

Algonquin Opportunity (No.2) Corporation



Financial Statements

For the year ended 31 March 2020

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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 March 31, 2020, 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 March 31, 2020, 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.

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.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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 23, 2020

Ottawa, Ontario

Algonquin Opportunity (No. 2) Corporation


Balance Sheet


As at 31 March 2020

(with 2019 figures for comparison)

		<u>2020</u>	<u>2019</u>
<u>ASSETS</u>			
Current:			
Cash in bank		\$ 96,583	\$ 404,391
Deposits		1,100	1,100
Investments (Note 11)		4,100,649	4,050,131
Accounts receivable		234,656	132,126
Accrued investment interest		82,370	27,559
Due from Ministry of Aboriginal Affairs (Note 10 (a))		11,703	-
Due from Algonquin Opportunity (No.1) Corporation (Note 5)		12,270	12,270
Income taxes receivable (Note 12)		<u>77,000</u>	<u>-</u>
		\$ <u>4,616,331</u>	\$ <u>4,627,577</u>
Property, plant and equipment:			
	<u>Cost</u>	<u>Accumulated Amortization</u>	
Vehicles (Note 2 (b))	\$ <u>47,257</u>	\$ <u>14,177</u>	
		\$ <u>33,080</u>	\$ <u>47,257</u>
		\$ <u>4,649,411</u>	\$ <u>4,674,834</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)</u>			
Current liabilities:			
Accounts payable and accrued liabilities		\$ 78,009	\$ 137,031
Due to Ministry of Aboriginal Affairs (Note 10 (b), (d))		4,161,867	4,005,357
Deferred revenue (Note 7)		426,466	294,316
Due to Algonquin Treaty Negotiation Funding Trust (Note 5)		97,375	120,236
Due to AOO (Rockcliffe) Inc. (Note 5)		213,816	213,816
Government remittances payable		34,328	18,627
Income taxes payable (Note 12)		<u>-</u>	<u>38,511</u>
		\$ <u>5,011,861</u>	\$ <u>4,827,894</u>
Shareholders' equity (deficit):			
Capital:			
Common shares:			
Authorized - unlimited common shares			
Issued - 100 common shares		\$ 10	\$ 10
Retained earnings (deficit)		<u>(362,460)</u>	<u>(153,070)</u>
		\$ <u>(362,450)</u>	\$ <u>(153,060)</u>
		\$ <u>4,649,411</u>	\$ <u>4,674,834</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 2020

(with 2019 figures for comparison)

	<u>2020</u>	<u>2019</u>
Retained earnings (deficit) at the beginning of the year	\$ (153,070)	\$ 2,642
Net loss for the year	<u>(209,390)</u>	<u>(155,712)</u>
Retained earnings (deficit) at the end of the year	<u><u>\$ (362,460)</u></u>	<u><u>\$ (153,070)</u></u>

(See accompanying notes)

Algonquin Opportunity (No. 2) Corporation

Statement of Operations

For the year ended 31 March 2020

(with 2019 figures for comparison)

	<u>2020</u>	<u>2019</u>
Negotiation Operations - Algonquin Treaty Negotiation Funding Trust Funding	\$ <u>608,411</u>	\$ <u>579,456</u>
Expenses:		
Interest and bank charges	\$ 1,211	\$ 1,342
Lease (Note 9)	124,405	121,193
Salaries and benefits	<u>482,795</u>	<u>456,921</u>
	\$ <u>608,411</u>	\$ <u>579,456</u>
Operating income from Negotiation Operations	<u>\$ -</u>	<u>\$ -</u>
New Relationship Funding - Core Funding (Note 10 (a))	\$ 342,003	\$ 508,276
Less surplus repayable	<u>-</u>	<u>5,358</u>
	\$ <u>342,003</u>	\$ <u>502,918</u>
Expenses:		
Administration costs	\$ 33,002	\$ 46,266
Consultants and professional fees	48,451	102,241
Community outreach events including travel and honorariums	18,276	14,771
Salaries and benefits	242,274	238,038
Training	<u>-</u>	<u>101,602</u>
	\$ <u>342,003</u>	\$ <u>502,918</u>
Operating income from New Relationship Funding - Core Funding	<u>\$ -</u>	<u>\$ -</u>
Funding from individual programs	\$ <u>741,523</u>	\$ <u>589,876</u>
Expenses:		
Expenses relating to individual programs	\$ <u>741,523</u>	\$ <u>590,380</u>
Operating loss from other programs before capitalization of assets	\$ -	\$ (504)
Capitalization of assets	<u>-</u>	<u>47,257</u>
Operating income from other programs before other income and expenses	\$ -	\$ 46,753
Other income:		
Interest income	<u>105,329</u>	<u>71,744</u>
	\$ <u>105,329</u>	\$ <u>118,497</u>
Other expenses:		
Accounting, audit and legal	\$ 14,158	\$ -
Amortization of vehicles	14,177	-
Legal expenses	161,154	229,185
Transfer to due to Ministry of Aboriginal Affairs	161,867	-
Write-off of uncollectible accounts	<u>-</u>	<u>6,488</u>
	\$ <u>351,356</u>	\$ <u>235,673</u>
Loss before income taxes	\$ (246,027)	\$ (117,176)
Income taxes recoverable (expense)	<u>36,637</u>	<u>(38,536)</u>
Net loss for the year	<u>\$ (209,390)</u>	<u>\$ (155,712)</u>

(See accompanying notes)

Algonquin Opportunity (No. 2) Corporation

Statement of Cash Flows

For the year ended 31 March 2020

(with 2019 figures for comparison)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Net loss for the year	\$ (209,390)	\$ (155,712)
Add amortization which does not involve cash	<u>14,177</u>	<u>-</u>
	\$ (195,213)	\$ (155,712)
Net change in non cash working capital balances related to operations:		
- decrease (increase) in accounts receivable	(114,233)	(71,050)
- decrease (increase) in accrued investment interest	(54,811)	(21,613)
- decrease (increase) in income taxes receivable	(77,000)	-
- decrease (increase) in due from Algonquin Treaty Negotiation Funding Trust	-	199,475
- increase (decrease) in due to Algonquin Treaty Negotiation Funding Trust	(22,861)	120,236
- increase (decrease) in due from Algonquin Opportunity (No.1) Corporation	-	(12,270)
- increase (decrease) in due to AOO (Rockcliffe) Inc.	-	213,816
- increase (decrease) in government remittances payable	15,701	9,690
- increase (decrease) in accounts payable and accrued liabilities	(59,022)	106,633
- increase (decrease) in income taxes payable	(38,511)	35,529
- increase (decrease) in deferred revenue	132,150	105,127
- increase (decrease) in amount due to Ministry of Aboriginal Affairs	<u>156,510</u>	<u>(149,136)</u>
Cash flows from (used for) operating activities	\$ <u>(257,290)</u>	\$ <u>380,725</u>
Cash flows used for investing activities:		
Additions to vehicles	\$ <u>-</u>	\$ <u>(47,257)</u>
Net increase (decrease) in cash and cash equivalents during the year	\$ (257,290)	\$ 333,468
Cash and cash equivalents at the beginning of the year	<u>4,454,522</u>	<u>4,121,054</u>
Cash and cash equivalents at the end of the year	\$ <u><u>4,197,232</u></u>	\$ <u><u>4,454,522</u></u>
Cash and cash equivalents consists of:		
Cash in bank	\$ 96,583	\$ 404,391
Investments	<u>4,100,649</u>	<u>4,050,131</u>
	\$ <u><u>4,197,232</u></u>	\$ <u><u>4,454,522</u></u>

(See accompanying notes)

Algonquin Opportunity (No. 2) Corporation

Notes to the Financial Statements

For the year ended 31 March 2020

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. Significant estimates include amortization.

d) Cash and cash equivalents:

Cash and cash equivalents are comprised of cash on hand and in bank and investments due no greater than fifteen 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:

Government 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, deposits, investments, accrued investment interest, accounts receivable, due from Algonquin Opportunity (No.1) Corporation, accounts payable and accrued liabilities, due to AOO (Rockcliffe) Inc. and due to Algonquin Treaty Negotiation Funding Trust, 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 2020

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 2020.

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, due to Ministry of Aboriginal Affairs and due to AOO (Rockcliffe) Inc..

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 exposed to this risk mainly in respect to accounts receivable.

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 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 2020

7. DEFERRED REVENUE

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

	<u>2020</u>	<u>2019</u>
Balance at the beginning of the year	\$ 294,316	\$ 189,189
Additions during the year (net of funds utilized in operations)	<u>132,150</u>	<u>105,127</u>
Balance at the end of the year	<u>\$ 426,466</u>	<u>\$ 294,316</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 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 FROM (TO) MINISTRY OF ABORIGINAL AFFAIRS

- a) Amount due from Ministry of Aboriginal Affairs consists of a balance due under the New Relationship Core Funding program for 2019 - 2020. Additional dollars are due under the program to be received in 2020 - 2021 to cover corresponding expenses.
- b) The amounts due to Ministry of Aboriginal Affairs consists of a repayable surplus under the New Relationship Core Funding program 2020 - \$ Nil (2019 - \$ 5,358) and advance funding under Implementation Funding Agreement of 2020 - \$ 4,000,000 (2019 - \$ 4,000,000) plus net interest income of 2020 - \$ 161,867 (2019 - \$ Nil). The Implementation Funding Agreement was amended to clarify that the net interest income is due back to the Ministry of Aboriginal Affairs.
- c) New Relationship Core Funding:
Amount is interest free and is due upon notice from Ministry of Aboriginal Affairs.
- d) 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 2020

11. INVESTMENTS

Investments consist of Guaranteed Investment Certificates as follows:	<u>2020</u>	<u>2019</u>
Current:		
Bank of Nova Scotia, cashable, 1.85% matured 23 November 2019	\$ -	\$ 2,050,131
Bank of Nova Scotia, non-redeemable, 3.15% matures 9 July 2020	2,000,000	2,000,000
Bank of Nova Scotia, non-redeemable, 2.25% matures 24 February 2021	758,363	-
Bank of Nova Scotia, cashable, 1.9% matures 24 February 2021	583,923	-
Bank of Nova Scotia, non-redeemable, 2.26% matures 24 August 2021	<u>758,363</u>	<u>-</u>
	<u>\$ 4,100,649</u>	<u>\$ 4,050,131</u>

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>2020</u>	<u>2019</u>
Net loss for the year before income taxes	\$ <u>(246,027)</u>	\$ <u>(117,176)</u>
Anticipated income taxes at statutory rates	\$ 97,181	\$ 46,284
Non-deductible expenses	(63,655)	(90,538)
Non-deductible interest	(143)	-
Refundable taxes	6,310	(7,653)
Difference in amortization and CCA	(2,520)	8,399
Tax reduction (increase) due to differential rate on active income	<u>(536)</u>	<u>4,972</u>
	<u>\$ 36,637</u>	<u>\$ (38,536)</u>

13. SUBSEQUENT EVENT

On 11 March 2020, the World Health Organization categorized COVID-19 as a pandemic. The potential economic effects within the company's environment and in the global markets, possible disruption in supply chains, and measures being introduced at various levels of government to curtail the spread of the virus (such as travel restrictions, closures of non-essential municipal and private operations, imposition of quarantines and social distancing) could have a material impact on the company's operations.

The extent of the impact of this outbreak and related containment measures on the company's operations cannot be reliably estimated at this time.