

Algonquin Treaty Negotiation Funding Trust

Financial Statements

For the year ended 31 March 2014

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 2014, and the statements of deficit, consolidated statement of revenue and expenses, revenue and expenses for the Workplan, Negotiation Preparedness Initiative, Gathering Strength - Reorientation of Self Government, Consultation Program, Enrolment, 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 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 2014 and the results of its operations for the year then ended in accordance with Canadian Accounting Standards for Private Enterprises.

KANATA, ONTARIO.

23 July 2014.


Wilfred Lamb,
CPA, CA, LPA.

Algonquin Treaty Negotiation Funding Trust

Balance Sheet

As at 31 March 2014

(with 2013 figures for comparison)

	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>		
Current:		
Cash in trust account	\$ 899,976	\$ 849,337
Funding receivables	62,000	265,000
Due from Algonquin Opportunity (No. 1) Corporation (Note 4)	5,401	23,642
Due from Algonquin Opportunity (No. 2) Corporation (Note 4)	<u>57,804</u>	<u>19,818</u>
	<u>\$ 1,025,181</u>	<u>\$ 1,157,797</u>
<u>LIABILITIES AND DEFICIT</u>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 392,155	\$ 692,445
Deferred revenue (Note 5)	<u>253,028</u>	<u>220,028</u>
	\$ 645,183	\$ 912,473
Long term liability:		
Loan payable (Note 6)	<u>18,553,381</u>	<u>16,284,129</u>
	<u>\$ 19,198,564</u>	<u>\$ 17,196,602</u>
Deficit (Note 10)	<u>\$ (18,173,383)</u>	<u>\$ (16,038,805)</u>
	<u>\$ 1,025,181</u>	<u>\$ 1,157,797</u>

Approved on behalf of the Trust

RJH

Doreen Davis

Stephen P. King

(See accompanying notes)

Algonquin Treaty Negotiation Funding Trust

Statement of Deficit

For the year ended 31 March 2014
(with 2013 figures for comparison)

	<u>2014</u>	<u>2013</u>
Deficit at the beginning of the year	\$ (16,038,805)	\$ (13,774,549)
Deficiency of revenue over expenses for the year	<u>(2,134,578)</u>	<u>(2,264,256)</u>
Deficit at the end of the year	<u>\$ (18,173,383)</u>	<u>\$ (16,038,805)</u>

(See accompanying notes)

Algonquin Treaty Negotiation Funding Trust
Consolidated Statement of Revenue and Expenses
For the year ended 31 March 2014
(with 2014 budget and 2013 actual figures for comparison)

	<u>2014</u> <u>Budget</u>	<u>2014</u> <u>Actual</u>	<u>2013</u> <u>Actual</u>
Revenue:			
Indian and Northern Affairs Canada	\$ 721,000	\$ 721,000	\$ 992,588
Ministry of Aboriginal Affairs	1,741,733	1,741,733	1,762,008
Other funding	<u>114,310</u>	<u>114,310</u>	<u>79,995</u>
	<u>\$ 2,577,043</u>	<u>\$ 2,577,043</u>	<u>\$ 2,834,591</u>
Expenses:			
Accommodations, meals and travel	\$ 335,100	\$ 272,579	\$ 305,336
Accounting and reporting	266,526	263,064	255,486
ANR - office support	640,700	597,334	600,576
Archaeologist	4,527	674	18,848
Auditors	12,500	12,500	12,000
Capacity building	70,000	56,586	49,364
Communication consultation			5,650
Community meetings	17,500	9,550	8,834
Consultation office overhead	66,000	63,473	76,436
Consultation office rent	129,970	125,660	118,921
Economic consultation	10,000	3,390	11,428
Elders/Youth/Community members	200,000	183,973	197,742
Election process	52,000	38,894	
Enrolment consultation	84,780	85,556	73,105
Forestry specialist	11,650	10,173	
Geographic overview	15,000		
Harvest process	75,000	75,000	75,000
Land selection consultation	481,545	466,567	468,139
Legal	371,152	339,430	478,110
Nation building	5,000	5,000	9,346
Newsletters	86,845	43,836	131,620
Other funding expenditures	44,305	44,305	
Principal negotiator and senior legal counsel	574,703	488,625	598,761
Ratification process	273,086	269,909	511,588
Rockcliffe development	10,000	11,871	
Wages	<u>1,253,729</u>	<u>1,243,672</u>	<u>1,092,557</u>
	<u>\$ 5,091,618</u>	<u>\$ 4,711,621</u>	<u>\$ 5,098,847</u>
Deficiency of revenue over expenses for the year	<u>\$ (2,514,575)</u>	<u>\$ (2,134,578)</u>	<u>\$ (2,264,256)</u>

Algonquin Treaty Negotiation Funding Trust

Workplan

Statement of Revenue and Expenses

For the year ended 31 March 2014

(with 2014 budget and 2013 actual figures for comparison)

	<u>2014</u> <u>Budget</u>	<u>2014</u> <u>Actual</u>	<u>2013</u> <u>Actual</u>
Revenue:			
Ministry of Natural Resources	\$ -	\$ -	\$ 4,995
Expenses:			
Accommodations and meals	\$ 151,886	\$ 95,370	\$ 70,847
Accounting and reporting	50,000	24,538	50,000
ANR - administrative office support	200,000	210,481	237,223
- community travel	25,000	3,345	
- office overhead support	182,250	151,631	176,550
Archaeologist	2,527		
Audit	7,100	7,100	7,100
Capacity building	70,000	56,586	49,364
Community meetings	17,500	9,550	
Elders/youth/community members	150,000	133,973	127,742
Land selection consultation	137,790	110,783	57,598
Legal	139,579	91,357	134,377
Newsletters	22,552	644	17,620
Principal negotiator and senior legal counsel	382,545	280,967	423,236
Rockcliffe development	10,000	11,871	
Travel	110,000	103,709	120,925
Wages - ANRs	790,400	790,448	790,400
- communication coordinator	35,204	35,249	
- consultation/economic development	10,000	3,873	
- executive director	12,200	6,151	6,269
- front office	3,047	1,956	
	<u>\$ 2,509,580</u>	<u>\$ 2,129,582</u>	<u>\$ 2,269,251</u>
Deficiency of revenue over expenses for the year	<u>\$ (2,509,580)</u>	<u>\$ (2,129,582)</u>	<u>\$ (2,264,256)</u>

(See accompanying notes)

Algonquin Treaty Negotiation Funding Trust
Negotiation Preparedness Initiative
Statement of Revenue and Expenses
For the year ended 31 March 2014
 (with 2014 budget and 2013 actual figures for comparison)

	<u>2014 Budget</u>	<u>2014 Actual</u>	<u>2013 Actual</u>
Revenue:			
Indian and Northern Affairs Canada	\$ 521,000	\$ 521,000	\$ 521,000
Expenses:			
Archaeologist			\$ 12,473
Audit	\$ 1,500	\$ 1,500	1,500
Community meetings			18,727
Consultation office overhead	41,710	41,710	61,617
Consultation office rent	100,000	98,454	100,000
Land selection consultation	195,574	195,574	196,940
Legal	64,500	64,500	64,500
Principal negotiator and senior legal counsel	72,473	72,473	20,000
Wages - front office	<u>45,243</u>	<u>46,789</u>	<u>45,243</u>
	\$ 521,000	\$ 521,000	\$ 521,000
Excess of revenue over expenses for the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(See accompanying notes)

Algonquin Treaty Negotiation Funding Trust
Gathering Strength - Reorientation of Self Government
Statement of Revenue and Expenses
For the year ended 31 March 2014
(with 2014 budget and 2013 actual figures for comparison)

	2014 <u>Budget</u>	2014 <u>Actual</u>	2013 <u>Actual</u>
Revenue:			
Indian and Northern Affairs Canada	\$ 200,000	\$ 200,000	\$ 200,000
Expenses:			
Accounting and reporting	\$ 95,800	\$ 105,800	\$ 70,800
Audit	1,000	1,000	1,000
Communication consultation			5,650
Community meetings			8,834
Enrolment consultation			33,105
Legal	21,939	24,439	
Nation building	5,000	5,000	9,346
Newsletters	20,500		40,500
Principal negotiator and senior legal counsel	45,765	53,765	30,765
Wages communication coordinator	9,996	9,996	
	<u>\$ 200,000</u>	<u>\$ 200,000</u>	<u>\$ 200,000</u>
Excess of revenue over expenses 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 2014

(with 2014 budget and 2013 actual figures for comparison)

	<u>2014</u> <u>Budget</u>	<u>2014</u> <u>Actual</u>	<u>2013</u> <u>Actual</u>
Revenue:			
Ministry of Aboriginal Affairs	\$ 1,741,733	\$ 1,741,733	\$ 1,762,008
Indian and Northern Affairs Canada	<u>168,414</u>	<u> </u>	<u>231,588</u>
	<u>\$ 1,910,147</u>	<u>\$ 1,741,733</u>	<u>\$ 1,993,596</u>
Expenses:			
Accommodations and meals	\$ 12,714	\$ 9,278	\$ 49,264
Accounting and reporting	120,726	132,726	134,686
ANR - administrative office support	70,950	70,950	49,600
- community travel	22,500	23,435	
- office overhead support	50,000	50,000	35,000
- office rent	90,000	87,492	83,476
Archaeologist	2,000	674	6,375
Audit	2,900	2,900	2,400
Consultation office overhead	24,290	21,763	14,819
Consultation office rent	29,970	27,206	18,921
Economic consultation	10,000	3,390	11,428
Elders/youth/community members	50,000	50,000	70,000
Election process	52,000	38,894	
Enrolment consultation	84,780	85,556	
Forestry specialist	11,650	10,173	
Geographic overview	15,000		
Land selection consultation	148,181	160,210	213,601
Legal	145,134	159,134	279,233
Newsletters	43,793	43,192	73,500
Principal negotiator and senior legal counsel	73,920	81,420	124,760
Ratification process	441,500	269,909	511,588
Travel	60,500	64,222	64,300
Wages - ANRs	128,300	128,300	57,600
- communication coordinator	21,003	21,003	
- consultation/economic development	15,738	15,738	6,454
- executive director	104,292	104,292	103,738
- front office	2,103	2,103	4,425
- resource technician	51,203	53,518	78,428
- technical support	<u>25,000</u>	<u>24,255</u>	<u> </u>
	<u>\$ 1,910,147</u>	<u>\$ 1,741,733</u>	<u>\$ 1,993,596</u>
Excess of revenue over expenses for the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(See accompanying notes)

Algonquin Treaty Negotiation Funding Trust

Enrolment

Statement of Revenue and Expenses

For the year ended 31 March 2014

(with 2014 budget and 2013 actual figures for comparison)

	<u>2014 Budget</u>	<u>2014 Actual</u>	<u>2013 Actual</u>
Revenue:			
Indian and Northern Affairs Canada	\$ -	\$ -	\$ 40,000
Expenses:			
Enrolment consultation	\$ -	\$ -	\$ 40,000
Excess of revenue over expenses 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 2014

(with 2014 budget and 2013 actual figures for comparison)

	<u>2014</u> <u>Budget</u>	<u>2014</u> <u>Actual</u>	<u>2013</u> <u>Actual</u>
Revenue:			
Ministry of Natural Resources	\$ 75,000	\$ 75,000	\$ 75,000
Ministry of Aboriginal Affairs	4,159	4,159	
National Capital Commission	<u>35,151</u>	<u>35,151</u>	
	<u>\$ 114,310</u>	<u>\$ 114,310</u>	<u>\$ 75,000</u>
Expenses:			
Algonquin Harvest	\$ 75,000	\$ 75,000	\$ 75,000
Meetings and consultations	<u>44,305</u>	<u>44,305</u>	
	<u>\$ 119,305</u>	<u>\$ 119,305</u>	<u>\$ 75,000</u>
Deficiency of revenue over expenses for the year	<u>\$ (4,995)</u>	<u>\$ (4,995)</u>	<u>\$ -</u>

(See accompanying notes)

Algonquin Treaty Negotiation Funding Trust

Statement of Cash Flows

For the year ended 31 March 2014

(with 2013 figures for comparison)

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Deficiency of revenue over expenses for the year	\$ <u>(2,134,578)</u>	\$ <u>(2,264,256)</u>
Net change in non cash working capital balances related to operations:		
Decrease (increase) in funding receivables	\$ 203,000	\$ (158,828)
Decrease (increase) in due from Algonquin Opportunity (No.1) Corporation	18,241	300
Decrease (increase) in due from Algonquin Opportunity (No.2) Corporation	(37,986)	(19,818)
Increase (decrease) in accounts payable and accrued liabilities	(300,290)	(152,077)
Increase (decrease) in due to Indian and Northern Affairs Canada		(178,039)
Increase (decrease) in due to Province of Ontario		(57,727)
Increase (decrease) in deferred revenue	33,000	158,411
Increase (decrease) in Due to Algonquin Opportunity (No.2) Corporation	<u> </u>	<u>(4,733)</u>
	\$ <u>(84,035)</u>	\$ <u>(412,511)</u>
Cash flows used for operating activities	\$ <u>(2,218,613)</u>	\$ <u>(2,676,767)</u>
Cash flows from financing activities:		
Increase in loan payable	\$ <u>2,269,252</u>	\$ <u>2,509,580</u>
Net increase (decrease) in cash in trust account during the year	\$ 50,639	\$ (167,187)
Cash in trust account at the beginning of the year	<u>849,337</u>	<u>1,016,524</u>
Cash in trust account at the end of the year	<u>\$ 899,976</u>	<u>\$ 849,337</u>

(See accompanying notes)

Algonquin Treaty Negotiation Funding Trust

Notes to the Financial Statements

For the year ended 31 March 2014

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, funding receivables, due from Algonquin Opportunity (No. 1) Corporation, due from 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 2014.

Algonquin Treaty Negotiation Funding Trust

Notes to the Financial Statements

For the year ended 31 March 2014

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.

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 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 2014 was \$ 409,752 (2013 - \$ 329,046). 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>2014</u>	<u>2013</u>
Native values	\$ 18,517	\$ 18,517
Forestry	17,000	9,000
Ratification	168,411	153,411
Nation Gathering	44,100	39,100
Other	<u>5,000</u>	<u></u>
	<u>\$ 253,028</u>	<u>\$ 220,028</u>

Algonquin Treaty Negotiation Funding Trust

Notes to the Financial Statements

For the year ended 31 March 2014

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 \$ 2,269,252. 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>2014</u>	<u>2013</u>
Balance at the beginning of the year	\$ 16,284,129	\$ 13,774,549
Advances in current year on Workplan	<u>2,269,252</u>	<u>2,509,580</u>
Balance at the end of the year	<u>\$ 18,553,381</u>	<u>\$ 16,284,129</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

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 \$ 18,173,183 and loan payable of \$ 18,553,381 is \$ 379,998 representing the surplus for 2013 - 2014. The surplus will be used to offset the INAC loan funding in the amount of \$ 254,669 in 2014 - 2015 and the Ministry of Aboriginal Affairs contribution funding in the amount of \$ 125,329 in 2014 - 2015.

11. COMPARATIVE FIGURES

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