

Algonquin Opportunity (No.2) Corporation



Financial Statements

For the year ended 31 March, 2019

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Independent Auditor's Report

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

Opinion

We have audited the financial statements of Algonquin Opportunity (No.2) Corporation (the "company") which comprise the balance sheet as at 31 March, 2019, and the statements of retained earnings, operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the company as at 31 March, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Private Enterprises.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company's financial reporting process.

Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Baker Tilly Ottawa LLP

Chartered Professional Accountants, Licensed Public Accountants
July 18, 2019
Ottawa, Ontario

Algonquin Opportunity (No. 2) Corporation

Balance Sheet

As at 31 March 2019

(with 2018 figures for comparison)

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
Current:		
Cash in bank	\$ 404,391	\$ 121,054
Deposits	1,100	1,100
Investments (Note 11)	4,050,131	4,000,000
Accrued investment interest	27,559	5,945
Accounts receivable	132,126	61,076
Due from Algonquin Treaty Negotiation Funding Trust (Note 5)	-	199,475
Due from Algonquin Opportunity (No.1) Corporation	<u>12,270</u>	<u>-</u>
	<u>\$ 4,627,577</u>	<u>\$ 4,388,650</u>

	<u>Cost</u>	<u>Accumulated Amortization</u>		
Vehicles (Note 2 (b))	\$ <u>47,257</u>	\$ <u>-</u>	\$ <u>47,257</u>	\$ <u>-</u>
			<u>\$ 4,674,834</u>	<u>\$ 4,388,650</u>

LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)

Current liabilities:		
Accounts payable and accrued liabilities	\$ 137,031	\$ 30,394
Due to Ministry of Aboriginal Affairs (Note 10)	4,005,357	4,154,496
Deferred revenue (Note 7)	294,316	189,189
Due to Algonquin Treaty Negotiation Funding Trust (Note 5)	120,236	-
Due to AOO (Rockcliffe) Inc. (Note 5)	213,816	-
Government remittances payable	18,627	8,937
Income taxes payable (Note 12)	<u>38,511</u>	<u>2,982</u>
	<u>\$ 4,827,894</u>	<u>\$ 4,385,998</u>

Shareholders' equity (deficit):

 Capital:

 Common shares:


 Authorized - unlimited common shares

 Issued - 100 common shares (Note 5)

 Retained earnings (deficit)

\$ 10	\$ 10
<u>(153,070)</u>	<u>2,642</u>
<u>\$ (153,060)</u>	<u>\$ 2,652</u>
<u>\$ 4,674,834</u>	<u>\$ 4,388,650</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 2019

(with 2018 figures for comparison)

	<u>2019</u>	<u>2018</u>
Retained earnings (deficit) at the beginning of the year	\$ 2,642	\$ (321)
Net income (loss) for the year	<u>(155,712)</u>	<u>2,963</u>
Retained earnings (deficit) at the end of the year	<u><u>\$ (153,070)</u></u>	<u><u>\$ 2,642</u></u>

(See accompanying notes)

Algonquin Opportunity (No. 2) Corporation

Statement of Operations

For the year ended 31 March 2019

(with 2018 figures for comparison)

	<u>2019</u>	<u>2018</u>
Negotiation Operations - Algonquin Treaty Negotiation Funding Trust		
Funding	\$ <u>579,456</u>	\$ <u>522,101</u>
Expenses:		
Interest and bank charges	\$ 1,342	\$ 972
Lease (Note 9)	121,193	119,807
Salaries and benefits	<u>456,921</u>	<u>401,322</u>
	\$ <u>579,456</u>	\$ <u>522,101</u>
Operating income from Negotiation Operations	\$ <u>-</u>	\$ <u>-</u>
New Relationship Funding - Core Funding	\$ 508,276	\$ 508,275
Less surplus repayable	<u>5,358</u>	<u>154,498</u>
	\$ <u>502,918</u>	\$ <u>353,777</u>
Expenses:		
Administration costs	\$ 46,266	\$ 19,762
Consultants and professional fees	102,241	85,798
Community outreach events including travel and honorariums	14,771	55,371
Salaries and benefits	238,038	176,352
Training	<u>101,602</u>	<u>16,494</u>
	\$ <u>502,918</u>	\$ <u>353,777</u>
Operating income from New Relationship Funding - Core Funding	\$ <u>-</u>	\$ <u>-</u>
Funding from individual programs (Note 13)	\$ <u>589,876</u>	\$ <u>302,309</u>
Expenses:		
Expenses relating to individual programs	\$ <u>590,380</u>	\$ <u>302,309</u>
Operating loss from other programs before capitalization of assets	\$ (504)	\$ -
Capitalization of assets	<u>47,257</u>	<u>-</u>
Operating income from other programs before other income and expenses	\$ 46,753	\$ -
Other income:		
Interest income	<u>71,744</u>	<u>5,945</u>
	\$ <u>118,497</u>	\$ <u>5,945</u>
Other income:		
Legal expenses	\$ 229,185	\$ -
Write-off of uncollectible accounts	<u>6,488</u>	<u>-</u>
	\$ <u>235,673</u>	\$ <u>-</u>
Income (loss) before income taxes	\$ (117,176)	\$ 5,945
Income taxes	<u>(38,536)</u>	<u>(2,982)</u>
Net income (loss) for the year	\$ <u>(155,712)</u>	\$ <u>2,963</u>

(See accompanying notes)

Algonquin Opportunity (No. 2) Corporation

Statement of Cash Flows

For the year ended 31 March 2019

(with 2018 figures for comparison)

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Net income (loss) for the year	\$ (155,712)	\$ 2,963
Net change in non cash working capital balances related to operations:		
- decrease (increase) in accounts receivable	(71,050)	54,636
- increase (decrease) in accrued investment interest	(21,613)	(5,945)
- decrease (increase) in due from Algonquin Treaty Negotiation Funding Trust	199,475	40,257
- increase (decrease) in due to Algonquin Treaty Negotiation Funding Trust	120,236	-
- increase (decrease) in due from Algonquin Opportunity (No.) 2 Corporation	(12,270)	-
- increase (decrease) in due to AOO (Rockcliffe) Inc.	213,816	-
- increase (decrease) in government remittances payable	9,690	8,753
- increase (decrease) in accounts payable and accrued liabilities	106,633	(8,058)
- increase (decrease) in income taxes payable	35,529	2,982
- increase (decrease) in deferred revenue	105,127	18,587
- increase (decrease) in amount due to Ministry of Aboriginal Affairs	<u>(149,136)</u>	<u>3,959,884</u>
Cash flows from operating activities	\$ <u>380,725</u>	\$ <u>4,074,059</u>
Cash flows used for investing activities:		
Additions to vehicles	\$ <u>(47,257)</u>	\$ <u>-</u>
Net increase in cash and cash equivalents during the year	\$ 333,468	\$ 4,074,059
Cash and cash equivalents at the beginning of the year	<u>4,121,054</u>	<u>46,995</u>
Cash and cash equivalents at the end of the year	\$ <u><u>4,454,522</u></u>	\$ <u><u>4,121,054</u></u>
Cash and cash equivalents consists of:		
Cash in bank	\$ 404,391	\$ 121,054
Investment	<u>4,050,131</u>	<u>4,000,000</u>
	\$ <u><u>4,454,522</u></u>	\$ <u><u>4,121,054</u></u>

(See accompanying notes)

Algonquin Opportunity (No. 2) Corporation

Notes to the Financial Statements

For the year ended 31 March 2019

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) Vehicles:

Equipment is accounted for at cost and amortized on the basis of their useful life using the following method and rate:

Vehicles	30% declining balance basis
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Additions during the year are not amortized until year following purchase.

c) 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.

d) 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.

e) 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.

f) Revenue recognition:

Provincial funding and transfers from Algonquin Treaty Negotiation Funding Trust are recognized at the time expenses are incurred.

g) Financial instruments:

Where not disclosed, the carrying amount of the company's financial instruments, being cash in bank, investments, accounts receivable, due to Algonquin Treaty Negotiation Funding Trust, due from Algonquin Opportunity (No.1) Corporation, due to AOO (Rockcliffe) Inc., and 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.

Algonquin Opportunity (No. 2) Corporation

Notes to the Financial Statements

For the year ended 31 March 2019

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 2019.

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

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 various sources of revenue from the Government of Canada and Province of Ontario and the Algonquin Treaty Negotiation Funding Trust for 100% of its revenue.

5. RELATED PARTY TRANSACTIONS

Algonquin Opportunity (No. 2) Corporation, Algonquin Opportunity (No. 1) Corporation and AOO (Rockcliffe) Inc. are 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 (due to) Algonquin Treaty Negotiation Funding Trust is interest free and has no specific repayment terms.

The amount due from Algonquin Opportunity (No.1) Corporation is interest free and has no specific repayment terms.

The amount due to AOO (Rockcliffe) Inc. consists of funds advanced for a specific matter being addressed by the corporation with the funds being advanced on an interest free basis 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 2019

7. DEFERRED REVENUE

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

	<u>2019</u>	<u>2018</u>
Balance at the beginning of the year	\$ 189,189	\$ 170,602
Additions during the year (net of funds utilized in operations)	<u>105,127</u>	<u>18,587</u>
Balance at the end of the year	<u>\$ 294,316</u>	<u>\$ 189,189</u>

- b) Consisting of:

	<u>2019</u>	<u>2018</u>
City of Ottawa	\$ 20,934	\$ 20,934
Ministry of Natural Resources	156,671	120,100
Energy Ottawa	17,257	17,257
Museum assistance program	28,403	28,403
Miscellaneous programs	2,495	2,495
ECCC	7,233	-
CNSC	<u>61,323</u>	<u>-</u>
	<u>\$ 294,316</u>	<u>\$ 189,189</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 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 \$ 5,357 (2018 - \$ 154,498) and advance funding under Implementation Funding Agreement of \$ 4,000,000.

- b) New Relationship Core Funding:

Amount is interest free and is due upon notice from Ministry of Aboriginal Affairs.

- c) Implementation Funding Agreement:

Amount is interest free and is to provide implementation 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 its right of repayment, shall be credited to Ontario as part of its contribution to the AOO and set off against amounts payable by Ontario to the AOO under an Implementation Plan Fund Agreement.

Algonquin Opportunity (No. 2) Corporation

Notes to the Financial Statements

For the year ended 31 March 2019

11. INVESTMENTS

Investments consist of two cashable Guaranteed Investment Certificates maturing on 23 November 2019 and 9 July 2020 at interest rates of 1.85% and 3.15% respectively.

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 years as follows:

	<u>2019</u>	<u>2018</u>
Net income (loss) for the year before income taxes	\$ <u>(117,176)</u>	\$ <u>5,945</u>
Anticipated income tax at statutory rates	\$ (46,284)	\$ 2,348
Non-deductible expenses	90,538	-
Refundable taxes	7,653	634
Difference in amortization and CCA	(8,399)	-
Tax reduction due to differential rate on active income	<u>(4,972)</u>	<u>-</u>
	\$ <u><u>38,536</u></u>	\$ <u><u>2,982</u></u>

13. INDIVIDUAL PROGRAMS

	<u>Revenue</u>	<u>Expenditures</u>	(Deficit) <u>Surplus</u>
Carlsbad Springs Development	\$ 180,000	\$ 180,504	\$ (504)
Ottawa River Watershed	32,089	32,089	-
Ranger camp sites	24,200	24,200	-
Algonquin Forest Management Plan	31,897	31,897	-
Oversight report on Uranium Mines	15,074	15,074	-
CNL long-term relationship agreements	24,859	24,859	-
Federal review of Navigation Protection Act	10,000	10,000	-
Kitchissippi watershed lake trout monitoring project	132,767	132,767	-
Winter fisheries flight surveys	14,331	14,331	-
Timiskaming dam replacement	33,329	33,329	-
Trapper training course	5,000	5,000	-
Various recovery programs	<u>86,329</u>	<u>86,329</u>	<u>-</u>
	\$ <u><u>589,875</u></u>	\$ <u><u>590,379</u></u>	\$ <u><u>(504)</u></u>