

Algonquin Opportunity (No.2) Corporation

Financial Statements For the year ended 31 March 2018



Independent Auditor's Report

To the Shareholders of Algonquin Opportunity (No.2) Corporation

We have audited the accompanying financial statements of Algonquin Opportunity (No.2) Corporation, which comprise the balance sheet as at March 31, 2018, and the statements of operations, retained earnings (deficit) 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

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 Opportunity (No.2) Corporation as at March 31, 2018, 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, Licensed Public Accountants
July 12, 2018
Ottawa, Ontario

Algonquin Opportunity (No. 2) Corporation


Balance Sheet

As at 31 March 2018

(with 2017 figures for comparison)

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
Current:		
Cash in bank	\$ 122,154	\$ 48,095
Investments (Note 11)	4,005,945	\$
Accounts receivable	61,076	115,713
Due from Algonquin Treaty Negotiation Funding Trust (Note 5)	<u>199,475</u>	<u>239,734</u>
	<u>\$ 4,388,650</u>	<u>\$ 403,542</u>
 <u>LIABILITIES AND SHAREHOLDERS' DEFICIT</u>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 30,394	\$ 38,455
Due to Ministry of Aboriginal Affairs (Note 10)	4,154,495	194,612
Deferred revenue (Note 7)	189,190	170,602
Government remittances payable	8,937	184
Income taxes payable (Note 12)	<u>2,982</u>	<u>-</u>
	<u>\$ 4,385,998</u>	<u>\$ 403,853</u>
Shareholders' deficit:		
Capital:		
Common shares:		
Authorized - unlimited common shares		
Issued - 100 common shares (Note 5)	\$ 10	\$ 10
Retained earnings (deficit)	<u>2,642</u>	<u>(321)</u>
	<u>\$ 2,652</u>	<u>\$ (311)</u>
	<u>\$ 4,388,650</u>	<u>\$ 403,542</u>

Approved on behalf of the Board:



(See accompanying notes)

Algonquin Opportunity (No. 2) Corporation

Statement of Retained earnings (deficit)

For the year ended 31 March 2018
(with 2017 figures for comparison)

	<u>2018</u>	<u>2017</u>
Balance at the beginning of the year	\$ (321)	\$ (321)
Net income (loss) for the year	<u>2,963</u>	<u>-</u>
Balance at the end of the year	<u>\$ 2,642</u>	<u>\$ (321)</u>

(See accompanying notes)

Algonquin Opportunity (No. 2) Corporation

Statement of Operations

For the year ended 31 March 2018

(with 2017 figures for comparison)

	<u>2018</u>	<u>2017</u>
Negotiation Operations - Algonquin Treaty Negotiation Funding Trust	\$ <u>522,101</u>	\$ <u>433,684</u>
Expenses:		
Interest and bank charges	\$ 972	\$ 768
Lease (Note 9)	119,807	116,780
Salaries	<u>401,322</u>	<u>316,136</u>
	\$ <u>522,101</u>	\$ <u>433,684</u>
Operating income from Negotiation Operations	\$ <u>-</u>	\$ <u>-</u>
New Relationship Funding - Core Funding	\$ 508,275	\$ 567,915
Less surplus repayable	<u>154,498</u>	<u>194,612</u>
	\$ <u>353,777</u>	\$ <u>373,303</u>
Expenses:		
Administration costs	\$ 19,762	\$ 13,393
Consultants and professional fees	85,798	128,729
Community outreach events including travel and honorariums	55,371	57,252
Salaries	176,352	167,065
Training	<u>16,494</u>	<u>6,864</u>
	\$ <u>353,777</u>	\$ <u>373,303</u>
Operating income from New Relationship Funding - Core Funding	\$ <u>-</u>	\$ <u>-</u>
Funding from other programs	\$ <u>302,309</u>	\$ <u>178,014</u>
Expenses:		
Other program expenses	\$ <u>302,309</u>	\$ <u>178,014</u>
Operating income from other programs	\$ -	\$ -
Interest income	<u>5,945</u>	<u>-</u>
Net income (loss) for the year before income taxes	\$ 5,945	\$ -
Income taxes	<u>2,982</u>	<u>-</u>
Net income for the year	\$ <u>2,963</u>	\$ <u>-</u>

(See accompanying notes)

Algonquin Opportunity (No. 2) Corporation

Statement of Cash Flows

For the year ended 31 March 2018
(with 2017 figures for comparison)

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Net income (loss) for the year	\$ 2,963	\$ -
Net change in non cash working capital balances related to operations:		
- decrease (increase) in accounts receivable	\$ 54,636	\$ (24,047)
- decrease (increase) in due from Algonquin Treaty Negotiation Funding Trust	40,257	(239,734)
- increase) in income taxes payable	2,982	\$
- increase (decrease) in government remittances payable	8,753	(4,651)
- increase (decrease) in accounts payable and accrued liabilities	(8,058)	192
- increase (decrease) in deferred revenue	18,587	87,778
- increase (decrease) in due to Algonquin Treaty Negotiation Funding Trust	-	(1,343)
- increase (decrease) in amount due to Ministry of Aboriginal Affairs	<u>3,959,884</u>	<u>132,632</u>
Net increase (decrease) in cash and cash equivalents during the year	\$ 4,080,004	\$ (49,173)
Cash and cash equivalents at the beginning of the year	<u>48,095</u>	<u>97,268</u>
Cash and cash equivalents at the end of the year	<u>4,128,099</u>	<u>48,095</u>
Cash and cash equivalents consists of:		
Cash in bank	122,154	48,095
Investments	<u>4,005,945</u>	<u>-</u>
	<u>\$ 4,128,099</u>	<u>\$ 48,095</u>

(See accompanying notes)

Algonquin Opportunity (No. 2) Corporation

Notes to the Financial Statements

For the year ended 31 March 2018

1. NATURE OF THE BUSINESS

The company was incorporated 26 March 2009 under the laws of Ontario and its operations consist of providing certain administration activities to 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 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 recognizes revenues in the period in which transactions or events occurred that gave rise to the revenue; expenses are recognized in the period goods or services are acquired and a liability is incurred or transfers are due.

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

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, investments, accounts receivable, due from Algonquin Treaty Negotiation Funding Trust, accounts payable and accrued liabilities, 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 2018.

The company is exposed to various risks through its financial instruments, without being exposed to concentration of risk.

Algonquin Opportunity (No. 2) Corporation

Notes to the Financial Statements

For the year ended 31 March 2018

3. FINANCIAL INSTRUMENTS (Continued)

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 Ministry of Aboriginal Affairs.

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 is not exposed to any significant credit risk.

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 associated with 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 from 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 2018

7. DEFERRED REVENUE

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

	<u>2018</u>	<u>2017</u>
Balance at the beginning of the year	\$ 170,602	\$ 82,824
Additions during the year (net of funds utilized in operations)	<u>18,587</u>	<u>87,778</u>
Balance at the end of the year	<u>\$ 189,189</u>	<u>\$ 170,602</u>

- b) Consisting of:

	<u>2018</u>	<u>2017</u>
City of Ottawa	\$ 20,934	\$ 20,934
Ministry of Natural Resources	120,100	120,100
Energy Ottawa	17,257	17,257
Museum assistance program	28,403	12,311
Miscellaneous programs	<u>2,495</u>	<u>-</u>
	<u>\$ 189,189</u>	<u>\$ 170,602</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 obligation is based on annual payments in 2019 - \$119,237, 2020 - \$122,815, 2021 - \$126,288 plus HST and plus monthly allowance for realty taxes which will be reconciled on an annual basis, payable monthly and is with Ontario Infrastructure and Lands Corporation with the lease expiring on 31 May 2021.

10. DUE TO MINISTRY OF ABORIGINAL AFFAIRS

- a) The amounts consists of a repayable surplus under the New Relationship Core Funding program of \$ 154,495 and advance funding under Implementation Funding Agreement of \$ 4,000,000.
- b) New Relationship Core Funding
Amount is interest free and is due prior to receiving funding under the 2018 -2019 program.
- c) Implementation Funding Agreement
Amount is interest free and is to provide implmentation funds to the Algonquins of Ontario (AOO) to assist them in implementing the Final Settlement Agreement. The value of funds at the signing date of the Final Settlement Agreement to the extent not repaid to Ontario or to the extent Ontario relinquishes it right of repayment, shall be credited to Ontario as part of its conbtribution to the AOO and set off against amounts payable by Ontario to the AOO under an Implementation Plan Fund Agreement.

11. Investments

Consists of a cashable Guaranteed Investment Certificate issued for one year maturing on 28 February 2019 and is at an interest rate of 1.75%.

Algonquin Opportunity (No. 2) Corporation

Notes to the Financial Statements

For the year ended 31 March 2018

12. Income taxes

The provision for income taxes recorded in the financial statements differs from the amount which would be obtained by applying the statutory income tax rate of 39.5% to the income for the year as follows:

	<u>2018</u>	<u>2017</u>
Income for the year before income taxes	<u>\$ 5,945</u>	<u>-</u>
Anticipated income tax at statutory rates	\$ 2,348	-
Refundable taxes	<u>634</u>	<u>-</u>
Income tax expense	<u>\$ 2,963</u>	<u>-</u>