

Chippewas of the Thames First Nation

Consolidated Financial Statements

March 31, 2014

Chippewas of the Thames First Nation
Consolidated Financial Statements
March 31, 2014

Index

1. Independent Auditors' Report
2. Consolidated Statement of Financial Position
3. Consolidated Statement of Changes in Net Assets (Debt)
4. Consolidated Statement of Revenue and Expenditures
5. Consolidated Statement of Cash Flows
6. Notes to the Consolidated Financial Statements
7. Auditors' Comments on Supplementary Financial Information
8. Supplementary Financial Information

MACNEILL EDMUNDSON

PROFESSIONAL CORPORATION

INDEPENDENT AUDITOR'S REPORT

To the Members of Chippewas of the Thames First Nation

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Chippewas of the Thames First Nation, which comprise the consolidated statement of financial position as at March 31, 2014, and the consolidated statements of revenues and expenditures, changes in net assets (debt) and cash flows for the year then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian public sector accounting standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated 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 judgment, 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of Chippewas of the Thames First Nation as at March 31, 2014 and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting principles as disclosed in Note 1 of the consolidated financial statements.

London, Ontario
August 13, 2014

MacNeill Edmundson
PROFESSIONAL CORPORATION
CHARTERED ACCOUNTANTS
Authorized to practice public accounting by
the Institute of Chartered Accountants of Ontario

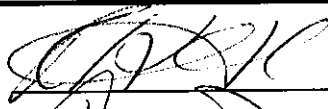
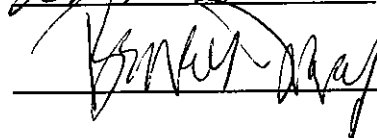
James B. MacNeill CPA, CA Jeremy A. Giles CPA, CA Robert F. Edmundson CPA, CA (Retired)

Chippewas of the Thames First Nation

Consolidated Statement of Financial Position

March 31	Operating Fund (\$)	Capital Fund (\$)	Housing Fund (\$)	Trust Fund (\$)	OLG Fund (\$)	Total 2014 (\$)	Total 2013 (\$)
Financial Assets							
Cash	252,764			102,925	739	356,428	425,884
Temporary investments (note 2)			807,471	104,154,583		104,962,054	1,381,267
Accounts receivable (note 4)	1,433,779			4,883		1,438,662	680,451
Funds Held in Trust				468,953		468,953	455,030
Housing Loans Receivable			1,504,266			1,504,266	1,563,366
Long-Term Loans (note 7)	2,006,050					2,006,050	2,006,050
	3,692,593		2,311,737	104,731,344	739	110,736,413	6,512,048
Liabilities							
Bank indebtedness (note 3)	1,934,645					1,934,645	1,754,337
Accounts payable and accrued	694,203					694,203	841,541
Due to funding source							55,529
Deferred revenue (note 8)	936,807					936,807	383,112
Debt (note 6)		5,544,484				5,544,484	5,482,579
	3,565,655	5,544,484				9,110,139	8,517,098
Net Financial Assets (Debt)	126,938	(5,544,484)	2,311,737	104,731,344	739	101,626,274	(2,005,050)
Non-financial assets							
Capital assets (note 5)		21,855,343				21,855,343	22,181,974
Prepaid expenses	38,472					38,472	147,872
	38,472	21,855,343				21,893,815	22,329,846
Accumulated surplus (deficit)	165,410	16,310,859	2,311,737	104,731,344	739	123,520,089	20,324,796
Accumulated surplus / (deficit) is comprised of:							
Externally Restricted Funds (note 9)			300,000	104,731,344	739	105,032,083	1,526,430
Internally Restricted Funds		16,310,859	2,011,737			18,322,596	18,686,011
Unrestricted Funds	165,410					165,410	112,355
	165,410	16,310,859	2,311,737	104,731,344	739	123,520,089	20,324,796

Approved on behalf of the Council:


 _____, Chief

 _____, Councilor

Chippewas of the Thames First Nation

Consolidated Statement of Changes in Net Assets (Debt)

	Operating Fund (\$)	Capital Fund (\$)	Housing Fund (\$)	Trust Fund (\$)	OLG Fund (\$)	Total 2014 (\$)	Total 2013 (\$)
March 31							
Excess (Deficiency) of Revenue over Expenditures	(289,559)	(1,221,791)			61,355	(1,449,995)	(970,587)
Additions							
Big Bear Creek land claim settlement				119,998,658		119,998,658	
Investment income			25,329	256,985		282,314	60,824
Unrealized gains (losses) on temporary investments			58,891	57,929		116,820	45,990
New loans and interest			200,578			200,578	189,456
Reductions							
Amortization of capital assets		949,410				949,410	633,668
Housing reserve repayments and forgiven			(173,040)			(173,040)	(217,923)
Housing reserve bad debt recovery (expense) (note 10)			(86,637)			(86,637)	49,268
Capital asset additions funded by long-term debt		(388,381)				(388,381)	(1,030,378)
Mortgage guarantee (note 9)							(60,000)
Decrease (increase) of prepaid expenses	109,400					109,400	(67,406)
Big Bear Creek negotiation costs paid by Canada				(762,730)		(762,730)	
Big Bear Creek negotiation costs paid by the First Nation (2008 to 2014)	240,437			(475,066)		(234,629)	
Big Bear Creek interest paid on bridge loan financing				(393,383)		(393,383)	
Big Bear Creek payments to members (note 11)				(14,537,061)		(14,537,061)	
Net Asset Transfers							
Transfer of long-term debt repayments	(326,477)	326,477					
Transfer of net assets	404,413	296,620		(527,034)	(173,999)		
Change in Net Assets (Debt)	138,214	(37,665)	25,121	103,618,298	(112,644)	103,631,324	(1,367,088)
Net Assets (Debt), beginning of year	(35,517)	(5,482,579)	2,286,616	1,113,047	113,383	(2,005,050)	(637,961)
Net Assets (Debt), end of year	102,697	(5,520,244)	2,311,737	104,731,345	739	101,626,274	(2,005,049)

Chippewas of the Thames First Nation

Consolidated Statement of Revenue and Expenditures

Year ended March 31	Operating Fund (\$)	Capital Fund (\$)	OLG Fund (\$)	Total 2014 (\$)	Total 2013 (\$)
Revenue					
Indian and Northern Affairs Canada	4,412,872	747,869		5,160,741	4,272,033
Stepping Stones	2,345,792			2,345,792	2,624,777
Southern First Nations Secretariat	1,851,985			1,851,985	1,822,509
Other funding	1,534,777			1,534,777	1,998,508
Other federal agencies - Health Canada	1,499,182			1,499,182	1,532,134
Province of Ontario	1,239,977			1,239,977	965,745
Ontario First Nations Limited Partnership			1,157,482	1,157,482	1,150,617
Deferred revenue - prior year (note 8)	383,112			383,112	526,637
Band generated	289,721			289,721	247,677
Big Bear Creek Trust expense reimbursement	234,630			234,630	
Union of Ontario Indians	113,854			113,854	96,385
Interest	12,958		356	13,314	6,804
Payments required to funding source					(72,672)
Deferred revenue - current year (note 8)	(208,741)	(728,066)		(936,807)	(383,112)
	13,710,119	19,803	1,157,838	14,887,760	14,788,042
Expenditures					
Salaries and benefits	4,608,633		504,224	5,112,857	4,757,933
Education services	2,114,332		750	2,115,082	2,079,767
Social benefits	2,002,824		76,381	2,079,205	2,319,214
Repairs and maintenance	955,143		196,031	1,151,174	767,290
Training and development	695,860		8,834	704,694	758,673
Consulting fees	438,389			438,389	468,781
Rent and utilities	394,743			394,743	359,842
Honoraria	374,930		17,571	392,501	285,728
Legal fees	307,646			307,646	177,208
Insurance	308,989			308,989	169,585
Travel	247,523		45,932	293,455	309,430
School transportation	293,344			293,344	295,185
General office and supplies	205,651		22,006	227,657	256,967
Capital expenditures		140,630	93,769	234,399	797,905
Programming	170,434		71,596	242,030	163,179
Interest and bank charges	204,393			204,393	67,581
Communications	185,441		7,658	193,099	177,928
Interest on long-term debt		151,554		151,554	170,237
Social events	93,366		25,137	118,503	208,684
Food supplies	92,061		18,054	110,115	141,592
Vehicles	106,084			106,084	109,044
Audit fees	43,228			43,228	55,410
Bad debts	66,559			66,559	106,204
Equipment rental	46,005			46,005	12,424
Miscellaneous	44,100		82	44,182	61,621
Cultural			7,458	7,458	8,930
Grants, donations and incentives			1,000	1,000	38,619
	13,999,678	292,184	1,096,483	15,388,345	15,124,961
Amortization of capital assets		(949,410)		(949,410)	(633,668)
Excess (Deficiency) of Revenue over Expenditures	(289,559)	(1,221,791)	61,355	(1,449,995)	(970,587)

Chippewas of the Thames First Nation

Consolidated Statement of Cash Flows

Year ended March 31	2014 (\$)	2013 (\$)
Cash Flows From (Used In) Operating Activities		
Deficiency of revenue over expenditures	(1,449,995)	(970,587)
Adjustment for non-cash items:		
Amortization of capital assets	949,410	633,668
Big Bear Creek land claim settlement	119,998,658	
Big Bear Creek land claim settlement expenses	(1,390,742)	
Big Bear Creek payments to members	(14,537,061)	
Unrealized gains (losses) on temporary investments	116,820	45,990
	<u>103,687,090</u>	<u>(290,929)</u>
Changes in non-cash working capital		
Accounts receivable	(758,211)	(18,892)
Prepaid expenses	109,400	(67,406)
Accounts payable and accrued expenses	(202,869)	230,718
Deferred revenue	553,695	(143,525)
	<u>(297,985)</u>	<u>895</u>
	<u>103,389,105</u>	<u>(290,034)</u>
Cash Flows From (Used In) Financing Activities		
Proceeds from long-term debt	388,381	1,030,378
Housing Fund interest	25,333	32,440
Repayment of long-term debt	(326,476)	(297,948)
Trust Fund income	256,984	28,384
	<u>344,222</u>	<u>793,254</u>
Cash Flows From (Used In) Investing Activities		
Redemption (acquisition) of temporary investments	103,580,787	312,746
Repayment of guaranteed mortgages (note 9)		(60,000)
Funds held in trust	(13,923)	(13,251)
Capital asset additions funded by debt	(388,381)	(1,030,378)
	<u>103,983,091</u>	<u>(790,883)</u>
Net Increase (Decrease) in Cash During Year	<u>(249,764)</u>	<u>(287,663)</u>
Cash, beginning of year	<u>(1,328,453)</u>	<u>(1,040,790)</u>
Cash, end of year	<u>(1,578,217)</u>	<u>(1,328,453)</u>
Cash Represented by:		
Cash	356,428	425,884
Bank indebtedness	(1,934,645)	(1,754,337)
	<u>(1,578,217)</u>	<u>(1,328,453)</u>

Chippewas of the Thames First Nation

Notes to the Consolidated Financial Statements

March 31, 2014

1. Accounting Policies

The Chippewas of the Thames First Nation uses the Public Sector Accounting Handbook reporting standards as the basis for presentation in these consolidated financial statements. The consolidated financial statements of the First Nation includes the various departments reported in the supplementary financial information. These departments include four CMHC housing programs. A significant aspect of the reporting standards is to account for various assets, liabilities and operating accounts by specific funds. The definition of the funds used are as follows:

Capital Fund represents tangible assets, which have economic lives extending beyond the current accounting period reported at cost, less accumulated amortization.

Trust Funds represent the funds held in the Consolidated Revenue Fund of the Government of Canada, the Pension Fund and the Big Bear Creek Trust.

Members Housing Fund reports the assets receivable from members with respect to funds advanced to construct and maintain their dwelling units.

OLG Fund represents funds allocated from the Ontario First Nations Limited Partnership, plus investment income thereon, less qualified disbursements. Restrictions exist on the nature of disbursements from this fund.

Operating Fund is used to account for all other resources not accounted for in another fund.

The other significant accounting policies used by the First Nation are as follows:

(a) Temporary Investments

Temporary investments are considered held for trading financial instruments and as such are reported at their market value. The change in market value is reported on the statement of changes in net assets (debt) within the appropriate fund.

(b) Loans Receivable from Band Members/Members' Housing Reserve

Expenditures for house construction and renovations and sanitation facilities, to limits approved by Band Council, are funded by accountable contributions from the Government of Canada, Department of Indian and Northern Affairs and by repayment of these amounts by Band members. Agreements between the Band and Band members specify the percentage of these expenditures to be repaid by the Band member. Such amounts repayable are reported on the statement of financial position as loans receivable from Band members and as the members housing reserve. Payments on account of these loans are recorded as operating fund revenue from Band activities as received. The payments are also recorded as a reduction in the loan receivable and the members' housing reserve.

(c) Capital Assets

Capital assets are stated at cost in the capital fund. Capital assets, purchased prior to April 1, 1996, are considered to have a nominal value of \$1. Amortization is recorded as a reduction of the capital fund on the basis and at the annual rates as indicated as follows:

Building	40 Years Straight Line
Waterline	10 Years Straight Line
Roads and bridges	15 Years Straight Line
Furniture and Equipment	5 Years Straight Line
Vehicles	3 Years Straight Line
Computers	3 Years Straight Line
Monument and exhibit	Indefinite Life

Chippewas of the Thames First Nation

Notes to the Consolidated Financial Statements

March 31, 2014

1. Accounting Policies (Continued)

(d) Deferred Revenue

Revenue that relates to expenditures of future accounting periods has been deferred.

(e) Funds Held in Trust by the Government of Canada

Revenue from the Capital funds held in trust by the Government of Canada are reported as assets on the statement of financial position. Interest and other income earned are recorded as revenue and disbursements are recorded as expenditures of the trust fund.

(f) Financial Instruments

The council's financial instruments consist of cash or bank indebtedness, temporary investments, accounts receivable, and accounts payable and accrued liabilities and long-term debt. With the exception of the outstanding prime based long-term debt, it is council's opinion that the council is not exposed to significant interest or credit risks arising from these instruments. The carrying value of the financial instruments is equal to their fair value, unless otherwise noted.

(g) Revenue Recognition

The Chippewas of the Thames First Nation follows the deferral method of recognizing revenue. Under the deferral method, restricted contributions for expenses of one or more future periods are deferred and recognized as revenue in the same period as the related expenses are recognized. Unrestricted contributions or restricted contributions for expenses incurred in the current period are recognized as revenue in the current period. The recognition criteria for government transfers are also followed for entitlements, cost sharing agreements and grants, where the funding agreements with the various government bodies are used to determine which criteria to follow.

(h) Measurement Uncertainty

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

2. Temporary Investments

	2014 (\$)	2013 (\$)
Big Bear Creek Trust - BMO Harris Private Banking (cost - \$103,420,003)	103,499,852	
Housing - BMO Harris Private Banking (cost - \$653,567)	807,471	723,250
Zhoonyaa Pension - BMO Nesbitt Burns (cost - \$613,330)	654,731	658,017
	<u>104,962,054</u>	<u>1,381,267</u>

3. Bank Indebtedness

The First Nation is authorized for an overdraft limit of \$900,000, which is unsecured.

Chippewas of the Thames First Nation

Notes to the Consolidated Financial Statements

March 31, 2014

4. Accounts Receivable

Accounts receivable consist of the following balances:

	2014 (\$)	2013 (\$)
Operating		
Indian and Northern Affairs	888,082	156,510
Southern First Nations Secretariat	159,859	197,198
Health Canada	32,350	97,621
GST/HST	90,719	87,256
Other	34,570	50,452
Province of Ontario	93,310	33,469
Water payments from Band members	12,958	29,367
Union of Ontario Indians	4,301	28,578
Stepping Stones	107,064	
Grand total	1,423,213	680,451

5. Capital Assets

	Cost (\$)	Accumulated Amortization (\$)	2014 Net (\$)	2013 Net (\$)
Land	1		1	1
Buildings	28,587,166	8,013,748	20,573,418	20,997,810
Furniture and equipment	3,143,776	2,670,938	472,838	532,717
Water and sewage lines	7,189,185	6,670,038	519,147	432,293
Vehicles	1,057,906	1,044,336	13,570	22,617
Roads and bridges	1,391,150	1,391,150		
Computer equipment	349,604	324,772	24,832	
Monument and exhibit	251,537		251,537	196,537
	41,970,325	20,114,982	21,855,343	22,181,975

Chippewas of the Thames First Nation

Notes to the Consolidated Financial Statements

March 31, 2014

6. Long-Term Debt

	2014 (\$)	2013 (\$)
Prime +0.5% Antler River commercial complex loan repayable in monthly installments of \$9,715 plus interest, due on demand or by August 31, 2031. A General Security Agreement, the commercial complex and farm land are held as security.	2,156,757	2,248,038
1.69% CMHC Phase IV - Housing mortgage repayable in monthly installments of \$5,946 including interest, due April 1, 2019. Payments begin in May 2014.	1,416,072	1,030,380
1.62% CMHC Phase III - Seniors Complex mortgage repayable in monthly installments of \$8,344 including interest, due March 1, 2018.	824,934	911,124
4.09% CMHC Phase I - Housing mortgage repayable in monthly installments of \$6,814 including interest, due October 1, 2015.	698,780	751,212
1.64% CMHC Phase II - Housing mortgage repayable in monthly installments of \$2,661 including interest, due December 1, 2016.	367,791	390,136
4.18% Fire truck loan repayable in monthly installments of \$5,876 including interest, due June 30, 2015.	80,150	151,689
	<u>5,544,484</u>	<u>5,482,579</u>
Less: current portion	<u>2,433,457</u>	<u>317,278</u>
	<u>3,111,027</u>	<u>5,165,301</u>

Principal repayments due on the long-term debt in each of the next five fiscal years are as follows:

	(\$)
2015	2,433,457
2016	816,220
2017	450,480
2018	603,709
2019 and thereafter	<u>1,240,618</u>
	<u>5,544,484</u>

Chippewas of the Thames First Nation

Notes to the Consolidated Financial Statements

March 31, 2014

7. Long-Term Loans

	2014	2013
Advance to the Chippewas of the Thames - Land Claim Trust on March 31, 1999 to purchase 10,000 Common shares (50%) of 1317424 Ontario Inc.	1,900,000	1,900,000
Advance to 1317424 Ontario Inc. to cover additional costs related to land held for development.	106,050	106,050
	2,006,050	2,006,050

The above funds were advances to the Chippewas of the Thames - Land Claim Trust and they are secured by the land owned by 1317424 Ontario Inc. As at March 31, 2014, the land is still held by 1317424 Ontario Inc., therefore there is no reason to believe that the value of the above loans has been impaired.

8. Deferred Revenue

	2014 (\$)	2013 (\$)
Southern First Nations - Solvent Abuse Program	128,702	187,209
Southern First Nations - Post secondary funding	14,272	36,120
Clench Fraud Trust - Fire truck purchase	65,767	116,135
Clench Fraud Trust - salary/benefit funding		43,648
INAC - interim water treatment upgrade	728,066	
	936,807	383,112

9. Contingent Liability

The Chippewas of the Thames First Nation Housing Fund is the guarantor of certain housing loans under the Housing Loan Program at the Bank of Montreal. The total amount of the loans outstanding at March 31, 2014, is \$592,427 (2013 - \$535,616). The Chippewas of the Thames First Nation have also agreed to repay these mortgages when their principal balance is paid down to \$30,000. The amount of the contingent liability (\$300,000) has been classified as an externally restricted net asset of the housing fund to indicate the net assets required to repay these mortgages.

10. Housing Reserve Bad Debts Expense (Recovery)

Each year the members housing reserve is reviewed and the bad debts allowance is adjusted to reflect housing loans receivable for which no payments were received from members throughout the year. If no payments have been received in the last year, the housing loan receivable is deemed doubtful and the allowance for doubtful accounts is adjusted accordingly. During the year, there was an expense of \$86,637 (2013 - \$(49,268) recovery) in housing loans and accumulated interest for which no payments were received.

Chippewas of the Thames First Nation

Notes to the Consolidated Financial Statements

March 31, 2014

11. Big Bear Creek land claim

On January 28, 2013 the First Nation reached a settlement agreement with the Government of Canada as it relates to the Big Bear Creek land claim. The members of the First Nation implemented the Trust described in the Settlement Agreement by a ratification vote which was held on March 23, 2013.

The First Nation received a total settlement of \$119,998,658 less negotiation costs owing to the Government of Canada totalling \$762,730. The remaining funds are held in trust for the First Nation and are to be used as follows:

- 1) to fund a \$7,500 per capital distribution to each qualifying member;
- 2) to create an income stabilization fund for elders;
- 3) to create an education savings plan for members under the age of nineteen;
- 4) to create a community development fund;
- 5) to enable the First Nation to acquire additional reserve lands.

During the year the following payments were made to members:

Per Capita Distributions -
Income Stabilization Fund payments -
Total -
