

Chippewas of the Thames First Nation

Consolidated Financial Statements

March 31, 2016

Chippewas of the Thames First Nation
Consolidated Financial Statements
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Index

Independent Auditors' Report

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

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.

London, Ontario
July 27, 2016

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

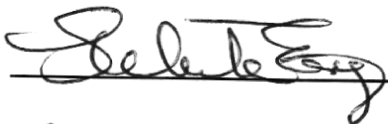
James B. MacNeill CPA, CA Jeremy A. Giles CPA, CA Lissa Savage CPA, CA
Robert F. Edmundson CPA, CA (Retired)

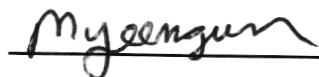
Chippewas of the Thames First Nation

Consolidated Statement of Financial Position

| March 31 | Operating Fund (\$) | Capital Fund (\$) | Housing Fund (\$) | Trust Fund (\$) | OLG Fund (\$) | Total 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 | (253,918) | 799,113 |
| | <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 | 3,984,659 | 4,938,212 |
| | <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) | 266,173 | 313,924 |
| | <u>5,725,468</u> | <u>(18,722,526)</u> |
| Net Increase (Decrease) in Cash During Year | <u>1,527,293</u> | <u>(8,618,662)</u> |
| Cash, beginning of year | <u>5,157,222</u> | <u>13,775,884</u> |
| Cash, end of year | <u>6,684,515</u> | <u>5,157,222</u> |
| Cash Represented by: | | |
| Cash - Operating and OLG | 304,215 | 273,919 |
| Bank indebtedness | (1,861,210) | (1,285,643) |
| | <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 | 7,878,178 | 3,422,953 |
| | | |
| Big Bear Creek - Total | 8,241,510 | 6,168,946 |
| Housing | 198,778 | 272,050 |
| OLG | 105,437 | 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 | 709,507 | 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 | 14,517 | (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 (\$) <i>(restated)</i> |
|----------------------------------|-------------------|-------------------------------------|---------------------|--|
| 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 | 440,722 |
| | 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. | | 106,050 |
| | | 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.

Chippewas of the Thames First Nation

Notes to the Consolidated Financial Statements

March 31, 2016

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 | | |
| Transfer from BBC | \$324,888 | \$609,821 |
| Return of unused | (\$31,971) | (\$124,337) |
| January to March prior fiscal year | (\$56,554) | (\$165,880) |
| January to March current fiscal year | <u>\$94,973</u> | <u>\$56,554</u> |
| | \$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> |
| | \$1,740,986 | \$1,520,407 |
| Total payments to members | \$2,072,322 | \$1,896,565 |
| Community Development | | |
| Transfer from BBC | \$1,834,634 | \$1,738,828 |
| Return of unused | <u>(\$183,463)</u> | <u>(\$1,702,588)</u> |
| Available to spend | \$1,651,171 | \$36,240 |

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 |
| Heritage/Culture and language | \$70,719 |
| Binoojiinyag | <u>\$29,494</u> |
| 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 |
| | 19,527,537 | 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 (\$) |
| 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)

Point Edward

Impairment of loan or receivable
Legal fees - point edward

| Budget (\$) | 2016 (\$) | 2015 (\$) |
|----------------|------------------|--------------|
| | 2,006,050 | |
| | 750,000 | |
| | 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 | | |

| | | |
|-----------|-----------|-----------|
| 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 |

| | | |
|---------|---------|---------|
| 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 (\$) |
|-----------------------------|----------------|--------------|--------------|
| 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 (\$) |
|----------------|--------------|--------------|
|----------------|--------------|--------------|

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 (\$) |
|--------------------------------|----------------|--------------|--------------|
| 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 (\$) |
|----------------|--------------|--------------|
|----------------|--------------|--------------|

Land and environment

| | | | |
|------------------------|---------|---------|--------|
| Professional fees | | 126,594 | |
| Salary & wages | 56,560 | 55,341 | 56,364 |
| Travel & meals | 2,500 | 9,654 | 5,368 |
| Communications | | 1,392 | |
| Office | | 1,171 | |
| Benefits | 1,900 | 1,010 | 1,288 |
| Repairs & maintenance | | 883 | |
| Training & development | 44,000 | | 8,860 |
| | 104,960 | 196,045 | 71,880 |

| Budget (\$) | 2016 (\$) | 2015 (\$) |
|----------------|--------------|--------------|
|----------------|--------------|--------------|

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 (\$) |
|----------------------------|----------------|----------------|----------------|
| 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 (\$) |
| 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.

London, Ontario
July 27, 2016

MacNeill Edmundson

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