Algonquin Treaty Negotiation Funding Trust

Financial Statements

For the year ended 31 March 2015

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 2015, 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, 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 2015 and the results of its operations for the year then ended in accordance with Canadian Accounting Standards for Private Enterprises.

Wilfred Lamb

KANATA, Ontario.

22 July 2015.

Wilfred Lamb,

CPA, CA

Algonquin Treaty Negotiation Funding Trust

Balance Sheet

As at 31 March 2015
(with 2014 figures for comparison)

ASSETS

	2015	2014
Current:		
Cash in trust account	$ 1,247,013	$ 899,976
Accounts receivable	16,266	
Funding receivables	100,000	62,000
Due from Algonquin Opportunity (No. 1) Corporation (Note 4)	12,854	5,401
Due from Algonquin Opportunity (No. 2) Corporation (Note 4)		57,804
	$ 1,376,133	$ 1,025,181

LIABILITIES AND DEFICIT

	2015	2014
Current liabilities:		
Accounts payable and accrued liabilities	$ 761,327	$ 392,155
Deferred revenue (Note 5)	258,028	253,028
Due to Algonquin Opportunity (No. 2) Corporation (Note 4)	4,931	
	$ 1,024,286	$ 645,183
Long term liability:		
Loan payable (Note 6)	20,832,356	18,553,381
	$ 21,856,642	$ 19,198,564
Deficit (Note 10)	$ (20,480,509)	$ (18,173,383)
	$ 1,376,133	$ 1,025,181

Approved on behalf of the Trust:

Doreen Davis

(See accompanying notes)

Algonquin Treaty Negotiation Funding Trust

Statement of Deficit

For the year ended 31 March 2015
(with 2014 figures for comparison)

	2015	2014
Deficit at the beginning of the year	$ (18,173,383)	$ (16,038,805)
Deficiency of revenue over expenses for the year	(2,307,126)	(2,134,578)
Deficit at the end of the year	$ (20,480,509)	$ (18,173,383)

(See accompanying notes)

Algonquin Treaty Negotiation Funding Trust

Consolidated Statement of Revenue and Expenses

For the year ended 31 March 2015
(with 2015 budget and 2014 actual figures for comparison)

	2015 Budget	2015 Actual	2014 Actual
Revenue:			
Indian and Northern Affairs Canada	$ 700,000	$ 700,000	$ 721,000
Ministry of Aboriginal Affairs	1,733,133	1,733,133	1,741,733
Other funding	95,520	95,520	114,310
	$ 2,528,653	$ 2,528,653	$ 2,577,043
Expenses:			
Accommodations, meals and travel	$ 286,000	$ 282,750	$ 272,579
Accounting and reporting	266,623	266,536	263,064
ANR - office support	711,625	656,186	597,334
Archaeologist	15,000	2,681	674
Auditors	12,500	12,500	12,500
Capacity building	75,000	59,667	56,586
Community meetings	17,500	10,605	9,550
Consultation office overhead	92,500	109,644	63,473
Consultation office rent	125,023	124,867	125,660
Economic consultation	35,000	34,971	3,390
Elders/youth/community members	200,000	204,366	183,973
Election process	10,000	11,075	38,894
Enrolment consultation	97,200	95,614	85,556
Forestry specialist	2,500		10,173
Geographic overview	54,240	47,999	
Harvest process	75,000	75,000	75,000
Land selection consultation	459,919	429,537	466,567
Legal	383,152	357,527	339,430
Nation building			5,000
Newsletters	108,544	87,865	43,836
Other funding expenditures	20,520	20,520	44,305
Principal negotiator and senior legal counsel	573,805	557,788	488,625
Ratification process	151,586	7,439	269,909
Rockcliffe development	10,000	10,528	11,871
Wages	1,404,390	1,370,114	1,243,672
	$ 5,187,627	$ 4,835,779	$ 4,711,621
Deficiency of revenue over expenses for the year	$ (2,658,974)	$ (2,307,126)	$ (2,134,578)

Algonquin Treaty Negotiation Funding Trust

Workplan

Statement of Revenue and Expenses

For the year ended 31 March 2015
(with 2015 budget and 2014 actual figures for comparison)

	2015 Budget	2015 Actual	2014 Actual
Revenue	$ -	$ -	$ -
Expenses:			
Accommodations and meals	$ 139,500	$ 130,111	$ 95,370
Accounting and reporting	10,023	10,000	24,538
ANR - administrative office support	200,000	159,905	210,481
- community travel	11,875		3,345
- office overhead support	182,250	164,934	151,631
Archaeologist	15,000	2,681	
Audit	7,500	7,500	7,100
Capacity building			56,586
Community meetings	17,500	10,605	9,550
Elders/youth/community members	150,000	154,366	133,973
Economic consultant	30,000	29,971	
Enrolment consultation	38,600	37,014	
Land selection consultation	144,919	87,969	110,783
Legal	154,000	128,375	91,357
Newsletters	46,772	26,093	644
Principal negotiator and senior legal counsel	375,000	358,983	280,967
Rockcliffe development	10,000	10,528	11,871
Travel	146,500	152,639	103,709
Wages - ANRs	790,400	790,400	790,448
- communication coordinator	63,805	63,868	35,249
- consultation/economic development			3,873
- executive director			6,151
- front office			1,956
	$ 2,533,644	$ 2,325,942	$ 2,129,582
Deficiency of revenue over expenses for the year	$ (2,533,644)	$ (2,325,942)	$ (2,129,582)

(See accompanying notes)

Algonquin Treaty Negotiation Funding Trust

Negotiation Preparedness Initiative

Statement of Revenue and Expenses

For the year ended 31 March 2015
(with 2015 budget and 2014 actual figures for comparison)

	2015 Budget	2015 Actual	2014 Actual
Revenue:			
Indian and Northern Affairs Canada	$ 700,000	$ 700,000	$ 521,000
Expenses:			
Accounting and reporting	$ 80,000	$ 79,900	
Audit			$ 1,500
Capacity building	70,000	59,667	
Consultation office overhead	50,312	67,456	41,710
Consultation office rent	96,000	95,844	98,454
Geographic overview	27,120	20,879	
Enrolment consultation	5,000	5,000	
Forestry	2,500		
Land selection consultation	199,875	207,109	195,574
Legal			64,500
Principal negotiator and senior legal counsel			72,473
Wages - front office	51,568	50,056	46,789
- resource technicians	117,625	114,089	
	$ 700,000	$ 700,000	$ 521,000
Excess of revenue over expenses for the year	$ -	$ -	$ -

(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 2015
(with 2015 budget and 2014 actual figures for comparison)

	2015 Budget	2015 Actual	2014 Actual
Revenue:			
Indian and Northern Affairs Canada	$ -	$ -	$ 200,000
Expenses:			
Accounting and reporting	$ -	$ -	$ 105,800
Audit			1,000
Legal			24,439
Nation building			5,000
Principal negotiator and senior legal counsel			53,765
Wages communication coordinator			9,996
	$ -	$ -	$ 200,000
Excess of revenue over expenses for the year	$ -	$ -	$ -

(See accompanying notes)

Algonquin Treaty Negotiation Funding Trust

Consultation Program

Statement of Revenue and Expenses

For the year ended 31 March 2015
(with 2015 budget and 2014 actual figures for comparison)

	2015 Budget	2015 Actual	2014 Actual
Revenue:			
Ministry of Aboriginal Affairs	$ 1,733,133	$ 1,733,133	$ 1,741,733
Expenses:			
Accommodations and meals			$ 9,278
Accounting and reporting	$ 176,600	$ 176,636	132,726
ANR - administrative office support	150,000	166,935	70,950
- community travel	22,500	21,220	23,435
- office overhead support	55,000	55,000	50,000
- office rent	90,000	88,192	87,492
Archaeologist			674
Audit	5,000	5,000	2,900
Capacity building	5,000		
Consultation office overhead	42,188	42,188	21,763
Consultation office rent	29,023	29,023	27,206
Economic consultation	5,000	5,000	3,390
Elders/youth/community members	50,000	50,000	50,000
Election process	10,000	11,075	38,894
Enrolment consultation	53,600	53,600	85,556
Forestry specialist			10,173
Geographic overview	27,120	27,120	
Land selection consultation	115,125	134,459	160,210
Legal	205,152	218,633	159,134
Legal meals/travel	24,000	10,519	
Newsletters	61,772	61,772	43,192
Principal negotiator and senior legal counsel	162,805	169,041	81,420
Principal negotiator meals/travel	36,000	29,764	
Ratification process	151,586	7,439	269,909
Travel			64,222
Wages - ANRs	169,600	169,600	128,300
- communication coordinator			21,003
- consultation/economic development	42,267	30,273	15,738
- executive director	121,595	118,828	104,292
- front office			2,103
- payroll costs	32,550	30,747	
- resource technician			53,518
- technical support	14,980	2,253	24,255
	$ 1,858,463	$ 1,714,317	$ 1,741,733
Excess of revenue over expenses for the year	$ (125,330)	$ 18,816	$ -

(See accompanying notes)

Algonquin Treaty Negotiation Funding Trust

Other Funding

Statement of Revenue and Expenses

For the year ended 31 March 2015
(with 2015 budget and 2014 actual figures for comparison)

	2015 Budget	2015 Actual	2014 Actual
Revenue:			
Ministry of Natural Resources - Harvest	$ 75,000	$ 75,000	$ 75,000
Other recoveries	20,520	20,520	4,159
National Capital Commission			35,151
	$ 95,520	$ 95,520	$ 114,310
Expenses:			
Algonquin Harvest	$ 75,000	$ 75,000	$ 75,000
Miscellaenous recoveries	20,520	20,520	44,305
	$ 95,520	$ 95,520	$ 119,305
Deficiency of revenue over expenses for the year	$ -	$ -	$ (4,995)

(See accompanying notes)

Algonquin Treaty Negotiation Funding Trust

Statement of Cash Flows

For the year ended 31 March 2015
(with 2014 figures for comparison)

	2015	2014
Cash flows from operating activities:		
Deficiency of revenue over expenses for the year	$ (2,307,126)	$ (2,134,578)
Net change in non cash working capital balances related to operations:		
Decrease (increase) in accounts receivable	$ (16,266)	
Decrease (increase) in funding receivables	(38,000)	$ 203,000
Decrease (increase) in due from Algonquin Opportunity (No.1) Corporation	(7,453)	18,241
Decrease (increase) in due from Algonquin Opportunity (No.2) Corporation	57,804	(37,986)
Increase (decrease) in accounts payable and accrued liabilities	369,172	(300,290)
Increase (decrease) in deferred revenue	5,000	33,000
Increase (decrease) in due to Algonquin Opportunity (No.2) Corporation	4,931	
	$ 375,188	$ (84,035)
Cash flows used for operating activities	$ (1,931,938)	$ (2,218,613)
Cash flows from financing activities:		
Increase in loan payable	$ 2,278,975	$ 2,269,252
Net increase in cash in trust account during the year	$ 347,037	$ 50,639
Cash in trust account at the beginning of the year	899,976	849,337
Cash in trust account at the end of the year	$ 1,247,013	$ 899,976

(See accompanying notes)

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 2015.

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.

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 2015 was $ 409,752 (2014 - $ 409,752). 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:

	2015	2014
Native values	$ 18,517	$ 18,517
Forestry	17,000	17,000
Ratification	168,411	168,411
Nation Gathering	49,100	44,100
Other	5,000	5,000
	$ 258,028	$ 253,028

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 $ 2,278,975. 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.

	2015	2014
Balance at the beginning of the year	$ 18,553,381	$ 16,284,129
Advances in current year on Workplan	2,278,975	2,269,252
Balance at the end of the year	$ 20,832,356	$ 18,553,381

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

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 $ 20,480,509 and loan payable of $ 20,832,356 is $ 351,847 representing the surplus for 2014 - 2015. The surplus will be used to offset the INAC loan funding in the amount of $ 207,700 in 2015 - 2016 and the Ministry of Aboriginal Affairs contribution funding in the amount of $ 144,147 in 2015 - 2016.

11. COMPARATIVE FIGURES

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