

Chippewas of the Thames First Nation

Consolidated Financial Statements

March 31, 2016

**Chippewas of the Thames First Nation
Consolidated Financial Statements**

March 31, 2016

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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, 2016, 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 accounting standards for public sector entities, 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 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 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, 2016 and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for public sector entities.



PROFESSIONAL CORPORATION
CHARTERED PROFESSIONAL ACCOUNTANTS
Authorized to practice public accounting by
The Chartered Professional Accountants of Ontario

London, Ontario
July 27, 2016

James B. MacNeill CPA, CA Jeremy A. Giles CPA, CA Lissa Savage CPA, CA
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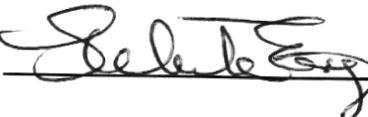
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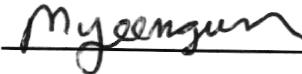
Chippewas of the Thames First Nation

Consolidated Statement of Financial Position

March 31	Operating Fund (\$)	Capital Fund (\$)	Housing Fund (\$)	Trust Fund (\$)	OLG Fund (\$)	Total 2016 (\$)	Total 2015 (\$)
							(restated)
Financial Assets							
Cash (note 2)	198,778		8,241,510	105,437	8,545,725	6,442,865	
Temporary investments (note 2)		758,218	99,497,837		100,256,055	107,858,061	
Accounts receivable (note 4)	759,771				759,771	979,497	
Funds held in trust			497,311		497,311	484,630	
Housing loans receivable (note 11)		924,169			924,169	1,190,342	
Long-term loans (note 7)						2,006,050	
	958,549	1,682,387	108,236,658	105,437	110,983,031	118,961,445	
Liabilities							
Bank indebtedness (note 3)	1,861,210				1,861,210	1,285,643	
Accounts payable and accrued	1,841,276		129,799		1,971,075	1,066,264	
Deferred revenue (note 8)	44,203	1,437,799			1,482,002	1,735,920	
Debt (note 6)		6,735,420			6,735,420	5,250,238	
	3,746,689	8,173,219	129,799		12,049,707	9,338,065	
Net Financial Assets (Debt)	(2,788,140)	(8,173,219)	1,682,387	108,106,859	105,437	98,933,324	109,623,380
Non-financial assets							
Capital assets (note 5)		23,132,474			23,132,474	22,360,883	
Prepaid expenses	38,472				38,472	38,472	
	38,472	23,132,474			23,170,946	22,399,355	
Accumulated surplus (deficit)	(2,749,668)	14,959,255	1,682,387	108,106,859	105,437	122,104,270	132,022,735
Accumulated surplus / (deficit) is comprised of:							
Externally Restricted Funds (note 10)		300,000	108,106,859	105,437	108,512,296	113,880,357	
Internally Restricted Funds	14,959,255	1,382,387			16,341,642	17,186,925	
Unrestricted Funds	(2,749,668)				(2,749,668)	955,453	
	(2,749,668)	14,959,255	1,682,387	108,106,859	105,437	122,104,270	132,022,735

Approved on behalf of the Council:

, Chief

, Councilor

Chippewas of the Thames First Nation
Consolidated Statement of Changes in Net Assets (Debt)

March 31	Operating Fund (\$)	Capital Fund (\$)	Housing Fund (\$)	Trust Fund (\$)	OLG Fund (\$)	Total 2016 (\$)	Total 2015 (\$) (restated)
Excess (Deficiency) of Revenue over Expenditures	(5,028,597)					(5,028,597)	(1,481,012)
Acquisition of capital assets	(2,100,030)					(2,100,030)	(2,055,012)
Investment income		25,935	3,984,659			4,010,594	4,981,008
Unrealized gains (losses) on investments		(57,354)	(6,740,786)			(6,798,140)	6,065,097
Amortization of capital assets	1,328,439					1,328,439	1,162,909
Mortgage repayments (note 10)		(30,000)				(30,000)	(60,000)
Big Bear Creek payments to members (note 14)			(2,072,322)			(2,072,322)	(1,896,565)
Net Asset Transfers							
Transfer of surplus (deficit)	1,155,017	(1,287,900)	(237,443)			370,326	
Transfer of long-term debt repayments	(316,382)	316,382					
Transfer of housing loan advances	(114,399)		114,399				
Transfer of housing loan repayments	143,128		(143,128)				
Other transfers	2,556,142	(1,676,204)		(613,180)	(266,758)		
Change in Net Assets (Debt)	(3,705,121)	(1,319,283)	(327,591)	(5,441,629)	103,568	(10,690,056)	6,716,425
Net Assets (Debt), beginning of year (note 15)	916,981	(6,853,936)	2,009,978	113,548,488	1,869	109,623,380	102,906,955
Net Assets (Debt), end of year	(2,788,140)	(8,173,219)	1,682,387	108,106,859	105,437	98,933,324	109,623,380

Chippewas of the Thames First Nation

Consolidated Statement of Revenue and Expenditures

Year ended March 31	Budget (\$)	2016 (\$)	2015 (\$) (restated)
Revenue			
Aboriginal Affairs and Northern Development Canada	3,998,287	4,193,911	5,199,578
Stepping Stones	2,047,472	2,275,828	2,375,445
Southern First Nations Secretariat	1,849,049	1,849,975	1,833,984
Deferred revenue - prior year (note 8)		1,735,920	936,807
Health Canada	1,352,213	1,454,626	1,446,303
Province of Ontario	1,222,098	1,324,450	1,189,688
Ontario First Nations Limited Partnership	260,000	1,188,932	1,184,062
Other revenue (note 9)	1,609,760	904,312	647,440
Band generated	1,431,146	318,005	303,072
Rent revenue	296,420	269,507	225,921
CMHC subsidy		261,027	256,200
Union of Ontario Indians	102,807	118,841	107,728
Interest		85,608	88,699
Deferred revenue - current year (note 8)		(1,482,002)	(1,735,920)
	14,169,252	14,498,940	14,059,007
Expenditures (notes 19 ,20)			
Education	3,819,715	4,121,917	3,630,934
Band support	2,185,337	2,410,590	2,520,687
Social services	3,406,020	3,713,953	3,630,153
Point Edward		2,756,050	
Amortization of capital assets		1,328,439	1,162,909
Health	1,150,530	1,068,812	1,038,172
Public works	899,479	948,002	899,414
Economic development	733,457	948,776	802,474
Housing	1,149,029	872,459	900,134
Employment and training	555,937	559,359	459,392
Land and environment	104,960	196,045	71,880
Child welfare	130,000	154,109	143,515
Big bear creek		166,354	163,868
Capital projects	138,178	146,507	106,354
Justice	153,500	136,165	10,133
	14,426,142	19,527,537	15,540,019
Excess (Deficiency) of Revenue over Expenditures			
	(256,890)	(5,028,597)	(1,481,012)

Chippewas of the Thames First Nation

Consolidated Statement of Cash Flows

Year ended March 31	2016 (\$)	2015 (\$) (restated)
Cash Flows From (Used In) Operating Activities		
Deficiency of revenue over expenditures	(5,028,597)	(1,481,012)
Adjustment for non-cash items:		
Amortization of capital assets	1,328,439	1,162,909
Impairment of long term loan	2,006,050	
Big Bear Creek payments to members	(2,072,322)	(1,896,565)
Unrealized gains (losses) on temporary investments	(6,798,140)	6,065,097
	<u>(10,564,570)</u>	<u>3,850,429</u>
Changes in non-cash working capital		
Accounts receivable	219,726	421,132
Accounts payable and accrued expenses	904,810	346,428
Deferred revenue	<u>(253,918)</u>	<u>799,113</u>
	<u>870,618</u>	<u>1,566,673</u>
	<u>(9,693,952)</u>	<u>5,417,102</u>
Cash Flows From (Used In) Financing Activities		
Proceeds from long-term debt	1,801,564	97,412
Housing Fund interest	25,936	42,796
Repayment of long-term debt	(316,382)	(391,658)
Trust Fund income	<u>3,984,659</u>	<u>4,938,212</u>
	<u>5,495,777</u>	<u>4,686,762</u>
Cash Flows From (Used In) Investing Activities		
Redemption (acquisition) of temporary investments	7,602,006	(16,905,761)
Repayment of guaranteed mortgages (note 10)	(30,000)	(60,000)
Funds held in trust	(12,681)	(15,677)
Capital asset acquisitions	(2,100,030)	(2,055,012)
Housing loan reduction (increase)	<u>266,173</u>	<u>313,924</u>
	<u>5,725,468</u>	<u>(18,722,526)</u>
Net Increase (Decrease) in Cash During Year	1,527,293	(8,618,662)
Cash, beginning of year	<u>5,157,222</u>	13,775,884
Cash, end of year	<u>6,684,515</u>	5,157,222
Cash Represented by:		
Cash - Operating and OLG	304,215	273,919
Bank indebtedness	<u>(1,861,210)</u>	<u>(1,285,643)</u>
	<u>(1,556,995)</u>	<u>(1,011,724)</u>
Cash - Trust Fund	<u>8,241,510</u>	<u>6,168,946</u>
	<u>6,684,515</u>	<u>5,157,222</u>

Chippewas of the Thames First Nation

Notes to the Consolidated Financial Statements

March 31, 2016

1. Accounting Policies

The Chippewas of the Thames First Nation uses the Canadian accounting standards for public sector entities 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 five 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 Aboriginal Affairs and Northern Development Canada (AANDC) 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. The payments are recorded as a reduction in the loan receivable and as a transfer from the Housing Fund to the Operating Fund.

Chippewas of the Thames First Nation

Notes to the Consolidated Financial Statements

March 31, 2016

1. Accounting Policies (Continued)

(c) Capital Assets

Capital assets are stated at cost in the capital fund. Amortization is recorded as a reduction of the capital fund at the following annual rates:

Building	40 Years Straight Line
Water and sewage lines	25 Years Straight Line
Upgrades to water and sewage lines	10 Years Straight Line
Roads and bridges	15 Years Straight Line
Furniture and equipment	5 Years Straight Line
Vehicles	5 Years Straight Line
Computer equipment	3 Years Straight Line
Monument and exhibit	Indefinite Life

(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.

Chippewas of the Thames First Nation

Notes to the Consolidated Financial Statements

March 31, 2016

2. Cash and Temporary Investments

	2016 (\$)	2015 (\$)
Cash		
Big Bear Creek Trust - PCD	271,870	314,181
Big Bear Creek Trust - ISF	91,458	2,094,334
Big Bear Creek Trust - Community Development	4	337,478
Big Bear Creek Trust - Investment account	<u>7,878,178</u>	3,422,953
Big Bear Creek - Total	8,241,510	6,168,946
Housing	198,778	272,050
OLG	<u>105,437</u>	1,869
	8,545,725	6,442,865
Temporary Investments		
Big Bear Creek Trust - BMO Harris Private Banking	98,788,330	106,310,022
Housing - BMO Harris Private Banking	758,218	819,636
Zhoonyaa Pension - BMO Nesbitt Burns	<u>709,507</u>	728,403
	100,256,055	107,858,061

3. Bank Indebtedness

The First Nation is authorized for an overdraft limit of \$1,500,000 (2015 - \$900,000) which is unsecured. Interest is paid monthly at the bank's prime lending rate.

4. Accounts Receivable

Accounts receivable consist of the following balances:

	2016 (\$)	2015 (\$)
Southern First Nations Secretariat	105,620	335,927
AANDC	304,523	284,984
Health Canada	26,241	116,400
GST/HST	3,362	93,303
Stepping Stones	21,792	62,823
Province of Ontario	220,307	53,295
Water payments from Band members	9,342	25,629
Union of Ontario Indians	3,790	7,100
Other	277	3,903
Chippewas of Kettle and Stoney Point	50,000	
Housing rent	<u>14,517</u>	(3,867)
	759,771	979,497

Chippewas of the Thames First Nation

Notes to the Consolidated Financial Statements

March 31, 2016

5. Capital Assets

	Cost (\$)	Accumulated Amortization (\$)	2016 Net (\$)	2015 Net (\$) (restated)
Land	1		1	1
Buildings	29,300,511	10,203,369	19,097,142	19,241,688
Furniture and equipment	3,143,776	2,953,494	190,282	329,514
Upgrades to water & sewage lines	8,534,292	6,952,653	1,581,639	1,945,860
Water and sewage lines	219,265		219,265	219,265
Vehicles	1,201,640	1,072,734	128,906	55,465
Roads and bridges	3,108,739	1,458,892	1,649,847	288,431
Computer equipment	365,604	351,749	13,855	29,122
Monument and exhibit	251,537		251,537	251,537
	46,125,365	22,992,891	23,132,474	22,360,883

The following costs have not been subject to amortization as the related asset is not yet ready for use: water and sewage line costs of \$219,265.

The First Nation has not acquired any new lands since its original settlement in the area, therefore, no land additions have been recorded in the financial records of the First Nation.

Chippewas of the Thames First Nation

Notes to the Consolidated Financial Statements

March 31, 2016

6. Long-Term Debt

		2016 (\$)	2015 (\$)
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. The commercial complex and farm land are held as security (carrying value of \$3,512,240), as well as a General Security Agreement.	1,923,594	2,040,175
Prime	Jubilee Road reconstruction - demand loan repayable in monthly installments of \$11,667 including interest, secured by the assignment of OFNLP distributions.	1,341,667	
1.92%	CMHC Phase IV - Housing mortgage repayable in monthly installments of \$5,946 including interest, due April 1, 2019.	1,331,664	1,379,251
1.62%	CMHC Phase III - Seniors Complex mortgage repayable in monthly installments of \$8,344 including interest, due for renewal on March 1, 2018.	647,463	737,343
6.3%	CMHC Phase I - Housing mortgage repayable in monthly installments of \$7,459 including interest, due for renewal on April 1, 2016.	590,875	644,695
1.64%	CMHC Phase II - Housing mortgage repayable in monthly installments of \$2,661 including interest, due for renewal on December 1, 2016.	314,615	341,631
1.17%	CMHC Phase V - Housing mortgage repayable in monthly installments of \$1,922 including interest, due for renewal on January 1, 2021.	497,390	97,413
4.18%	Fire truck loan repayable in monthly installments of \$5,876 including interest, due June 30, 2015 and secured by an assignment of insurance.		9,730
0%	Vehicle financed with Ford Credit, payable in monthly installments of \$759, due on January 6, 2021, secured by the vehicle with a carrying value of \$43,269.	43,269	
0%	Vehicle financed with Ford Credit, payable in monthly installments of \$787, due on January 6, 2021, secured by the vehicle with a carrying value of \$44,884.	44,883	
Total		6,735,420	5,250,238
Less: current portion		4,343,139	2,858,452
Long term portion		2,392,281	2,391,786

Chippewas of the Thames First Nation

Notes to the Consolidated Financial Statements

March 31, 2016

6. Long-Term Debt (Continued)

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

	(\$)
2017	4,343,139
2018	640,375
2019	84,319
2020	1,226,865
2021	<u>440,722</u>
	6,735,420

The CMHC loans are secured by Ministerial Loan Guarantees from AANDC. Loans due on demand have been classified as current and as due in the next fiscal year.

7. Long-Term Loans

	2016	2015
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	
Advance to 1317424 Ontario Inc. to cover additional costs related to land held for development.	<u>106,050</u>	
	2,006,050	

The Land Claim Trust was involved in a lawsuit related to the land that was purchased with the loan advances above. This lawsuit was lost during the year and the loans have been deemed impaired and written down to their fair value of nil.

It appears likely that the First Nation will be responsible for reimbursing legal costs incurred by the defendant and another third party that was brought into the lawsuit. These costs have been submitted to the Judge who is in the process of deciding on how much the First Nation will be liable for. These costs have been estimated at \$750,000 which has been recorded in the financial statements as accounts payable and accrued. If the Judge decides to award all of the defendants costs, the liability to the Band may approach \$1,000,000.

In addition to these costs the First Nation is liable for the remediation of the property which is expected to cost \$15,000,000 to \$18,000,000 and property taxes that are in arrears which total approximately \$400,000. The First Nation's potential exposure to these costs would be limited to their 50% interest in the property.

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Notes to the Consolidated Financial Statements

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8. Deferred Revenue

	2016 (\$)	2015 (\$)
AANDC - interim water treatment upgrade	1,437,799	1,603,690
Southern First Nations - Solvent Abuse Program	11,686	70,194
SOHAC - Vehicle funding	32,517	48,775
Clench Fraud Trust - Fire truck purchase		13,252
Southern First Nations - Post secondary funding		
	1,482,002	1,735,911

9. Other revenue

Other revenue consist of the following:

	2016 (\$)	2015 (\$)
Rentals	251,956	326,625
Grants	197,117	120,152
FNSS	177,000	54,981
Munsee Delaware Fire agreement	61,200	12,653
Thames river summer student	53,515	
Cigarette quota	51,729	33,515
First Nation Lands Management	49,500	
Munsee Delaware tuition payments	27,381	49,749
Right to Play	23,300	
Daycare	9,712	9,512
Miscellaneous	1,902	442
Clench Fraud Trust		39,811
	904,312	647,440

10. 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, 2016, is \$626,582 (2015 - \$640,630). 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.

Chippewas of the Thames First Nation

Notes to the Consolidated Financial Statements

March 31, 2016

11. Housing Reserve Bad Debts Expense (Recovery)

Each year the members housing reserve is reviewed and adjusted to the estimated collectible portion of loans. During the year there was an increase in the allowance of \$303,532 (2015 - 353,500 increase).

	2016 (\$)	2015 (\$)
Housing loans receivable	3,202,292	3,164,933
Allowance on housing loans	(2,278,123)	(1,974,591)
Housing loans considered collectible	924,169	1,190,342

12. Pension Plan

The First Nation participates in a defined contribution pension plan. Employees can contribute from 3% to 7.7% of their gross pay to the plan and the contributions are fully matched by the First Nation. During the year, contributions of \$129,242 (2015 - \$139,287) were made into the plan and recorded as expenditures.

13. Financial Instruments

The First Nation's financial instruments consist of cash, temporary investments, accounts receivable, housing loans receivable, long term loans, accounts payable and debt. The carrying value of the financial instruments approximates their fair value, unless otherwise stated. The following analysis provides information about the First Nation's risk exposure.

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The First Nation is exposed to liquidity risk through its accounts payable and debt.

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. The First Nation is exposed to interest rate risk through its Antler River commercial complex loan which incurs interest at a floating rate.

Credit risk arises from the possibility that a counterparty to a contract fails to perform according to the terms and conditions of the contract. The First Nation is exposed to credit risk through its accounts receivable, housing loans receivable and long-term loans.

Currency risk arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The First Nation is exposed to foreign currency risk on cash held in U.S. dollars. The First Nation does not use derivative instruments to reduce its exposure to foreign currency risk.

Chippewas of the Thames First Nation

Notes to the Consolidated Financial Statements

March 31, 2016

14. Big Bear Creek Land Claim

On January 28, 2013 the First Nation reached a settlement agreement with the Government of Canada for 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 funds are held in trust for the First Nation and are to be used as follows:

- 1) to fund a \$7,500 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:

	2016	2015
Per Capita Distributions	\$324,888	\$609,821
Transfer from BBC	(\$31,971)	(\$124,337)
Return of unused	(\$56,554)	(\$165,880)
January to March prior fiscal year	<u>\$94,973</u>	<u>\$56,554</u>
January to March current fiscal year	\$331,336	\$376,158
Income Stabilization Fund payments		
Transfer from BBC	\$2,467,419	\$2,401,881
Return of unused	(\$839,510)	(\$768,683)
January to March prior fiscal year	(\$286,928)	(\$399,719)
January to March current fiscal year	<u>\$400,005</u>	<u>\$286,928</u>
Total payments to members	\$1,740,986	\$1,520,407
Community Development		
Transfer from BBC	\$1,834,634	\$1,738,828
Return of unused	(\$183,463)	(\$1,702,588)
Available to spend	<u>\$1,651,171</u>	<u>\$36,240</u>

The community development funds were spent as follows:

Administrative Capacity Development	\$250,011
Band Representatives	\$154,108
Justice Program	\$105,426
Social Services Director	\$84,125
Community Emergency Assistance	\$39,717
Environment and Lands	\$90,512
Lands researcher	\$196,045
Development Corporation	\$94,663
CCP Coordinator	\$59,895
Hertitage/Culture and language	\$70,719
Binoojiinyag	\$29,494
Total	\$1,174,715

During the current year it was determined that funds were transferred from the Big Bear Creek account to the First Nation operating account in error. Discussions are currently underway to resolve this issue and to determine how the funds will be returned. The following amounts are being reviewed; transfer June 2013 (\$281,000), transfer August 2013 (\$78,000), duplicate PCD payments (\$90,000) for a total of \$449,000.

Chippewas of the Thames First Nation

Notes to the Consolidated Financial Statements

March 31, 2016

15. Prior Period Restatement

During the current year audit, the following was discovered which has resulted in the restating of prior year figures:

- a) it was discovered that amortization of capital assets was understated by \$147,301 as a result of a prior year error. This has resulted in an increase to amortization of capital assets and to the deficiency of revenues over expenditures, and corresponding decreases to capital assets and to the capital fund.
- b) it was discovered that certain activity of the Big Bear Creek Trust was not recorded in the prior year. This has resulted in an increase to Trust Fund cash of \$461,126, an decrease to Trust Fund Big Bear Creek payments to members of \$357,582, an increase to Trust Fund Investment income of \$103,454 and an increase to the Trust Fund of \$461,126.

16. Commitments

In July 2015 the First Nation guaranteed a demand loan with a draw limit of \$2,200,000, bearing interest at prime +1.5% and repayable over 15 years. The funds are to be used to erect four solar farms for the purpose of selling solar energy.

The First Nation is the beneficiary of a trust fund setup by the City of Toronto in relation to its operation of the Greenlane landfill. 4% of the annual Greenlane gross revenue is contributed to the trust, of which the First Nation is a 40% beneficiary. To date no distributions have been received from the Trust, however, they are expected in the future.

Legal fees relating to the Big Bear Creek Land Claim remain unpaid. The amount payable is unknown but is expected to be approximately \$300,000.

See note 7 for additional commitments.

17. Budget

The budgeted figures on the statement of revenue and expenditures were approved by the Chief and Council. The figures have not been audited and have been reclassified to conform with the financial statement presentation.

18. Comparative Figures

Some of the comparative figures have been reclassified to conform to the current year's presentation.

Chippewas of the Thames First Nation

Notes to the Consolidated Financial Statements

March 31, 2016

19. Expenditures by object

Expenditures presented by object are as follows:

	2016 (\$)	2015 (\$)
Salaries and benefits	5,715,761	5,296,940
Impairment of loans	2,006,050	
Social benefits	1,996,476	2,100,680
Education services	1,841,748	1,794,249
Amortization of capital assets	1,328,439	1,162,909
Legal fees	1,240,544	212,943
Repairs and maintenance	787,009	627,927
Training and development	597,095	516,662
School transportation	457,868	311,511
Honoraria	450,547	533,547
General office and supplies	421,850	308,840
Bad debts	356,732	374,886
Utilities	351,800	396,782
Travel	317,359	387,855
Programming	258,796	216,031
Insurance	251,755	269,766
Communications	236,080	191,593
Consulting fees	174,232	224,855
Interest on long term debt	141,621	147,653
Food supplies	109,822	110,979
Vehicle fuel and maintenance	93,208	104,180
Impairment of HST receivable	91,753	
Interest and bank charges	84,035	50,452
Audit fees	74,861	56,823
Social events	70,575	103,977
Equipment rental	41,817	25,536
Cultural	28,367	10,871
Grants, donations and incentives	1,337	1,572
	<hr/> 19,527,537	<hr/> 15,540,019

Chippewas of the Thames First Nation

Notes to the Consolidated Financial Statements

March 31, 2016

20. Expenditures by object for each department

Expenditures presented by object for each department are as follows:

	Budget (\$)	2016 (\$)	2015 (\$)
Education			
Salary & wages	1,195,537	1,126,860	964,362
Tuition payments	1,012,150	1,034,810	875,081
Programming	647,469	672,382	768,054
Student transportation	517,012	449,695	340,660
Repairs & maintenance	55,458	141,696	78,237
Benefits	148,617	141,247	148,445
Resources & materials	66,510	102,431	87,411
Utilities	85,000	92,475	95,491
Office	6,000	89,952	27,659
Honorarium	30,000	79,271	70,810
Casual/Temp labour	17,600	63,598	76,766
Training & development	3,000	39,817	26,653
Food	19,692	21,878	28,284
Communications	4,820	20,852	13,374
Travel & meals	7,000	20,731	7,849
Professional fees		11,545	2,960
Rent		8,645	13,718
Other	3,850	4,032	4,522
Interest & bank charges			598
	3,819,715	4,121,917	3,630,934

Chippewas of the Thames First Nation

Notes to the Consolidated Financial Statements

March 31, 2016

20. Expenditures by object (continued)

	Budget (\$)	2016 (\$)	2015 (\$)
Band support			
Salary & wages	767,959	658,067	610,950
Professional fees	104,135	236,947	274,237
Honorarium	277,500	230,087	359,181
Repairs & Maintenance	65,160	195,384	161,656
INSURANCE	227,592	184,789	202,708
Benefits	115,664	135,576	148,792
Office expense	123,049	116,014	89,916
Programming	30,800	94,754	126,241
Communications	83,500	92,031	81,473
Impairment of loan or receivable		91,753	
Chief and council travel	75,000	84,654	134,887
Interest & bank charges	70,000	82,929	42,997
Other	20,775	64,186	31,516
Utilities	48,000	41,755	61,230
Travel & meals	47,350	40,938	94,424
Funerals & Burials	50,528	24,952	61,956
Casual/Temp Labour	4,000	18,356	2,404
Vehicle	3,500	10,282	5,716
Advertising & promotion	3,000	3,935	3,700
Food	1,500	1,723	2,855
Training & Development	14,500	1,478	21,173
One time funding			2,675
Rent	14,400		
Admin fees	37,425		
	2,185,337	2,410,590	2,520,687

	Budget (\$)	2016 (\$)	2015 (\$)
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	Budget (\$)	2016 (\$)	2015 (\$)
Social services			
Programming	1,839,273	2,057,080	2,086,039
Salary & wages	1,216,229	1,266,543	1,133,057
Benefits	81,378	78,234	68,170
One time funding		45,539	42,165
Food	59,699	44,055	52,609
Office	30,685	36,881	32,454
Repairs & maintenance	25,808	33,998	55,910
Travel & meals	16,066	30,056	41,845
Honorarium	5,000	28,558	6,208
Utilities	25,500	27,253	32,233
Communications	18,700	26,394	21,692
Other	5,500	22,567	10,090
Training & development	15,995	10,931	12,593
Casual/Temp labour		4,049	
Funerals & burials		924	1,244
Vehicle	2,500	715	
Advertising & promotion		621	
Interest & bank charges	1,200	(445)	6,199
Professional fees			27,645
Rent	27,000		
Admin fees	35,487		
	3,406,020	3,713,953	3,630,153

Chippewas of the Thames First Nation

Notes to the Consolidated Financial Statements

March 31, 2016

20. Expenditures by object (continued)

	Budget (\$)	2016 (\$)	2015 (\$)
Point Edward			
Impairment of loan or receivable	2,006,050		
Legal fees - point edward	750,000		
	<hr/>	<hr/>	<hr/>
	2,756,050		
	Budget (\$)	2016 (\$)	2015 (\$)
Health			
Salary & wages	632,352	573,764	603,766
Training & development	180,715	265,546	223,677
Programming	125,517	65,754	49,568
Benefits	53,710	51,654	47,229
Office	23,380	37,149	40,689
Travel & meals	30,000	32,721	27,741
Utilities	6,682	10,176	12,657
Food	10,000	10,158	1,178
Other		7,617	9,058
Repairs & maintenance	21,250	7,075	9,061
Communications	5,000	4,948	4,616
Professional fees	2,500	2,250	8,932
Admin fees	58,620		
Honorarium	804		
	<hr/>	<hr/>	<hr/>
	1,150,530	1,068,812	1,038,172
	Budget (\$)	2016 (\$)	2015 (\$)
Public works			
Salary & wages	389,168	398,613	390,825
Repairs & maintenance	242,690	194,230	209,068
Utilities	92,450	102,018	106,438
Vehicle	50,479	81,499	95,681
Communications	19,876	39,466	33,064
Honorarium	35,000	36,455	36,823
Office	1,000	35,757	(17,220)
Benefits	24,729	28,676	26,390
Training & development	35,587	9,912	5,800
Programming		8,243	
Insurance	5,000	4,739	4,997
Food		3,816	2,751
Other		2,245	1,538
Casual/Temp labour	1,000	1,220	100
Travel & meals	2,500	1,113	1,659
Professional fees			1,500
	<hr/>	<hr/>	<hr/>
	899,479	948,002	899,414

Chippewas of the Thames First Nation

Notes to the Consolidated Financial Statements

March 31, 2016

20. Expenditures by object (continued)

Budget (\$)	2016 (\$)	2015 (\$)
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Economic development

Salary & wages	453,532	448,028	482,169
Professional fees	116,215	317,589	152,850
Travel & meals	28,000	38,064	30,216
Honorarium	23,000	26,546	1,675
Casual/Temp labour		24,260	18,180
Communications	14,650	22,039	21,844
Programming	26,500	20,029	22,168
Benefits	11,413	15,192	14,371
Office	4,648	13,850	45,556
Training & development	7,000	12,979	3,034
Advertising & promotion	1,000	6,352	150
Other	2,499	2,571	
Repairs & maintenance	5,500	1,107	6,318
Food		170	3,943
Admin fees	39,500		
	733,457	948,776	802,474

Budget (\$)	2016 (\$)	2015 (\$)
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Housing

Office	5,584	330,751	399,827
Other	46,200	233,679	(10,898)
Salary & wages	190,163	141,190	153,335
Interest on long term debt	282,414	75,019	74,589
Utilities	40,900	59,115	69,520
Insurance	64,213	54,635	54,686
Professional fees	13,450	16,940	13,626
Programming	15,000	13,988	15,424
Travel & meals	7,500	12,588	6,982
Benefits	8,830	6,196	6,443
Training & development		4,924	
Communications	3,326	4,374	6,348
Honorarium	7,000	2,525	8,616
Interest & bank charges	100	1,501	311
Vehicle	1,350	673	1,066
Casual/Temp labour		540	1,368
Repairs & maintenance	462,999	(86,179)	98,891
	1,149,029	872,459	900,134

Chippewas of the Thames First Nation

Notes to the Consolidated Financial Statements

March 31, 2016

20. Expenditures by object (continued)

Budget (\$)	2016 (\$)	2015 (\$)
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Employment and training

Training & development	239,000	230,543	215,098
Salary & wages	217,490	216,118	180,611
Food	20,000	27,918	19,225
Programming	20,000	27,871	22,022
Travel & meals	16,500	20,628	10,181
Office	11,000	15,828	1,212
Repairs & maintenance	23,847	9,741	4,208
Benefits	3,100	6,028	3,395
Casual/Temp labour	5,000	2,730	
Communications		1,921	1,040
Honorarium		33	505
Advertising & promotion			1,785
Utilities			110
	555,937	559,359	459,392

Budget (\$)	2016 (\$)	2015 (\$)
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Land and environment

Professional fees	126,594	
Salary & wages	56,560	55,341
Travel & meals	2,500	9,654
Communications		1,392
Office		1,171
Benefits	1,900	1,010
Repairs & maintenance		883
Training & development	44,000	8,860
	104,960	196,045
	104,960	71,880

Budget (\$)	2016 (\$)	2015 (\$)
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Child welfare

Salary & wages	94,600	89,097	94,611
Travel & meals	16,955	14,258	20,311
Honorarium		13,673	12,298
Repairs & maintenance		9,440	
Office	500	8,376	
Communications	2,500	8,354	2,899
Benefits	5,445	5,744	2,403
Training & development	1,000	2,591	3,324
Programming	9,000	1,596	5,950
Professional fees		940	
Vehicle		40	1,719
	130,000	154,109	143,515

Chippewas of the Thames First Nation

Notes to the Consolidated Financial Statements

March 31, 2016

20. Expenditures by object (continued)

	Budget (\$)	2016 (\$)	2015 (\$)
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Big Bear Creek

Salary & wages	58,159	52,275
Honorarium	33,400	35,781
Office	21,634	28,596
Professional fees	15,834	12,560
Communications	11,996	2,284
Training & development	10,975	14,274
Insurance	7,592	7,375
Travel	6,714	7,006
Interest & bank charges	50	345
Advertising & promotion		3,372
	166,354	163,868

	Budget (\$)	2016 (\$)	2015 (\$)
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Capital projects

Repairs & maintenance	138,178	72,907	24,109
Interest on long term debt	66,600	73,065	
Salary & wages	6,994	8,869	
Benefits	6		
Professional fees		311	
	138,178	146,507	106,354
	Budget (\$)	2016 (\$)	2015 (\$)

Justice

Salary & wages	96,642	90,250	
Travel & meals	2,991	13,530	
Professional fees	25,000	11,000	
Programming		5,854	6,232
Office	3,500	3,925	731
Training & development	17,800	3,711	
Repairs & maintenance	3,610	3,059	75
Benefits	2,457	2,420	
Communications		2,312	2,960
Food		104	135
Admin fees	1,500		
	153,500	136,165	10,133

Auditors' Comments on Supplementary Financial Information

To the Members of the Chippewas of the Thames First Nation

The supplementary financial information, presented hereinafter, is derived from the accounting records tested by us as part of our auditing procedures followed in our examination of the audited consolidated financial statements of the Chippewas of the Thames First Nation as at March 31, 2016 which we reported on as of July 27, 2016. Our testing of the supplementary financial information in relation to the financial statements taken as a whole does not permit our expression of an audit opinion on this information.

MacNeill Edmundson

PROFESSIONAL CORPORATION
CHARTERED PROFESSIONAL ACCOUNTANTS
Authorized to practice public accounting by
the Chartered Professional Accountants of Ontario

London, Ontario
July 27, 2016