

Walpole Island First Nation Community Presentation

January 25, 2017



HAZLITT STEEVES HARRIS DUNN LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
CHARTERED ACCOUNTANTS



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Introduction

- Senior Members of Audit Team
 - Jason Harris – Audit Partner
 - Ryan Easter – Senior Manager
 - Kathleen Crawford – Senior Accounting Professional



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Presentation Content

- Significant Current Year Events
- Overview of Audit Report
- Overview of Consolidated Financial Statements
- Merger of Auditing Firm
- Questions



Significant Current Year Events

- Overall excess of revenue over expenditure of \$835K - this includes \$1.61M of amortization (non-cash) and has capitalized \$1.51M of tangible capital assets;
- Inclusion of WIFN's share of Giiwedín Noodin FN Energy Corporation (proportionate consolidation);
- Transfer of \$2.5M from the Revenue Trust account to repay the Admin. building mortgage and reimburse various legal costs;
- Motion to transfer \$9M of GICs plus interest to the new Trust;



Significant Current Year Events

- ASETS estimated recovery of \$930K not completely resolved but additional/amended claims have been submitted to potentially reduce this estimated recovery;
- Conversion of the balance owing from the Ferry to additional common shares (equity) during the year;
- The prior year resolution of the balance due to OFNLP fund has accomplished what was intended and the restricted assets actually owe funds back to operations as of March 31, 2016;
- Subsequent resolution of education funding (\$310K).



Independent Audit Report

- Paragraph 1 - Scope

We have audited the accompanying consolidated financial statements of **Walpole Island First Nation** which comprise the consolidated statement of financial position as at March 31, 2016 and the consolidated statement of revenue and expenditure, changes in members' equity, change in net financial assets and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.



Independent Audit Report

- Paragraph 2 – Management’s Responsibility

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.



Independent Audit Report

- Paragraph 3 – Auditor’s Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.



Independent Audit Report

- Paragraph 4 - Generally Accepted Auditing Standards (“GAAS”)

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.



Independent Audit Report

- Paragraph 4 - Generally Accepted Auditing Standards (“GAAS”) - continued

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 financial statements.



Independent Audit Report

- Paragraph 5 – Basis of Opinion

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unqualified audit opinion.



Independent Audit Report

- Paragraph 6 – Unqualified Opinion (“Clean”)

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Walpole Island First Nation as at March 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Graph Acronyms

- INAC – Indigenous and Northern Affairs Canada
- OFNLP – Ontario First Nations Limited Partnership



Financial Statements

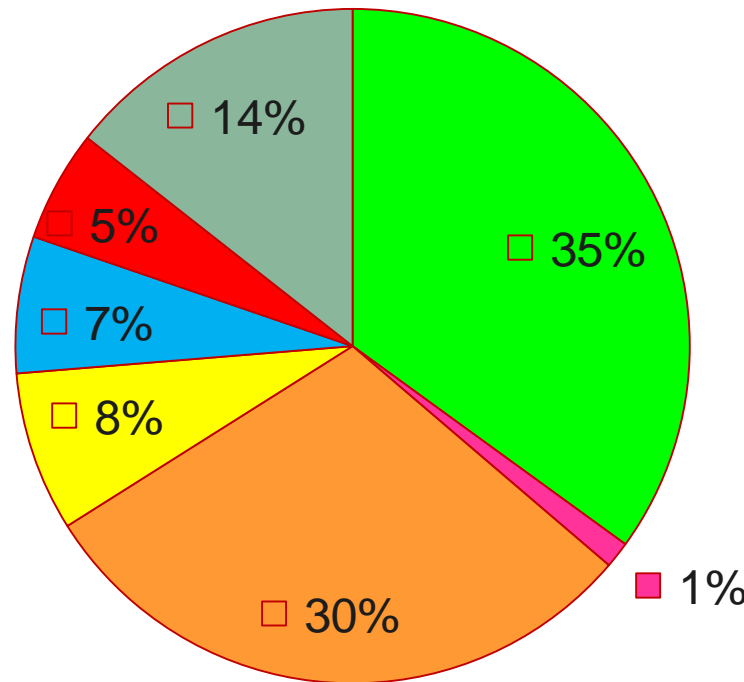
Statement of Revenue and Expenditure For the year ended March 31,

	<u>2016</u>	<u>2015</u>
TOTAL REVENUE	\$ 31,201,039	\$ 29,279,142
TOTAL EXPENDITURE	(34,647,340)	(33,044,349)
OTHER ITEMS	<u>4,281,075</u>	<u>3,340,565</u>
EXCESS OF REVENUE OVER EXPENDITURE (EXPENDITURE OVER REVENUE)	<u>\$ 834,774</u>	<u>\$ (424,642)</u>



Revenue Percentage by Source

Revenue \$33.26M



■ INAC (\$11.64M)

■ Other Federal (\$420K)

■ Province of Ontario (\$9.91M)

■ Health Canada (\$2.55M)

■ HRSDC (\$2.18M)

■ OFNLP (\$1.77M)

■ Other Revenue (\$4.79M)



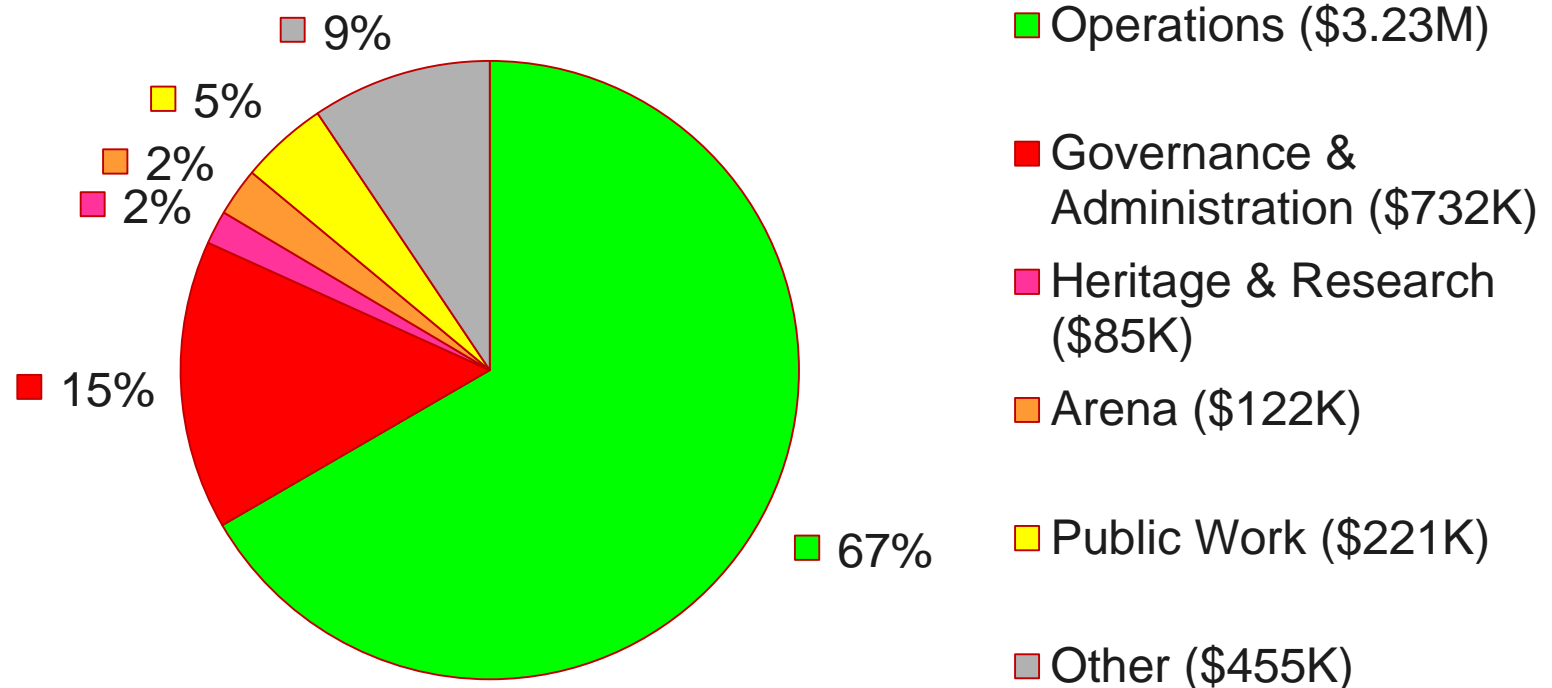
Examples of Other Revenue

- Other Revenue represents 14% of total revenue some examples of other revenue includes:
 - Lease, rent and hosting revenue (\$1.39M)
 - Program administration (\$549K)
 - User Fees (\$532K)
 - Various other grants and revenue including:
 - Ontario Trillium Foundation (\$123K); Indigenous Education Coalition (\$177K), Tahgahoning Enterprises Inc. (\$200K)



Band Contribution Breakdown

Band Contribution \$4.84M



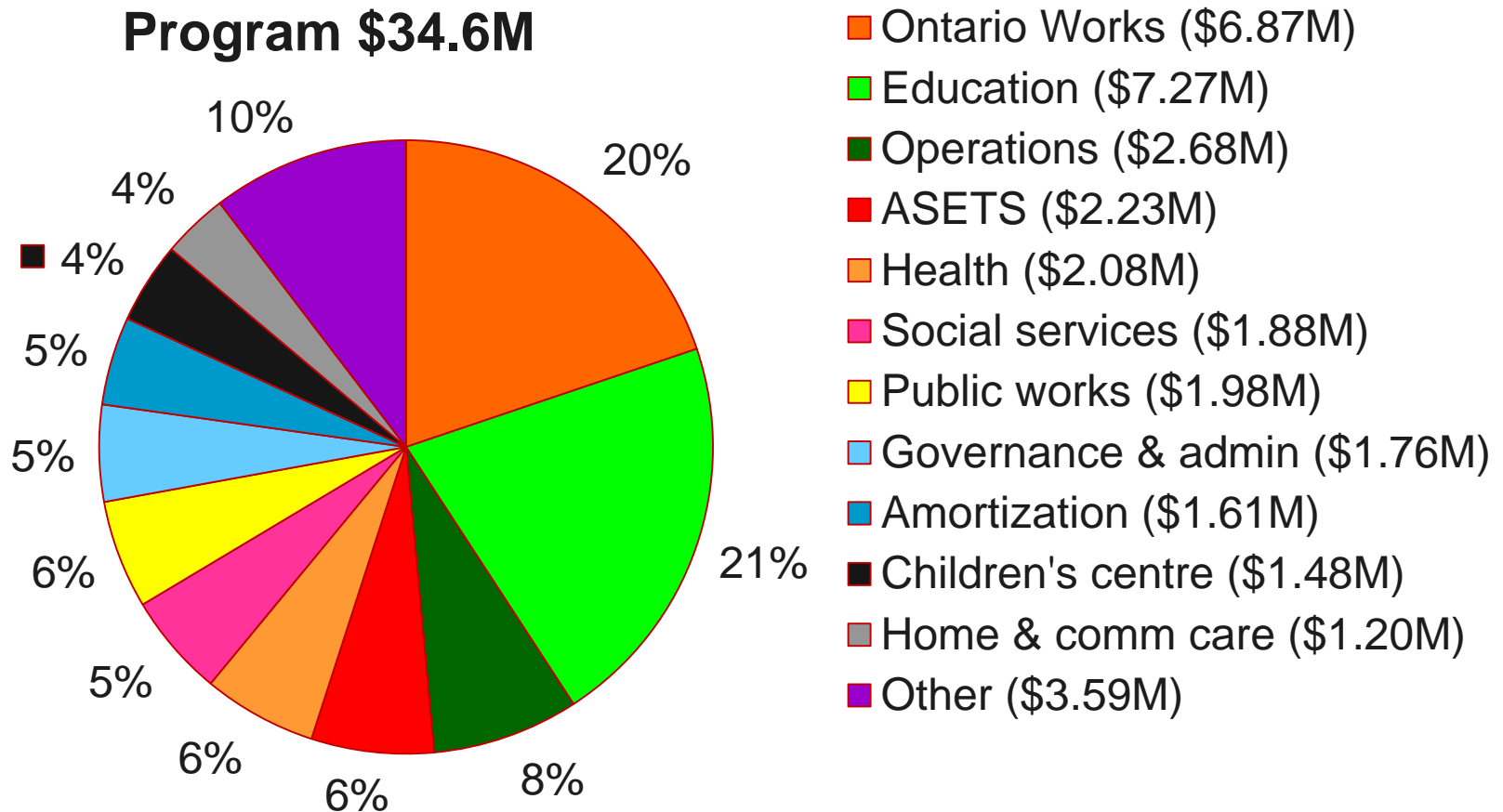


Band Contributions to Programs

- Other Band Funding includes:
 - Education (\$146K)
 - Social Services (\$65K)
 - Protection and file (\$69K)
 - Library (\$59K)
 - Community Buildings (\$116K)



Program Expenditures by Percentage





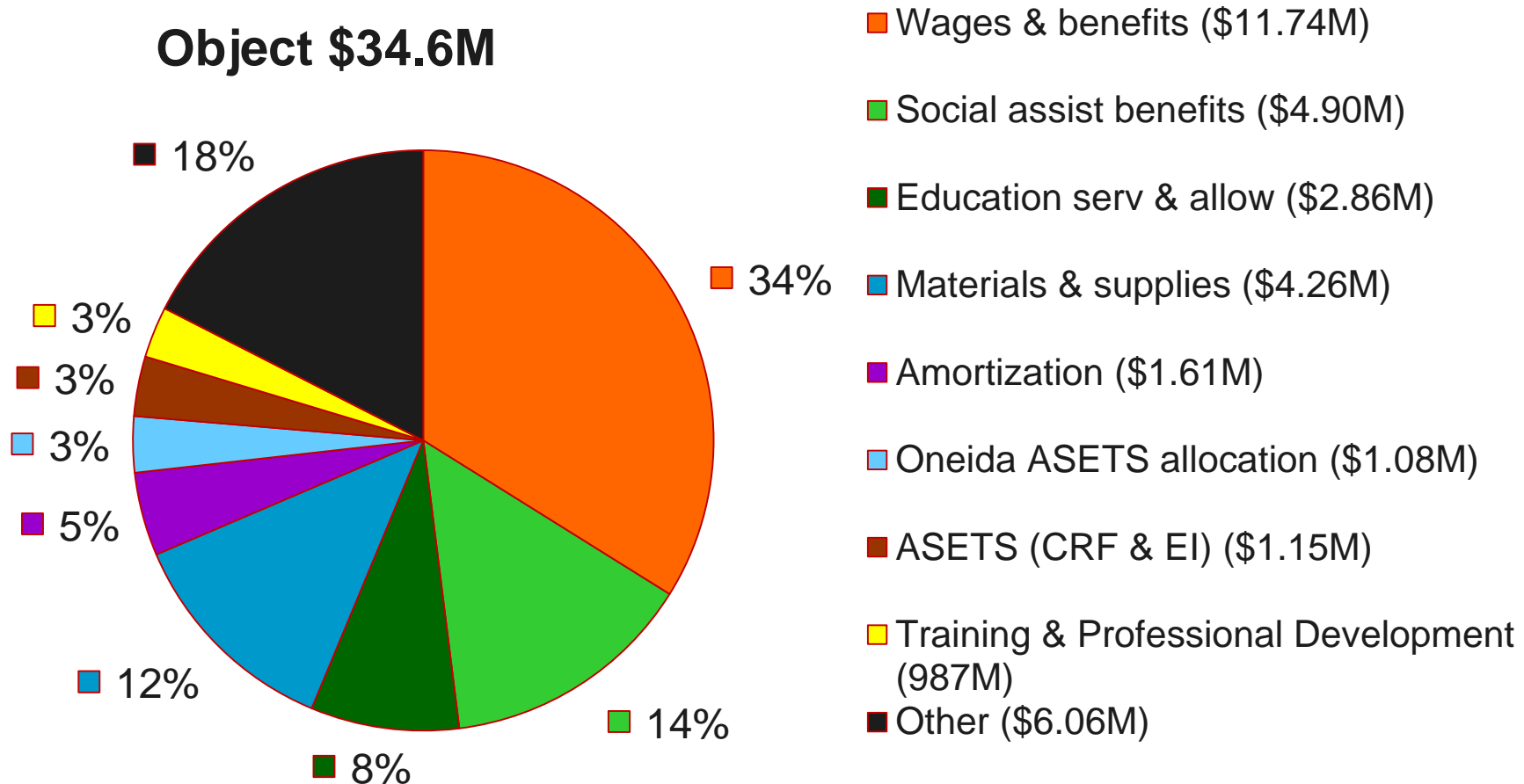
Program Expenditures by Percentage

- Other Program Expenditures includes:
 - Heritage and research (\$653K)
 - Women's shelter (\$649K)
 - Housing and band rentals (\$583K)
 - Arena (\$431K)
 - Consultation (\$302K)



Percentage of Expenditures by Object

Object \$34.6M



Program Expenditures by Object

- Other Program Expenditure by Object includes:
 - Consulting and management fees (\$735K)
 - Rent and utilities (\$735K)
 - Transportation (\$640K)
 - Repairs and maintenance (\$639K)
 - Construction and renovation (\$617K)
 - Professional fees (\$402K)
 - Including HSHD fees of \$68,200 for the audit and \$18,040 for special work.



Financial Statements

Statement of Financial Position As at March 31, 2016

	<u>2016</u>	<u>2015</u>
FINANCIAL ASSETS	\$ 45,874,949	\$ 40,569,784
LIABILITIES	<u>20,586,012</u>	<u>6,975,130</u>
NET FINANCIAL ASSETS	25,288,937	33,594,654
NON-FINANCIAL ASSETS	<u>20,074,532</u>	<u>20,173,793</u>
MEMBER'S EQUITY	\$ <u>45,363,469</u>	\$ <u>53,768,447</u>



Financial Assets

	<u>2016</u>	<u>2015</u>
Cash	\$ 1,662,463	\$ 1,056,939
Short-term deposits	-	11,000,000
Trust funds in Ottawa	7,328,190	9,665,660
Restricted assets	5,146,536	5,043,923
Accounts receivable	4,081,717	2,525,908
Loans to band members	3,467,247	3,150,839
Investment in related parties	<u>24,188,796</u>	<u>8,126,515</u>
	<u>\$ 45,874,949</u>	<u>\$ 40,569,784</u>



Liabilities

	<u>2016</u>	<u>2015</u>
Accounts payable	\$ 3,736,144	\$ 3,334,502
Payable to funding sources	288,766	173,197
Deferred revenue	1,332,478	1,202,076
Rental deposits	7,350	6,750
Housing commitments	328,427	312,812
Long-term debt	<u>14,892,847</u>	<u>1,945,793</u>
	<u>\$ 20,586,012</u>	<u>\$ 6,975,130</u>



Non-Financial Assets

	<u>2016</u>	<u>2015</u>
Tangible capital assets	\$ 19,963,239	\$ 20,064,601
Inventory	621	621
Prepaid assets	<u>110,672</u>	<u>108,571</u>
	<u>\$ 20,074,532</u>	<u>\$ 20,173,793</u>



Members' Equity

	<u>2016</u>	<u>2015</u>
Operating	\$ 24,854,961	\$ 30,932,349
Enterprise	8,033,781	8,126,515
Internally restricted	3,727,802	3,727,802
Externally restricted	<u>8,746,925</u>	<u>10,981,781</u>
	\$ <u>45,363,469</u>	\$ <u>53,768,447</u>



Internally Restricted Funds

	<u>2016</u>	<u>2015</u>
Economic Development Fund	\$ 20,000	\$ 20,000
Triangle Prairie Fund	5,774	5,774
Waterworks Fund	102,892	102,892
Community Recreational Fund	41,500	41,500
Aboriginal and Treaty Rights Defense Fund	<u>3,557,636</u>	<u>3,557,636</u>
	<u>\$ 3,727,802</u>	<u>\$ 3,727,802</u>



Externally Restricted Funds

	<u>2016</u>	<u>2015</u>
Revenue Trust Fund	\$ 6,490,492	\$ 8,827,962
Capital Trust Fund	837,698	837,698
OFNLP	<u>1,418,735</u>	<u>1,316,121</u>
	<u>\$ 8,746,925</u>	<u>\$10,981,781</u>



Merger of Auditing Firms

- HSHD was appointed auditor of Walpole Island First Nation starting for the fiscal year ended March 31, 2013 after a Request for Proposal process;
- On January 1, 2017 HSHD merged with BDO Canada to become one of the largest public accounting firms in the area;
- As BDO, we will continue to honor the terms set forth in our original proposal and Walpole will continue to be serviced by the same partners and staff



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QUESTIONS

**THREE FIRES
DEVELOPMENT
CORPORATION**
Community Presentation
January 25, 2017



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- Overview of Financial Statements
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Significant Current Year Events

- Overall net loss of \$215,130 compared to \$187,153 in 2015.
- Increase in revenue of \$12K
- Reduction of bad debts of \$102K
- Reduction of utilities of \$16K
- Increase in professional fees (legal) of \$54K
- Increase in repairs and maintenance of \$52K
- Increase in salaries and wages of \$54K



Significant Current Year Events

- Active Board of Directors for the entire year;
- New rental agreements for tenants;
- Subsequent to year-end there was motion carried by Chief and Council to convert the balance owing from Three Fires to Walpole Island First Nation into additional common shares.



Independent Audit Report

- Paragraph 1 - Scope

We have audited the balance sheet of **Three Fires Development Corporation** as at March 31, 2016 and the statement of loss and deficit and cash flows for the year then ended March 31, 2016 and a summary of significant accounting policies and other explanatory information.



Independent Audit Report

- Paragraph 2 – Management’s Responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



Independent Audit Report

- Paragraph 3 – Auditor’s Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.



Independent Audit Report

- Paragraph 4 - Generally Accepted Auditing Standards (“GAAS”)

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.



Independent Audit Report

- Paragraph 4 - Generally Accepted Auditing Standards (“GAAS”) - continued

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 financial statements.



Independent Audit Report

- Paragraph 5 – Basis of Opinion

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Independent Audit Report

- Paragraph 6 – Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Three Fires Development Corporation as at March 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.



Independent Audit Report

- Paragraph 7 – Basis of Accounting and Restriction of Use

Without modifying our opinion, we draw attention to Note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Directors of Three Fires Development Corporation and the Band Council of Walpole Island First Nation with their financial oversight responsibility and may not be suitable for another purpose. Our report is intended solely for the Directors of Three Fires Development Corporation and the Band Council of Walpole Island First Nation and should not be used by parties other than the Directors of Three Fires Development Corporation and the Band Council of Walpole Island First Nation.



Financial Statements

Statement of Loss and Deficit For the year ended March 31,

	<u>2016</u>	<u>2015</u>
TOTAL REVENUE	\$ 191,766	\$ 179,644
TOTAL EXPENDITURES	<u>(406,896)</u>	<u>(366,797)</u>
NET LOSS	(215,130)	(187,153)
DEFICIT, BEGINNING OF YEAR	<u>(1,092,104)</u>	<u>(904,951)</u>
DEFICIT, END OF YEAR	<u>\$ (1,307,234)</u>	<u>\$ (1,092,104)</u>



Assets

	<u>2016</u>	<u>2015</u>
Cash	\$ 24,805	\$ 97,938
Short-term investments	35,000	-
Accounts receivable	21,820	2,667
Property and equipment	<u>1,275,264</u>	<u>1,328,663</u>
	<u>\$ 1,356,889</u>	<u>\$ 1,429,268</u>



Liabilities and Capital Deficiency

	<u>2016</u>	<u>2015</u>
Accounts payable and accrued charges	\$ 20,386	\$ 12,440
Rent and security deposits	5,775	-
Due to shareholder	<u>2,637,862</u>	<u>2,508,832</u>
	2,664,023	2,521,272
Share capital	100	100
Deficit	<u>(1,307,234)</u>	<u>(1,092,104)</u>
	<u>\$ 1,356,889</u>	<u>\$ 1,429,268</u>



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