decrease) in due to Algonquin Opportunity (No.2) Corporation	<u>(4,931)</u>	<u> </u>
	\$ <u>(341,566)</u>	\$ <u>375,188</u>
Cash flows used for operating activities	\$ <u>(2,591,876)</u>	\$ <u>(1,931,938)</u>
Cash flows from financing activities:		
Increase in loan payable	\$ <u>2,426,692</u>	\$ <u>2,278,975</u>
Net increase (decrease) in cash in trust account during the year	\$ (165,184)	\$ 347,037
Cash in trust account at the beginning of the year	<u>1,247,013</u>	<u>899,976</u>
Cash in trust account at the end of the year	<u>\$ 1,081,829</u>	<u>\$ 1,247,013</u>

(See accompanying notes)

Algonquin Treaty Negotiation Funding Trust

Notes to the Financial Statements

For the year ended 31 March 2016

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 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 on 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 2016.

Algonquin Treaty Negotiation Funding Trust

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 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 and Algonquin Opportunity (No. 1) Corporation 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 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 2016 was \$ 445,857 (2015 - \$ 462,879). 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 both 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.

5. DEFERRED REVENUE

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

	<u>2016</u>	<u>2015</u>
Native values	\$ 18,517	\$ 18,517
Forestry	17,000	17,000
Ratification		168,411
Nation Gathering	54,100	49,100
Other	<u>5,000</u>	<u>5,000</u>
	<u>\$ 94,617</u>	<u>\$ 258,028</u>

Algonquin Treaty Negotiation Funding Trust

Notes to the Financial Statements

For the year ended 31 March 2016

6. LOAN PAYABLE

Loan payable represents advances from the Indian and Northern Affairs Canada (INAC) 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 \$ 2,426,692. 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>2016</u>	<u>2015</u>
Balance at the beginning of the year	\$ 20,832,356	\$ 18,553,381
Advances in current year on Workplan	<u>2,426,692</u>	<u>2,278,975</u>
Balance at the end of the year	<u>\$ 23,259,048</u>	<u>\$ 20,832,356</u>

7. ECONOMIC DEPENDENCE

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

8. INCOME TAX LOSSES CARRYFORWARD

The company 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

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 INAC. The difference between the deficit of \$ 22,730,819 and loan payable of \$ 23,259,048 is \$ 528,229 representing the surplus for 2015 - 2016. The surplus will be used to offset the INAC loan funding in the amount of \$ 252,903 in 2016 - 2017 and the Ministry of Aboriginal Affairs contribution funding in the amount of \$ 275,326 in 2015 - 2016.

11. COMPARATIVE FIGURES

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