

**Chippewas of Kettle & Stony Point
First Nation
Consolidated Financial Statements
For the year ended March 31, 2014**

Kettle and Stony Point First Nation
Consolidated Financial Statements
For the year ended March 31, 2014

Contents

Management's Responsibility for the Consolidated Financial Statements	1
Independent Auditor's Report	2
Consolidated Financial Statements	
Statement of Financial Position	4
Statement of Operations	5
Statement of Change in Net Financial Assets	6
Statement of Cash Flows	7
Notes to Financial Statements	8
Exhibit A - Consolidated Schedule of Segment Disclosure	23
Exhibit B - Schedule of Tangible Capital Assets	25

Chippewas of Kettle and Stony Point First Nation Management's Responsibility for the Consolidated Financial Statements

March 31, 2014

The accompanying consolidated financial statements of the Chippewas of Kettle & Stony Point First Nation are the responsibility of management and have been approved by Council.

These consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board. Management is responsible for such internal control as management determines in necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

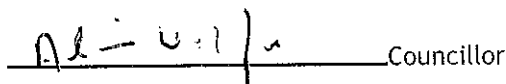
The Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and is ultimately responsible for reviewing and approving the consolidated financial statements.

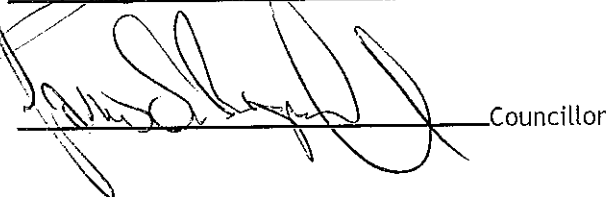
The external auditors, BDO Canada LLP, conducted an audit, in accordance with Canadian generally accepted auditing standards, and express their opinion on the consolidated financial statements. The external auditors have access to financial management at Chippewas of Kettle and Stony Point First Nation and meet when required.

On behalf of Chippewas of Kettle and Stony Point First Nation:


Chief


Councillor


Councillor


Councillor

Independent Auditor's Report

To the Members of Chippewas of Kettle & Stony Point First Nation

We have audited the accompanying consolidated financial statements of the Chippewas of Kettle & Stony Point First Nation, which comprise the consolidated statement of financial position as at March 31, 2014, and the consolidated statement of operations, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated 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 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 consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated 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 consolidated financial position of the Chippewas of Kettle & Stony Point First Nation as at March 31, 2014 and the results of its consolidated operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Other Matters Paragraph

Chippewas of Kettle & Stony Point First Nation has also prepared another set of financial statements for the year ended March 31, 2014 in accordance with Canadian public sector accounting standards and include supplementary schedules which present detailed program revenues and expenditures prepared to assist management of Chippewas of Kettle & Stony Point First Nation meet the reporting requirements of various funding agencies. These statements do not include supplementary schedules. Our audit report on the other set of financial statements was issued to Chief and Council of Chippewas of Kettle & Stony Point First Nation and was dated July 28, 2014.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants

Sarnia, Ontario
July 28, 2014

Chippewas of Kettle and Stony Point First Nation

Consolidated Statement of Financial Position

March 31	2014	2013
		Restated (see Note 2)

Financial assets

Cash and cash equivalents (Note 3)	\$ 2,829,651	\$ 5,127,389
Accounts receivable (Note 4)	853,025	967,537
Loans receivable (Note 5)	514,013	532,284
Funds on deposit with AANDC	35	18,111
Due from governments (Note 6)	575,708	1,313,903
Portfolio investments (Note 7)	15,955,000	11,250,112
Due from related parties (Note 8)	1,959,796	1,769,152
Investment in government business enterprises (Note 9)	2,926,827	2,977,374
	\$25,614,055	\$ 23,955,862

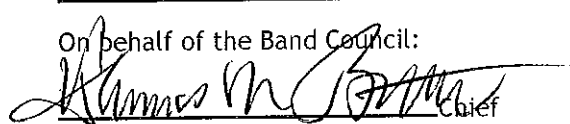
Liabilities

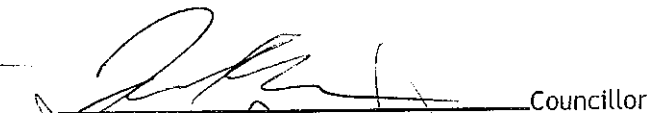
Accounts payable and accrued liabilities	\$ 2,557,941	\$ 2,167,483
Deferred revenue (Note 10)	1,299,236	961,079
Long-term debt (Note 11)	4,517,084	4,792,813
	8,374,261	7,921,375
Net financial assets	17,239,794	16,034,487

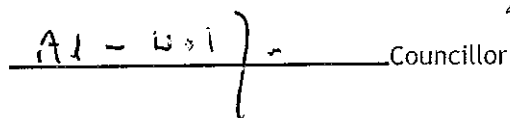
Non-financial assets

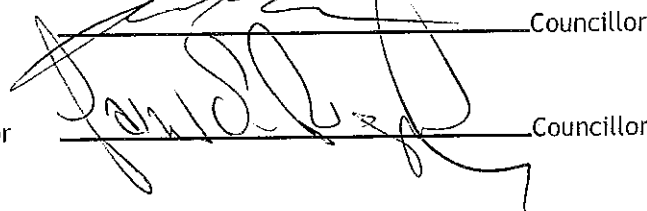
Tangible capital assets (Exhibit B)	19,290,752	19,957,448
Prepaid expenses and inventory of supplies	79,501	22,978
	19,370,253	19,980,426
Accumulated surplus (Note 12)	\$36,610,047	\$ 36,014,913

On behalf of the Band Council:

 Chief

 Councillor

 Councillor

 Councillor

Chippewas of Kettle & Stony Point First Nation

Consolidated Statement of Operations

For the year ended March 31	Budget	2014	2013
			Restated (see Note 2)
Revenues			
Federal government transfers (Note 10)	\$ 7,176,389	\$ 8,257,454	\$ 13,426,964
Provincial government transfers (Note 10)	1,797,798	2,634,029	1,976,831
Grants	2,451,456	2,826,197	2,942,107
Rent and dues	1,158,415	1,487,654	1,761,583
Loss from investment in government business enterprises (Note 9)	-	(50,547)	(182,599)
Other	206,566	4,343,480	2,436,560
	<u>12,790,624</u>	<u>19,498,267</u>	<u>22,361,446</u>
Expenditures			
Band government	2,456,105	2,491,876	2,604,545
Community services	55,144	80,208	94,090
Economic development	463,495	3,125,259	2,231,647
Education	3,666,140	4,906,598	4,335,920
Health	1,809,409	2,015,273	2,122,563
Housing	473,789	601,383	578,739
Land claims	130,895	899,672	908,165
Land programs	687,720	849,736	945,436
Minor capital	-	237,074	336,780
Public works	1,114,561	1,218,175	1,243,246
Social services	2,524,981	2,477,879	2,353,303
	<u>13,382,239</u>	<u>18,903,133</u>	<u>17,754,434</u>
Annual surplus (deficit)	(591,615)	595,134	4,607,012
Accumulated surplus, beginning of year	36,014,913	36,014,913	31,407,901
Accumulated surplus, end of year	<u>\$ 35,423,298</u>	<u>\$ 36,610,047</u>	<u>\$ 36,014,913</u>

The accompanying notes are an integral part of these consolidated financial statements.

Chippewas of Kettle & Stony Point First Nation Statement of Change in Net Financial Assets

For the year ended March 31	Budget	2014	2013 Restated (see Note 2)
Annual surplus	\$ (591,615)	\$ 595,134	\$ 4,607,012
Acquisition of tangible capital assets	(327,574)	(327,574)	(786,395)
Amortization of tangible capital assets	994,270	994,270	1,008,457
Loss on disposal of tangible capital assets	-	-	25,145
	<u>75,081</u>	<u>1,261,830</u>	<u>4,854,219</u>
Acquisition of prepaid expenses and inventory of supplies	-	(56,523)	7,572
Net change in net financial assets	<u>75,081</u>	<u>1,205,307</u>	<u>4,861,791</u>
Net financial assets, beginning of year	<u>16,034,487</u>	<u>16,034,487</u>	<u>11,172,696</u>
Net financial assets, end of year	<u>\$ 16,109,568</u>	<u>\$ 17,239,794</u>	<u>\$ 16,034,487</u>

The accompanying notes are an integral part of these consolidated financial statements.

Chippewas of Kettle & Stony Point First Nation Statement of Cash Flows

For the year ended March 31	2014	2013
		Restated (see Note 2)
Operating transactions		
Annual surplus	\$ 595,134	\$ 4,607,012
Adjustment for items not affecting cash		
Amortization of capital assets	994,270	1,008,457
Share of loss from investment in government business enterprises	50,547	182,599
Loss on disposal of capital assets	-	25,145
	<u>1,639,951</u>	<u>5,823,213</u>
Changes in non-cash working capital items		
Accounts receivable	114,512	773,213
Loans receivable	18,271	(14,971)
Funds on deposit with AANDC	18,076	(1,076)
Due from governments	738,195	(551,164)
Prepaid expenses and inventory of supplies	(56,523)	7,571
Accounts payable and accrued liabilities	390,458	(710,568)
Deferred revenue	338,157	(448,055)
	<u>3,201,097</u>	<u>4,878,163</u>
Capital transactions		
Acquisition of tangible capital assets	\$ (327,574)	\$ (786,395)
Investing transactions		
Increase in portfolio investments	(4,704,888)	(875,894)
Increase in due from related parties	(190,644)	(123,135)
	<u>(4,895,532)</u>	<u>(999,029)</u>
Financing transactions		
Increase (decrease) in long-term debt	(275,729)	5,842
Net change in cash and cash equivalents	<u>(2,297,738)</u>	<u>3,098,581</u>
Cash and cash equivalents, beginning of year	<u>5,127,389</u>	<u>2,028,808</u>
Cash and cash equivalents, end of year	<u>\$ 2,829,651</u>	<u>\$ 5,127,389</u>
Represented by		
Cash and cash equivalents	\$ 1,335,751	\$ 2,728,544
Restricted cash	1,493,900	2,398,845
	<u>\$ 2,829,651</u>	<u>\$ 5,127,389</u>

The accompanying notes are an integral part of these consolidated financial statements.

Chippewas of Kettle & Stony Point First Nation

Notes to Financial Statements

March 31, 2014

1. Significant accounting policies

a. Basis of Accounting

These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board.

b. Reporting Entity

The Chippewas of Kettle & Stony Point First Nation entity includes the Chippewas of Kettle and Stony First Nation government and all entities that are controlled by the First Nation.

c. Principles of Consolidation

The controlled entities are fully consolidated on a line-by-line basis, except for commercial enterprises which meet the definition of a government business enterprise, which are included in the consolidated financial statements on a modified equity basis. Inter-organizational balances and transactions are eliminated upon consolidation.

Under the modified equity method of accounting, only Chippewas of Kettle and Stony Point First Nation's investment in the government business enterprise and the First Nation's portion of the enterprise's net income and other changes in equity are recorded. No adjustment is made for accounting policies of the enterprise that are different from those of Chippewas of Kettle & Stony Point First Nation and inter-organizational balances and transactions are not eliminated.

Organizations consolidated in Chippewas of Kettle & Stony Point First Nation's financial statements include:

- Point's Eagle Radio Inc.

Organizations accounted for on a modified equity basis include:

- Indian Hills of Ipperwash Limited
- Southwind Development Inc.

d. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, balances with banks and term deposits having a maturity of three months or less at acquisition which are held for the purpose of meeting short-term cash commitments.

e. Inventories for Resale

Inventories of supplies and goods available for resale are recorded at the lower of cost and net realizable value.

f. Loans Receivable

Loans receivable are recorded at cost less any amount for valuation allowance. Valuation allowances are made when collection is in doubt as assessed by management. When the loss is known with sufficient precision and there is no realistic prospect of recovery, the loan receivable is reduced by the amount of the loss. Loans are reviewed on an annual basis by management. Interest income is accrued on loans receivable to the extent it is deemed collectable.

Chippewas of Kettle & Stony Point First Nation

Notes to Financial Statements

March 31, 2014

1. Significant accounting policies (continued)

g. Portfolio Investments

Portfolio investments are recorded at cost. Portfolio investments are written down where there has been a loss in value that is other than a temporary decline.

h. Tangible Capital Assets

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset.

Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is available for productive use as follows:

Buildings	50 years
Building Contents	3 to 8 years
Vehicles	10 years
Land Improvements	25 to 40 years

Contributed tangible capital assets are recorded into revenues at their fair value on the date of the donation, except in circumstances where fair value cannot be reasonably determined, in which case they are recognized at nominal value.

Certain assets which have historical or cultural value, including works of art, historical documents and historical and cultural artifacts, are not recognized as tangible capital assets.

Assets under construction are not amortized until the asset is available to be put into service.

i. Leased Assets

Leases that transfer substantially all the benefits and risks of ownership to the lessee are recorded as the acquisition of a tangible capital asset and the incurrence of an obligation. The asset is amortized in a manner consistent with tangible capital assets owned by the First nation, and the obligation, including interest thereon, is repaid over the term of the lease. All other leases are accounted for as operating leases, and the rental costs are expensed as incurred.

j. Inventories Held for Use

Inventories of supplies held for consumption are recorded at the lower of cost and replacement cost.

Chippewas of Kettle & Stony Point First Nation

Notes to Financial Statements

March 31, 2014

1. Significant accounting policies (continued)

k. Revenue Recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis.

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Contributions, other than government transfers, are deferred when restrictions are placed on their use by the external contributor, and are recognized in revenue when used for the specific purpose.

Revenue related to fees or services received in advance of the fee being earned or the service is performed is deferred and recognized when the fee is earned or service provided.

l. Loan Guarantees

Loan guarantees are initially recognized at the amount of the estimate of the future cash outflow to be paid by the First Nation on the defaulted loans. At each year end, an assessment is made of whether the loan guarantees require recognition in the financial statements.

m. Measurement Uncertainty

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make assumptions and estimates that have an effect on the reported amounts of assets and liabilities and disclosure at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could be different from those estimates.

Chippewas of Kettle & Stony Point First Nation Notes to Financial Statements

March 31, 2014

1. Significant accounting policies (continued)

n. Fund Accounting

The First Nation records accounting transactions using the fund accounting method generally in use for government organizations. A fund is determined for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The various funds have been amalgamated for the purpose of presentation in the financial statements. Details of the operations of each fund are set out in the supplementary schedules. The First Nation maintains the following funds:

- Operations and Maintenance Fund reflects the sources of funding received and expenditures incurred on various programs administered by the First Nation.
- Capital Fund reflects the funding received and expenditures made on capital projects.
- Camp Ipperwash Fund reflects the funding received and expenditures made with respect to the former Camp Ipperwash.
- Investment Fund reflects monies maintained in investments which are either internally or externally restricted as to their use.
- CMHC Reserve Fund reflects monies received and expenditures made on capital projects relating to the CMHC mortgaged buildings.

Chippewas of Kettle & Stony Point First Nation Notes to Financial Statements

March 31, 2014

2. Prior Period Adjustment

During the current year, the First Nation's government owned business determined that there was an unrecorded building with an in-service date of 1990. As a result, the investment in government business enterprise was understated in prior years. The result of this correction to the prior year is as follows:

Consolidated Statement of Financial Position as at March 31, 2013

	As originally reported		Change		Restated
Investment in government business enterprises	\$ 2,236,532	\$	740,842	\$	2,977,374

Consolidated Statement of Operations as at March 31, 2013

	As originally reported		Change		Restated
Income (loss) from investment in government business enterprises	\$ (154,105)	\$	(28,494)	\$	(182,599)
Accumulated surplus, beginning of year	\$ 30,638,565	\$	769,336	\$	31,407,901

Chippewas of Kettle & Stony Point First Nation Notes to Financial Statements

March 31, 2014

3. Cash and cash equivalents

Cash is held at one financial institution and earns interest at tiered rates.

Under the terms of an agreement with Canada Mortgage and Housing Corporation, Chippewas of Kettle & Stony Point First Nation must set aside funds annually for the repair, maintenance and replacement of worn out assets. These funds are to be held in a separate bank account and invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as otherwise approved by the Canada Mortgage and Housing Corporation with any interest earned to be credited as revenue to the CMHC Reserve Fund. The following table presents the amount of cash and cash equivalents that are externally restricted, internally restricted and unrestricted:

	2014	2013
Externally Restricted		
CMHC capital improvements	\$ 324,021	\$ 309,004
Internally Restricted		
Capital planning	\$ 471,265	\$ 419,929
Economic development	387,261	1,251,760
Camp Ipperwash	311,353	418,152
	<u>\$ 1,169,879</u>	<u>\$ 2,089,841</u>
Unrestricted		
Operating	\$ 1,371,489	\$ 2,730,484
Social services	(35,738)	(1,940)
	<u>\$ 1,335,751</u>	<u>\$ 2,728,544</u>
	<u>\$ 2,829,651</u>	<u>\$ 5,127,389</u>

During the year, the First Nation changed financial institutions, moving from TD Canada Trust to Royal Bank of Canada.

The First Nation has an authorized demand line of credit of \$3,000,000 with Royal Bank of Canada at prime + 0% per annum secured by a general security agreement on all property and a general hypothecation of stocks and bonds held at RBC PN&H Investment Council. At March 31, 2014 the First Nation has drawn \$nil.

At the year end, the First Nation held \$138,818, (2013- \$39,507) in trust for band members from a settlement with the Government of Canada and held a funeral trust of \$64,350, (2013- \$nil) that can be utilized by band members as needed.

Chippewas of Kettle & Stony Point First Nation Notes to Financial Statements

March 31, 2014

4. Accounts receivable

	2014	2013
Due from members		
Rent	\$ 368,673	\$ 414,674
Other	55,741	55,741
	<u>424,414</u>	<u>470,415</u>
Due from others		
Other	935,340	942,198
	<u>1,359,754</u>	<u>1,412,613</u>
Less: allowance for doubtful accounts	(506,729)	(445,076)
	<u>\$ 853,025</u>	<u>\$ 967,537</u>

5. Loans receivable

	2014	2013
Members of First Nation	\$ 3,426,751	\$ 3,548,561
Less: allowance for doubtful accounts	<u>(2,912,738)</u>	<u>(3,016,277)</u>
	<u>\$ 514,013</u>	<u>\$ 532,284</u>

6. Due from governments

	2014	2013
Federal Government		
Aboriginal Affairs and Northern Development Canada	\$ 150,576	\$ 1,015,843
Health Canada	1,465	43,995
Canada Mortgage and Housing Corporation	35,331	-
Provincial Government	<u>533,747</u>	<u>380,079</u>
	721,119	1,439,917
Less: allowance for doubtful accounts	<u>(145,411)</u>	<u>(126,014)</u>
	<u>\$ 575,708</u>	<u>\$ 1,313,903</u>

Chippewas of Kettle & Stony Point First Nation

Notes to Financial Statements

March 31, 2014

7. Portfolio investments

Investments and marketable securities are comprised of \$15,955,000 invested with RBC PH&N Investment Council Inc. (2013 - \$11,250,112 invested with TD Waterhouse Private Investment Counsel Inc). The fair market value is approximately \$16,277,256 (2013- \$11,979,556). The investments with PH&N Investment Counsel Inc. are held in federal, provincial and domestic bonds and Canadian, United States and International equity instruments. The Federal, Provincial and domestic bonds have interest rates between 2.31% and 3.35% and maturity dates between September 2017 and March 2023. Included in the investment balance are amounts held in cash totaling \$4,365,907 (2013 - \$1,496,765).

8. Due from related parties

At the end of the year, the amounts due from related parties are as follows:

	2014	2013
Due to Southwind Corporate Development Inc	\$ (1,501,274)	\$ (1,249,007)
Due from Indian Hills of Ipperwash Limited	2,934,070	3,018,159
Loan due from Southwind Corporate Development Inc.	527,000	-
	<u>\$ 1,959,796</u>	<u>\$ 1,769,152</u>

The due to/from balances are interest-free and payable on demand. The Southwind Corporate Development Inc. amount originated on the transfer of assets to and from Points Preference Supermarket Inc. and Sweetgrass and Sage Restaurant, as well as the payment and receipt of revenues and expenses of Southwind Corporate Development Inc.

The loan due from Southwind Corporate Development Inc. is a 3% capital loan with blended monthly payments of \$2,499, including principal and interest, maturing June 20, 2039.

These transactions are in the normal course of business and are measured at the exchange value (the amount of consideration established and agreed to by the related parties) which approximates the arm's length equivalent for provision of services.

Chippewas of Kettle & Stony Point First Nation

Notes to Financial Statements

March 31, 2014

9. Government business enterprises

The following summarizes the financial position and operations of the government business enterprises which have been reported in these financial statements using the modified equity method:

- Southwind Corporate Development Inc.

Southwind Corporate Development Inc. is a corporation incorporated under the laws of the Government of Canada. It was established for corporate management and development. The Chippewas of Kettle and Stony Point First Nation own 100% of the outstanding shares of Southwind Corporate Development Inc.

-Indian Hills of Ipperwash Limited

Indian Hills of Ipperwash Limited is a corporation incorporated under the laws of the Government of Canada. It was established to operate a golf course. The Chippewas of Kettle and Stony Point First Nation own 100% of the outstanding shares of Indian Hills of Ipperwash Limited.

The original investment in Indian Hills of Ipperwash Limited of \$1,973,789 has been reduced by losses of \$1,923,513 since 2007, resulting in an investment of \$50,276 (2013- \$66,891).

	Southwind Corporate Development Inc.	Indian Hills of Ipperwash Limited
Assets	<u>\$ 3,074,970</u>	<u>\$ 3,494,979</u>
Liabilities	198,419	3,024,646
Share Capital and Contributed Surplus	100	1,498,471
Surplus (deficit)	<u>2,876,451</u>	<u>(1,028,138)</u>
	<u>\$ 3,074,970</u>	<u>\$ 3,494,979</u>
Revenues	\$ 2,387,272	\$ 926,371
Expenditures	<u>2,421,204</u>	<u>942,986</u>
Net loss for the year	<u>\$ (33,932)</u>	<u>\$ (16,615)</u>

Chippewas of Kettle & Stony Point First Nation Notes to Financial Statements

March 31, 2014

10. Deferred revenue and government transfers

	Balance March 31, 2013	Funding Received 2014	Revenue Recognized 2014	Balance March 31, 2014
Federal Government				
Aboriginal Affairs and Northern Development Canada	\$ 877,467	\$ 6,476,214	\$ 6,150,344	\$ 1,203,337
Health Canada	-	1,935,062	1,935,062	-
Canada Mortgage and Housing Corporation	-	172,048	172,048	-
	<u>877,467</u>	<u>8,583,324</u>	<u>8,257,454</u>	<u>1,203,337</u>
Provincial Government	-	396,923	396,923	-
Ministry of Education	-			
Ministry of Aboriginal Affairs	-	681,500	681,500	-
Ministry of Health	-	915,987	915,987	-
Ministry of Training	-	528,513	528,513	-
Other	-	111,106	111,106	-
	<u>-</u>	<u>2,634,029</u>	<u>2,634,029</u>	<u>-</u>
Other				
Other	83,612	35,000	22,713	95,899
	<u>\$ 961,079</u>	<u>\$ 11,252,353</u>	<u>\$ 10,914,196</u>	<u>\$ 1,299,236</u>

Chippewas of Kettle & Stony Point First Nation Notes to Financial Statements

March 31, 2014

11. Long-term debt

	2014	2013
4.15% mortgage, Royal Bank, payable \$5,427 monthly principal and interest, due May 1, 2013	\$ -	\$ 310,354
1.52% mortgage, Canadian Mortgage and Housing Corporation, payable \$5,222 monthly including principal and interest, maturing May 1, 2018	253,176	-
3.56% mortgage, TD Canada Trust, payable \$1,090 biweekly including principal and interest, maturing April 1, 2014	124,487	148,006
1.64% mortgage, Canadian Mortgage and Housing Corporation, payable \$4,817 monthly including principal and interest, maturing October 1, 2021	412,574	463,265
5.25% Promissory note payable, Team Truck Centres Limited payable \$2,300 monthly including principal and interest, maturing December 2, 2017	74,514	97,544
1.53% mortgage, Canadian Mortgage and Housing Corporation, payable \$3,081 monthly including principal and interest, maturing December 1, 2017	454,006	483,861
3.67% mortgage, Bank of Montreal, payable \$2,695 biweekly including principal and interest, maturing May 1, 2015	382,846	429,219
1.71% mortgage, Canadian Mortgage and Housing \$4,376 monthly including principal and interest, maturing September 1, 2017	415,823	460,906
Promissory note payable, AANDC, interest free, total due the earlier of March 31, 2016 or the date on which the 1942 Stony Point Appropriation claim is settled.	1,965,285	1,965,285
Promissory note payable, AANDC, interest free, total due the earlier of March 31, 2016 or the date on which the 1928 Surrender at Stony Point claim is settled.	275,529	275,529
Promissory note payable, AANDC, interest free, total due the earlier of March 31, 2017 or the date on which the Clench Defalcation claim is settled.	158,844	158,844
	<u>\$ 4,517,084</u>	<u>\$ 4,792,813</u>

Chippewas of Kettle & Stony Point First Nation Notes to Financial Statements

March 31, 2014

11. Long-term debt (continued)

The above debt is secured by a ministerial guarantee by the Aboriginal Affairs and Northern Development Canada. Principal payments required on long-term debt for the next five years and thereafter are due as follows:

Year	Amount
2015	\$ 392,439
2016	2,781,840
2017	376,264
2018	195,832
2019	146,831
Thereafter	<u>623,878</u>
	<u>\$ 4,517,084</u>

Interest expense for the year on long-term debt was \$56,076 (2013 -\$73,358).

12. Accumulated surplus

The First Nation segregates its accumulated surplus into the following categories:

	2014	2013
		Restated (see Note 2)
Capital Fund	\$ 15,602,321	\$ 15,602,321
Operations Fund	5,984,912	8,030,323
Camp Ipperwash Fund	287,054	287,054
Investment Fund	14,431,119	11,802,698
CMHC Replacement Reserve	304,641	292,517
	<u>\$36,610,047</u>	<u>\$ 36,014,913</u>

13. Expenditures by object

	2014	2013
Salaries, wages and employee benefits	\$ 8,740,595	\$ 8,441,546
Materials	9,083,186	8,186,863
Amortization	994,270	1,008,457
Rents and financial expenses	<u>85,082</u>	<u>117,568</u>
	<u>\$18,903,133</u>	<u>\$ 17,754,434</u>

Chippewas of Kettle & Stony Point First Nation

Notes to Financial Statements

March 31, 2014

14. Contingencies

The First Nation is a defendant in various legal actions. The ultimate outcomes are indeterminable at March 31, 2014 as litigation is still in progress. The results of any claims and related costs will be recognized in the year in which the outcome has been decided. Consequently, no provision for potential loss, if any, is reflected in these financial statements.

The First Nation has also guaranteed \$1,399,845 of housing loans for band members with the Bank of Montreal. The First Nation has provided a full financial guarantee to the Bank of Montreal for each loan, with the land as collateral.

15. Commitments

During the previous year, the First Nation entered into an agreement expiring December 31, 2014 with Waste Management of Canada Corporation to receive waste services (including curbside pick up to approximately 600 member homes, and commercial container services). The annual payment for 2015 is \$57,489.

During the year, the First Nation entered into an agreement totalling \$249,535 with Ishkonigan Inc. to undertake advisory services during the period to finalize the terms to the draft Upperwash Final Settlement Agreement. As of March 31, 2014, \$26,864 has been spent and included in this year's consolidated financial statements.

16. Pension agreement

The First Nation makes contributions to Manulife for a pension plan on behalf of 129 members of its staff. The plan is a defined contribution plan.

The amount contributed to the pension plan in 2014 was \$256,437 (2013- \$246,037) for current service and is included as an expenditure in the Statement of Operations.

17. Ontario land settlements

Currently the First Nation is involved in negotiating various land claims involving the Stony Point Appropriation 1942 claim, the 1928 land claim and the Clench Defalcation Claim. When the claims are settled, the amounts will be reflected in the year of settlement.

Chippewas of Kettle & Stony Point First Nation

Notes to Financial Statements

March 31, 2014

18. Budget

The budget was prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget was prepared on a full accrual basis and was approved by Chief and Council on January 29, 2013.

19. Segmented information

The Chippewas of Kettle & Stony Point First Nation is a diversified First Nation government that provides a wide range of services to its members including public works, health, administration and education. For management reporting purposes, the First Nation's operations and activities are organized and reported by Program. Programs were created for the purpose of recording specific activities in accordance with special regulations, restrictions or limitations.

First Nation services are provided by departments and their activities are reported in these programs. Certain departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

Public works

The Public Works department is responsible for the delivery of First Nation public works services related to road maintenance, water treatment and infrastructure, waste management services and infrastructure, cemetery maintenance, ditching, culverts and other infrastructure needs and functions.

Health

The Health department is responsible for the delivery of services promoting healthy lifestyles, skill building and self-care targeting community members of all ages and phases of life. Programming takes into account the non-medical determinants of health like poverty, mental and social well-being, quality of life, income, employment, education and other factors known to influence the way people care for themselves and their families.

Administration

The administration department is responsible for the processing of payroll, payments for goods and services, invoicing of fees and rentals, coordinating the First Nation's audit, administering the employee benefits program, providing financial data to other programs for reporting purposes, coordinating the budget process including minor capital and being a resource to the Financial Management Board.

Chippewas of Kettle & Stony Point First Nation

Notes to Financial Statements

March 31, 2014

19. Segmented information (continued)

Education

The education department is responsible for the provision and administration of the education of students at Hillside School.

Other

Other comprises all other departments of the First Nation including housing, social services, lands, estates and governance, youth, economic development, employment and training, job connect, fire, negotiations and Casino Rama.

Business enterprises

Business Enterprises comprises the income (loss) of Southwind Corporate Development Inc. and Indian Hills of Ipperwash Limited, wholly owned subsidiaries of the First Nation.

For each reported segment, revenues and expenses represent amounts that are directly attributable to the segments.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1(a). For additional information see the Consolidated Schedule of Segment Disclosure - Service and Schedule of Segment Disclosure with Budget Information which appear after the notes to the financial statements

20. Subsequent event

Subsequent to year-end, the First Nation provided a full financial guarantee to Tecumseh Community Development Corporation for a \$371,000 promissory note signed by Southwind Corporate Development Limited.

21. Comparative figures

Certain information contained in the consolidated financial statements relating to 2013 have been restated to conform with the current method of presentation.

Chippewas of Kettle & Stony Point First Nation
Consolidated Schedule of Segment Disclosure
Exhibit A

For the year ended March 31, 2014

Revenues	Public Works	Health	Administration	Education	Other	Business Enterprises	Adjustments	Consolidated
Government Grants	\$ 418,257	\$ 2,549,718	\$ 879,572	\$ 3,049,500	\$ 3,900,226	\$ -	-	\$ 10,797,273
Other	335,881	304,411	108,894	464,361	7,537,994	(50,547)	-	8,700,994
	<u>754,138</u>	<u>2,854,129</u>	<u>988,466</u>	<u>3,513,861</u>	<u>11,438,220</u>	<u>(50,547)</u>	<u>-</u>	<u>19,498,267</u>
Expenses								
Salaries and benefits	392,428	1,992,182	887,846	2,184,321	3,283,818	-	-	8,740,595
Facility maintenance	322,642	137,710	49,573	121,956	1,088,487	-	-	1,720,368
Equipment and maintenance	109,173	34,103	46,518	123,986	174,298	-	-	488,078
Program costs	135,439	399,676	716,336	1,347,676	4,360,695	-	-	6,959,822
	<u>959,682</u>	<u>2,563,671</u>	<u>1,700,273</u>	<u>3,777,939</u>	<u>8,907,298</u>	<u>-</u>	<u>-</u>	<u>17,908,863</u>
Income (loss) before amortization	(205,544)	290,458	(711,807)	(264,078)	2,530,922	(50,547)	-	1,589,404
Amortization	73,177	-	558,518	79,286	283,289	-	-	994,270
Net surplus (deficit)	<u>\$ (278,721)</u>	<u>\$ 290,458</u>	<u>\$ (1,270,325)</u>	<u>\$ (343,364)</u>	<u>\$ 2,247,633</u>	<u>\$ (50,547)</u>	<u>-</u>	<u>\$ 595,134</u>

The accompanying notes are an integral part of these consolidated financial statements.

Chippewas of Kettle & Stony Point First Nation
Consolidated Schedule of Segment Disclosure
Exhibit A (continued)

For the year ended March 31, 2013

Revenues	Public Works	Health	Administration	Education	Other	Business Enterprises	Adjustments	Consolidated
Government Grants	\$ 419,793	\$ 2,591,363	\$ 512,239	\$ 2,944,079	\$ 8,803,676	\$ -	-	\$ 15,271,150
Other	226,274	499,550	245,189	336,223	5,965,658	(182,598)	-	7,090,296
	<u>646,067</u>	<u>3,090,913</u>	<u>757,428</u>	<u>3,280,302</u>	<u>14,769,334</u>	<u>(182,598)</u>	-	<u>22,361,446</u>
Expenses								
Salaries and benefits	364,370	2,024,850	791,177	2,060,425	3,200,724	-	-	8,441,546
Facility maintenance	337,109	139,331	50,724	89,381	425,276	-	-	1,041,821
Equipment and maintenance	83,595	42,650	10,689	100,430	284,564	-	-	521,928
Program costs	109,999	411,556	588,818	854,136	4,776,173	-	-	6,740,682
	<u>895,073</u>	<u>2,618,387</u>	<u>1,441,408</u>	<u>3,104,372</u>	<u>8,686,737</u>	-	-	<u>16,745,977</u>
Income (loss) before amortization	(249,006)	472,526	(683,980)	175,930	6,082,597	(182,598)	-	5,615,469
Amortization	44,103	-	588,411	78,721	297,222	-	-	1,008,457
Net surplus (deficit)	<u>\$ (293,109)</u>	<u>\$ 472,526</u>	<u>\$ (1,272,391)</u>	<u>\$ 97,209</u>	<u>\$ 5,785,375</u>	<u>\$ (182,598)</u>	-	<u>\$ 4,607,012</u>

The accompanying notes are an integral part of these consolidated financial statements.

Chippewas of Kettle & Stony Point First Nation
Consolidated Schedule of Tangible Capital Assets
Exhibit B

March 31, 2014

	Land	Infrastructure	Buildings	Building Contents	Vehicles	Construction In progress	Total
Cost, beginning of year	\$ 250,000	\$ 7,942,702	\$ 23,131,210	\$ 2,576,678	\$ 2,471,965	\$ -	\$ 36,372,555
Additions	-	1,850	-	275,724	50,000	-	327,574
Cost, end of year	\$ 250,000	\$ 7,944,552	\$ 23,131,210	\$ 2,852,402	\$ 2,521,965	\$ -	\$ 36,700,129
Accumulated amortization, beginning of year	\$ -	\$ 3,996,130	\$ 9,032,022	\$ 1,797,426	\$ 1,589,529	\$ -	\$ 16,415,107
Amortization	-	214,315	459,679	180,614	139,662	-	994,270
Accumulated amortization, end of year	\$ -	\$ 4,210,445	\$ 9,491,701	\$ 1,978,040	\$ 1,729,191	\$ -	\$ 17,409,377
Net carrying amount, end of year	\$ 250,000	\$ 3,734,107	\$ 13,639,509	\$ 874,362	\$ 792,774	\$ -	\$ 19,290,752
Additions per schedule							
Schedule 1 - Government		\$ 50,561					
Schedule 4 - Enterprises		12,509					
Schedule 5 - Economic Development		16,300					
Schedule 6 - Employment and Training Programs		89					
Schedule 11 - Day Care		27,823					
Schedule 12 - Employment Services		8,674					
Schedule 13 - Education		49,735					
Schedule 14 - Health Canada		93,643					
Schedule 23 - Public Works		9,642					
Schedule 24 - Housing		5,583					
Schedule 25 - Fire Protection		50,118					
Schedule 27 - Stony Point Negotiation		2,095					
Schedule 29 - Stony Point Investigation Agreement		802					
Total Additions		\$ 327,574					

The accompanying notes are an integral part of these consolidated financial statements.

Chippewas of Kettle & Stony Point First Nation
Consolidated Schedule of Tangible Capital Assets
Exhibit B (continued)

March 31, 2013

	Land	Infrastructure	Buildings	Building Contents	Vehicles	Construction in progress	Total
Cost, beginning of year	\$ 250,000	\$ 7,851,146	\$ 23,131,210	\$ 2,286,450	\$ 2,109,287	\$ -	\$ 35,628,093
Additions	-	91,556	-	293,551	401,288	-	786,395
Disposals	-	-	-	(3,323)	(38,610)	-	(41,933)
Cost, end of year	\$ 250,000	\$ 7,942,702	\$ 23,131,210	\$ 2,576,678	\$ 2,471,965	\$ -	\$ 36,372,555
Accumulated amortization, beginning of year	\$ -	\$ 3,768,080	\$ 8,571,471	\$ 1,604,281	\$ 1,479,607	\$ -	\$ 15,423,439
Amortization	-	228,050	460,551	196,468	123,388	-	1,008,457
Disposals	-	-	-	(3,323)	(13,466)	-	(16,789)
Accumulated amortization, end of year	\$ -	\$ 3,996,130	\$ 9,032,022	\$ 1,797,426	\$ 1,589,529	\$ -	\$ 16,415,107
Net carrying amount, end of year	\$ 250,000	\$ 3,946,572	\$ 14,099,188	\$ 779,252	\$ 882,436	\$ -	\$ 19,957,448

The net book value of tangible capital assets not being amortized because they are under construction (or development) is \$nil (2013- \$nil). The First Nation holds various works of art and historical treasures that have cultural, aesthetic or historical value that is worth preserving perpetually. These items are not recognized as tangible capital assets in the financial statements because a reasonable estimate of the future benefits associated with such property cannot be made. Crown land, where the ownership has not transferred to the First Nation is not recognized in the financial statements.