

Algonquins of Ontario Opportunities Trust



Financial Statements For the year ended 31 December 2020

Independent Auditor's Report

To the Shareholder of the Algonquins of Ontario Opportunities Trust

Opinion

We have audited the financial statements of Algonquins of Ontario Opportunities Trust (the "Trust") which comprise the balance sheet as at 31 December 2020, and the statements of operations and deficit, 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 Trust as at 31 December 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 Trust 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 Trust'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 Trust or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Trust'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.

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 Trust'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 Trust'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 Trust 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
May 3, 2021
Ottawa, Ontario

Algonquins of Ontario Opportunities Trust

Balance Sheet

As at 31 December 2020

ASSETS

Current:	
Due from related party (Note 4)	\$ <u>4,128,650</u>
	\$ <u><u>4,128,650</u></u>

LIABILITIES AND SURPLUS

Current liabilities:	
Accrued liabilities	\$ 10,000
Government remittances payable	474,978
Income taxes payable (Note 6)	<u>972,552</u>
	\$ <u>1,457,530</u>
Surplus	\$ <u>2,671,120</u>
	\$ <u><u>4,128,650</u></u>

Approved on behalf of the Trust:





(See accompanying notes)

Algonquins of Ontario Opportunities Trust

Statement of Surplus

For the year ended 31 December 2020

Surplus at the beginning of the year	\$ -
Net income for the year	<u>2,671,120</u>
Surplus at the end of the year	<u><u>\$ 2,671,120</u></u>

(See accompanying notes)

Algonquins of Ontario Opportunities Trust

Statement of Revenue and Expenses

For the year ended 31 December 2020

Revenue:	
Sale of rights	\$ <u>3,653,672</u>
Expenses:	
Professional fees	\$ <u>10,000</u>
Income before income taxes	\$ 3,643,672
Income taxes (Note 6)	<u>972,552</u>
Net income for the year	\$ <u><u>2,671,120</u></u>

(See accompanying notes)

Algonquins of Ontario Opportunities Trust

Statement of Cash Flows

For the year ended 31 December 2020

Cash flows from operating activities:	
Net income for the year	\$ 2,671,120
Net change in non cash working capital balances related to operations:	
- increase (decrease) in Government remittances payable	474,978
- increase (decrease) in income taxes payable	972,552
- increase (decrease) in accrued liabilities	<u>10,000</u>
Cash flows from operating activities	\$ <u>4,128,650</u>
Cash flows used for investing activities:	
Increase in due from related party	\$ <u>(4,128,650)</u>
Net increase (decrease) in cash and cash equivalents during the year	\$ -
Cash and cash equivalents at the beginning of the year	<u>-</u>
Cash and cash equivalents at the end of the year	\$ <u><u>-</u></u>

(See accompanying notes)

Algonquins of Ontario Opportunities Trust

Notes to the Financial Statements

For the year ended 31 December 2020

1. NATURE OF THE TRUST

The Algonquins of Ontario Opportunities Trust was created on 16 March 2009. The objective is to establish a vehicle to enter into contracts and business ventures and to hold assets for the benefit of the Algonquins of Ontario pending the finalization of the Treaty. 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:
Revenue and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a 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 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 due from related party and accrued liabilities. 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 December 2020.

Algonquins of Ontario Opportunities Trust

Notes to the Financial Statements

For the year ended 31 December 2020

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 Trust is exposed to this risk mainly in respect of its 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 due from related party. 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. DUE FROM RELATED PARTY

Algonquin Opportunity (No. 3) Corporation is 100% owned by the Algonquins of Ontario Opportunities Trust.

Amount is due from Algonquin Opportunity (No. 3) Corporation, is on an interest free basis and has no specific repayment terms.

5. ECONOMIC DEPENDENCE

The Trust is dependent on interest earned from funds loaned from related party for 100% of its revenue.

6. INCOME TAXES

Income taxes are accounted for by the taxes payable method. Under the taxes payable method, only current income tax assets and liabilities are recognized. 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 53.38% to the income for the year as follows:

Income (loss) before income taxes	\$ <u>3,643,672</u>
Expected income taxes at the combined tax rate of 53.38%	\$ 1,944,998
Non-taxable portion of capital gain	<u>972,446</u>
Income tax expense for the year	<u>\$ 972,552</u>

7. COVID-19

To help contain the spread of the COVID-19 virus and to protect the public, measures have been introduced at various levels of government. The virus and the measures introduced could have a material impact on future operations. The extent of the impact of the COVID-19 virus and the government's response cannot be reliably estimated at this time.