

Algonquin Treaty Negotiation Funding Trust

Financial Statements For the year ended 31 March, 2018



Independent Auditor's Report

To the Members of Algonquin Treaty Negotiation Funding Trust

We have audited the accompanying financial statements of Algonquin Treaty Negotiation Funding Trust, which comprise the balance sheet as at March 31, 2018, and the statements of deficit, consolidated statement of revenue and expenses, statement of revenue and expenses for the Native Claims 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

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.

Independent Auditor's Report (continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Algonquin Treaty Negotiation Funding Trust 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 Treaty Negotiation Funding Trust

Balance Sheet

As at 31 March 2018

(with 2017 figures for comparison)

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
Current:		
Cash in trust account	\$ 1,478,876	\$ 1,445,527
Funding receivables	-	60,000
Accounts receivable	711	4,713
Due from related corporations (Note 4)	<u>30,990</u>	<u>5,424</u>
	<u>\$ 1,510,577</u>	<u>\$ 1,515,664</u>
 <u>LIABILITIES AND DEFICIT</u>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 570,595	\$ 588,437
Deferred revenue (Note 5)	216,829	91,829
Due to related corporations (Note 4)	<u>199,475</u>	<u>263,001</u>
	986,899	943,267
Long term liability:		
Loan payable (Note 6)	<u>27,932,413</u>	<u>25,550,258</u>
	<u>28,919,312</u>	<u>26,493,525</u>
Deficit (Note 10)	<u>(27,408,735)</u>	<u>(24,977,861)</u>
	<u>\$ 1,510,577</u>	<u>\$ 1,515,664</u>

Approved on behalf of the Trust:



(See accompanying notes)

Algonquin Treaty Negotiation Funding Trust

Statement of Deficit

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

	<u>2018</u>	<u>2017</u>
Deficit at the beginning of the year	\$ (24,977,861)	\$ (22,730,819)
Net loss for the year	<u>(2,430,874)</u>	<u>(2,247,042)</u>
Deficit at the end of the year	<u>\$ (27,408,735)</u>	<u>\$ (24,977,861)</u>

(See accompanying notes)

Algonquin Treaty Negotiation Funding Trust

Consolidated Statement of Revenue and Expenses

For the year ended 31 March 2018

(with 2018 budget and 2017 actual figures for comparison)

	<u>2018</u> <u>Budget</u> <u>(unaudited)</u>	<u>2018</u> <u>Actual</u>	<u>2017</u> <u>Actual</u>
Revenue:			
Aboriginal Affairs and Northern Development Canada	\$ 691,288	\$ 691,284	\$ 600,684
Ministry of Aboriginal Affairs	1,935,170	1,935,170	1,531,009
Other funding	<u>-</u>	<u>38,828</u>	<u>95,525</u>
	<u>2,626,458</u>	<u>2,665,282</u>	<u>2,227,218</u>
Expenses:			
Accommodations, meals and travel	260,000	280,320	253,628
Accounting and reporting	260,000	265,885	257,858
AIP signing ceremony	-	-	26,853
ANR - alternates	50,000	24,481	-
ANR - office support	750,250	700,136	665,369
Archaeologist	25,000	29,491	19,250
Auditors	15,000	17,500	15,550
Capacity building	75,000	58,894	54,507
Community meetings	20,000	9,950	11,037
Consultation office overhead	80,000	98,623	95,000
Consultation office rent	135,000	135,381	131,962
Economic consultation	-	-	9,501
Elders/youth/community members	130,000	101,312	178,259
Election process	70,000	79,434	42,704
Enrolment management and consultation	314,700	330,930	80,078
Facilitator	-	-	92,746
Harvest management	97,500	112,166	88,240
Human resource specialist	50,000	49,764	-
Land selection consultation	400,000	300,432	213,348
Lebreton	10,000	8,145	20,323
Legal	300,000	307,023	233,630
Newsletters	100,000	83,480	96,227
Other funding expenditures	-	38,828	7,285
Principal negotiator and senior legal counsel	545,000	574,094	501,229
Rockcliffe development	10,000	3,164	23,438
Strategic policy advisor	30,000	22,338	9,693
Third party communications	30,000	3,517	4,831
Wages and benefits	<u>1,540,938</u>	<u>1,460,868</u>	<u>1,341,714</u>
	<u>5,298,388</u>	<u>5,096,156</u>	<u>4,474,260</u>
Net loss for the year	<u>\$ (2,671,930)</u>	<u>\$ (2,430,874)</u>	<u>\$ (2,247,042)</u>

Algonquin Treaty Negotiation Funding Trust

Loan

Statement of Revenue and Expenses

For the year ended 31 March 2018

(with 2018 budget and 2017 actual figures for comparison)

	2018 <u>Budget</u> <u>(unaudited)</u>	2018 <u>Actual</u>	2017 <u>Actual</u>
Revenue	\$ -	\$ -	\$ -
Expenses:			
Accommodations and meals	20,000	20,000	-
Accounting and reporting	146,680	149,683	120,358
ANR - administrative office support	364,000	362,474	347,133
- community travel	38,000	19,160	31,297
- office overhead support	252,250	221,908	200,547
- rent	96,000	96,594	86,392
Capacity building	-	-	39,507
Elders/youth/community members	35,000	6,312	51,622
Economic consultant	-	-	1,550
Enrolment management and research	100,000	98,299	40,000
Human resource specialist	30,000	19,764	-
Land selection consultation	200,000	51,124	107,068
Legal	200,000	207,023	110,852
Newsletters	50,000	33,480	61,227
Principal negotiator and senior legal counsel	300,000	322,757	256,784
Wages - ANRs	810,000	807,652	800,000
- front office	15,000	14,644	-
- economic co-ordinator	<u>15,000</u>	<u>-</u>	<u>-</u>
	<u>2,671,930</u>	<u>2,430,874</u>	<u>2,254,337</u>
Net loss for the year	<u>\$ (2,671,930)</u>	<u>\$ (2,430,874)</u>	<u>\$ (2,254,337)</u>

(See accompanying notes)

Algonquin Treaty Negotiation Funding Trust

Negotiation Preparedness Initiative

Statement of Revenue and Expenses

For the year ended 31 March 2018

(with 2018 budget and 2017 actual figures for comparison)

	2018 <u>Budget</u> <u>(unaudited)</u>	2018 <u>Actual</u>	2017 <u>Actual</u>
Revenue:			
Aboriginal Affairs and Northern Development Canada	\$ 691,288	\$ 691,284	\$ 600,684
Expenses:			
AIP signing ceremony	-	-	26,853
Archaeologist	25,000	29,491	19,250
Audit	15,000	17,500	15,550
Capacity building	37,500	37,500	-
Consultation office overhead	80,000	98,623	95,000
Consultation office rent	135,000	135,381	131,962
Enrolment management and research	37,350	55,281	
Elders/youth/community members	45,000	45,000	64,137
Facilitator	-	-	92,746
Lebreton development	10,000	8,145	20,323
Newsletter	35,000	35,000	-
Rockcliffe development	10,000	3,164	23,438
Strategic policy advisor - third party	30,000	22,338	9,693
Third party communications	30,000	3,517	4,831
Wages - communication co-ordinator	60,000	32,234	37,120
- economic co-ordinator	22,838	22,440	17,932
- front office	14,000	17,161	12,866
- part time	24,600	46,748	-
- policy analyst	50,000	41,879	-
- resource technicians	30,000	39,882	28,983
	<u>691,288</u>	<u>691,284</u>	<u>600,684</u>
Net income for the year	\$ -	\$ -	\$ -

(See accompanying notes)

Algonquin Treaty Negotiation Funding Trust

Consultation Program

Statement of Revenue and Expenses

For the year ended 31 March 2018

(with 2018 budget and 2017 actual figures for comparison)

	2018 <u>Budget</u> (unaudited)	2018 <u>Actual</u>	2017 <u>Actual</u>
Revenue:			
Ministry of Aboriginal Affairs	\$ 1,935,171	\$ 1,935,171	\$ 1,531,009
Expenses:			
Accommodations and meals	240,001	260,320	253,628
Accounting and reporting	113,320	116,202	137,500
ANR - alternates	50,000	24,481	-
Capacity building	37,500	21,394	15,000
Community meetings	20,000	9,950	11,037
Economic consultation	-	-	7,951
Elders/youth/community members	50,000	50,000	62,500
Election process	70,000	79,434	42,704
Enrolment management and research	177,350	177,350	40,078
Harvest management	97,500	112,166	-
Human resource specialist	20,000	30,000	-
Land selection consultation	200,000	249,308	106,280
Legal	100,000	100,000	122,778
Newsletters	15,000	15,000	35,000
Principal negotiator and senior legal counsel	245,000	251,338	244,445
Wages - ANRs	169,000	169,000	160,000
- community liaison	5,000	8,947	-
- economic co-ordinator	20,000	-	-
- executive director	123,000	121,833	126,943
- employee benefits	18,000	1,008	-
- front office	12,000	12,000	34,960
- payroll costs	32,500	35,440	31,817
- policy analyst	30,000	-	-
- resource technicians	90,000	90,000	91,093
	<u>1,935,171</u>	<u>1,935,171</u>	<u>1,523,714</u>
Net income for the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,295</u>

(See accompanying notes)

Algonquin Treaty Negotiation Funding Trust

Other Funding

Statement of Revenue and Expenses

For the year ended 31 March 2018

(with 2018 budget and 2017 actual figures for comparison)

	2018 <u>Budget</u> <u>(unaudited)</u>	2018 <u>Actual</u>	2017 <u>Actual</u>
Revenue:			
Ministry of Natural Resources - Harvest	\$ -	\$ -	\$ 88,240
Other recoveries	<u>-</u>	<u>38,828</u>	<u>7,285</u>
	<u>-</u>	<u>38,828</u>	<u>95,525</u>
Expenses:			
Algonquin Harvest	-	-	88,240
Miscellaneous recoveries	<u>-</u>	<u>38,828</u>	<u>7,285</u>
	<u>-</u>	<u>38,828</u>	<u>95,525</u>
Net income 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 2018
(with 2017 figures for comparison)

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Net loss for the year	\$ (2,430,874)	\$ (2,247,042)
Net change in non cash working capital balances related to operations:		
Decrease (increase) in accounts receivable	4,002	(1,163)
Decrease (increase) in funding receivables	60,000	10,000
Decrease (increase) in due from related parties	(25,566)	(26,053)
Increase (decrease) in accounts payable and accrued liabilities	(17,842)	24,427
Increase (decrease) in deferred revenue	125,000	(2,788)
Increase (decrease) in due to related parties	<u>(63,526)</u>	<u>263,001</u>
	<u>82,068</u>	<u>319,530</u>
Cash flows used for operating activities	<u>(2,348,806)</u>	<u>(1,927,512)</u>
Cash flows from financing activities:		
Increase in loan payable	<u>2,382,155</u>	<u>2,291,210</u>
Net increase in cash in trust account during the year	33,349	363,698
Cash in trust account at the beginning of the year	<u>1,445,527</u>	<u>1,081,829</u>
Cash in trust account at the end of the year	<u>\$ 1,478,876</u>	<u>\$ 1,445,527</u>

(See accompanying notes)

Algonquin Treaty Negotiation Funding Trust

Notes to the Financial Statements

For the year ended 31 March 2018

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 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 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 against the 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 2018.

Algonquin Treaty Negotiation Funding Trust

Notes to the Financial Statements

For the year ended 31 March 2018

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, Algonquin Opportunity (No. 1) Corporation, AOO Realty (Rockcliffe) Inc., AOO Energy (Denbigh) Corp. and AOO Energy (Solartrail) Corp. 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 certain 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 2018 was \$ 522,101 (2017 - \$ 433,684). 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 (to) related 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.

Due to related corporations consists of Algonquin Opportunity (No. 2) Corporation of \$ 199,475 (2017 - \$ 239,734) and due to AOO Realty (Rockcliffe) Inc. of \$ Nil (2017 - \$ 23,267).

Due from related corporations consists of Algonquin Opportunity (No. 1) Corporation of \$ 6,780 - (2017 - \$ 3,164), AOO Energy (Denbigh) Corp. - \$ 3,220 - (2017 - \$ 1,130) and AOO Energy (Solartrail) Corp. - \$ 3,220 - (2017 - \$ 1,130), AOO Realty (Rockcliffe) Inc. - \$ 7,292 - (2017 - Nil) and AOO Realty (Lebreton) Corp \$ 10,477 - (2017 - Nil).

5. DEFERRED REVENUE

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

	<u>2018</u>	<u>2017</u>
Native values	\$ 18,517	\$ 18,517
Forestry	9,712	9,712
Fisheries	4,500	4,500
Nation Gathering	54,100	54,100
Other	5,000	5,000
Trans Canada Pipeline	<u>125,000</u>	<u>-</u>
	<u>\$ 216,829</u>	<u>\$ 91,829</u>

Algonquin Treaty Negotiation Funding Trust

Notes to the Financial Statements

For the year ended 31 March 2018

6. LOAN PAYABLE

Loan payable represents advances from the Aboriginal Affairs and Northern Development Canada (AANDC) 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 \$ 2,382,155. 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>2018</u>	<u>2017</u>
Balance at the beginning of the year	\$ 25,550,258	\$ 23,259,048
Advances in current year on Workplan	<u>2,382,155</u>	<u>2,291,210</u>
Balance at the end of the year	<u>\$ 27,932,413</u>	<u>\$ 25,550,258</u>

7. ECONOMIC DEPENDENCE

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

8. INCOME TAX LOSSES CARRYFORWARD

The Trust has losses carryforward for income tax purposes that expire as follows:

2028	\$ 1,194,014
2029	1,205,986
2030	1,200,001
2031	1,309,986
2032	1,966,603
2033	2,021,961
2034	2,264,256
2035	2,134,578
2036	2,307,126
2037	2,250,310
2038	2,247,042
2039	2,430,874

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 AANDC. The difference between the deficit of \$ 27,408,737 and loan payable of \$ 27,932,413 is \$ 523,676 representing the funding surplus of \$ 241,055 which can be used for future operations with the remaining in the amount of \$ 282,621 due back to the Ministry of Aboriginal Affairs.

11. COMPARATIVE FIGURES

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