

Consolidated Financial Statements

Chippewas of Georgina Island First Nation

March 31, 2010

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Auditors' Report

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To the Members of
Chippewas of Georgina Island First Nation

We have audited the consolidated statement of financial position of the Chippewas of Georgina Island First Nation as at March 31, 2010 and the consolidated statements of operations and accumulated deficit, changes in net financial debt and cash flows for the year then ended. These consolidated financial statements are the responsibility of the First Nation's management. 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 plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the First Nation as at March 31, 2010 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Orillia, Ontario
September 1, 2010

Chartered Accountants
Licensed Public Accountants

Chippewas of Georgina Island First Nation Consolidated Statements of Operations and Accumulated Deficit

Year Ended March 31	2010	2009
Revenue		
Indian and Northern Affairs Canada	\$ 3,763,010	\$ 4,098,107
Province of Ontario	1,635,453	729,843
Health Canada	416,725	366,294
Lands leases and fees	1,002,455	996,398
Sale of property	59,188	-
Casino Rama	356,337	700,201
Other	2,091,470	1,814,339
Interest	<u>29,569</u>	<u>110,201</u>
	<u>9,354,207</u>	<u>8,815,383</u>
Expenditures		
Operating	8,617,159	7,259,285
Social Housing	159,522	152,555
Trust	499	3,541
Virginia Beach Marina	774,916	777,884
Georgina Island Tourism Co. Ltd.	14,128	70,359
Lands	675,770	626,288
Chippewas Tri-Council for the Coldwater Reservation Specific Claim Negotiation	452,515	1,432,381
Casino Rama	<u>416</u>	<u>5,758</u>
	<u>10,694,925</u>	<u>10,328,051</u>
Annual (deficit) surplus	\$ <u>(1,340,718)</u>	\$ <u>(1,512,668)</u>
<hr/>		
Accumulated surplus, beginning of year	\$ 1,202,725	\$ 2,715,393
Annual deficit	<u>(1,340,718)</u>	<u>(1,512,668)</u>
Accumulated (deficit) surplus, end of year	\$ <u>(137,993)</u>	\$ <u>1,202,725</u>

See accompanying notes and schedules to the consolidated financial statements.

Chippewas of Georgina Island First Nation Consolidated Statement of Financial Position

March 31

2010

2009

Financial assets

Cash and cash equivalents (Note 4)	\$ 1,661,526	\$ 2,977,869
Receivables	1,417,409	901,548
Investment (Note 5)	15,000	15,000
Mortgages receivable (Note 6)	778,970	770,508
Inventory for resale	<u>155,401</u>	<u>17,506</u>
	<u>4,028,306</u>	<u>4,682,431</u>

Financial liabilities

Payables and accruals	622,695	513,244
Deferred revenue	220,621	467,064
Landfill closure and post closure costs (Note 8)	139,716	135,000
Promissory notes (Note 9)	9,435,607	8,759,914
Long term debt (Note 10)	<u>1,716,902</u>	<u>1,439,401</u>
	<u>12,135,541</u>	<u>11,314,623</u>

Net financial debt (Page 4) (8,107,235) (6,632,192)

Non-financial assets

Prepays	-	35,918
Tangible capital assets (Note 7)	<u>7,969,242</u>	<u>7,798,999</u>
	<u>7,969,242</u>	<u>7,834,917</u>

Accumulated (deficit) surplus (Note 11) \$ (137,993) \$ 1,202,725

Contingencies (Note 16)

On behalf of the First Nation

_____ Chief _____ Administrator

See accompanying notes and schedules to the consolidated financial statements.

Chippewas of Georgina Island First Nation
Consolidated Statement of Changes in Net Financial Debt

Year Ended March 31

2010

2009

Annual deficit	\$ (1,340,718)	\$ (1,512,668)
Acquisition of tangible capital assets	(1,008,623)	(833,072)
Amortization of tangible capital assets	838,380	736,782
Change in prepaids	<u>35,918</u>	<u>(2,300)</u>
Increase in net financial debt	(1,475,043)	(1,611,258)
Net financial debt,		
Beginning of year	<u>(6,632,192)</u>	<u>(5,020,934)</u>
End of year	\$ <u>(8,107,235)</u>	\$ <u>(6,632,192)</u>

See accompanying notes and schedules to the consolidated financial statements.

Chippewas of Georgina Island First Nation Consolidated Statement of Cash Flows

Year Ended March 31

2010

2009

Increase (decrease) in cash and cash equivalents

Operating		
Annual deficit	\$ (1,340,718)	\$ (1,512,668)
Amortization	838,380	736,782
Landfill closure and post closure costs (Note 8)	<u>4,716</u>	<u>-</u>
	(497,622)	(775,886)
Change in non-cash operating working capital (Note 13)	<u>(754,830)</u>	<u>(250,806)</u>
	<u>(1,252,452)</u>	<u>(1,026,692)</u>
Financing		
Promissory notes issued	675,688	1,130,252
Long term debt issued	372,901	93,622
Long term debt repayments	<u>(95,401)</u>	<u>(87,622)</u>
	<u>953,188</u>	<u>1,136,252</u>
Investing		
Purchase of tangible capital assets	(1,008,623)	(833,072)
Mortgages issued	(70,604)	(287,092)
Decrease in mortgages receivable	<u>62,148</u>	<u>79,390</u>
	<u>(1,017,079)</u>	<u>(1,040,774)</u>
Net decrease in cash and cash equivalents	(1,316,343)	(931,214)
Cash and cash equivalents, beginning of year	<u>2,977,869</u>	<u>3,909,083</u>
Cash and cash equivalents, end of year	\$ <u>1,661,526</u>	\$ <u>2,977,869</u>

See accompanying notes and schedules to the consolidated financial statements.

Chippewas of Georgina Island First Nation

Notes to the Consolidated Financial Statements

March 31, 2010

1. Nature of operations

The Chippewas of Georgina Island First Nation ("the First Nation") is a local government entity whose principal purpose is to provide for the well-being of its band members. The First Nation operates under the Indian Act.

2. Summary of significant accounting policies

Management responsibility

The consolidated financial statements of the First Nation are the representations of management. They have been prepared in accordance with Canadian generally accepted accounting principles for local governments, as recommended by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants.

Basis of presentation

These financial statements include all the programs administered by the First Nation. The revenue and expenses from all the programs have been reported on a combined basis on the Statement of Operations.

Revenue recognition

Contributions are recognized as revenue when they become receivable under the terms of applicable funding agreements. Funding received under the funding agreements which relates to subsequent fiscal period is reflected as deferred revenue in the year of receipt.

Restaurant sales and ferry fares are recognized when services are rendered. Gas, marina and cigarette sales are recognized when goods are sold. Interest and other income are recognized when earned. Land sales are recognized when title passes. Leases and fees are recognized annually on the due date of the lease.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances with banks and short term deposits with original maturities of three months or less. Bank borrowings are considered to be financing activities.

Inventory

Inventory is measured at the lower of cost and net realizable value, with cost being determined on the first-in, first-out basis. Cost includes all acquisition costs incurred in bringing inventory to its present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

Chippewas of Georgina Island First Nation

Notes to the Consolidated Financial Statements

March 31, 2010

2. Summary of significant accounting policies (continued)

Portfolio investments

Portfolio investments are accounted for using the cost method.

Amortization

Tangible capital assets are amortized annually and a full year of amortization is taken in the year of purchase. Rates of amortization on a straight-line basis applied to write-off the cost of tangible capital assets over their estimated lives are as follows:

Buildings	4%
Equipment	20%
Boats	20%
Vehicles	20% - 30%
Water system	4%
Parking lot	4%
Roads	4%
Docks	15% - 20%

Amortization of buildings financed by Canada Mortgage and Housing Corporation is equal to the debt repayments made during the year principal reduction of the mortgage. Government assistance is being amortized on the same basis as its related assets.

Impairment of long-lived assets

Long-lived assets are reviewed for impairment upon the occurrence of events or changes in circumstances indicating that the carrying value of the asset may not be recoverable, as measured by comparing their net book value to the estimated undiscounted future cash flows generated by their use. Impaired assets, if any, are recorded at fair value, determined principally using discounted future cash flows expected from their use and eventual disposition.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are based on management's historical experience, best knowledge of current events and actions that the Chippewas of Georgina Island First Nation may undertake in the future. Significant accounting estimates include allowance for doubtful accounts, estimated useful lives of property and equipment, and the landfill closure and post-closure costs. Actual results could differ from those estimates.

Chippewas of Georgina Island First Nation

Notes to the Consolidated Financial Statements

March 31, 2010

3. Change in accounting standards

The Chippewas of Georgina Island First Nation have implemented PSAB Section PS1200. Section PS1200 establishes general reporting principles and standards for the disclosure of information in government financial statements.

The March 31, 2009 figures presented for comparative purposes have been restated from those previously reported in order to reflect the change in accounting standards.

4. Cash and cash equivalents

	<u>2010</u>	<u>2009</u>
Cash and cash equivalents are comprised of:		
Unrestricted cash held at the bank, on hand and in money market investments	\$ 925,681	\$ 1,349,391
Restricted cash, held at the bank	<u>735,845</u>	<u>1,628,478</u>
	<u>\$ 1,661,526</u>	<u>\$ 2,977,869</u>

Restricted cash is derived from:

The cash balance, which relates to funds on deposit with Indian and Northern Affairs Canada.

The cash balance, which relates to funds received from the Ontario First Nations Limited Partnership that are unspent at year end.

5. Investment

The investment is recorded at cost and consists of 5,000 Series I Class A and 10,000 Series I Class B special (investment) shares of Anishinabek Nation Credit Union Inc.

6. Mortgages receivable

The mortgages are secured by leaseholds, bear interest at 10% per annum and have maturity dates ranging from one to five years.

The rent to own mortgages are secured by the property and are interest free and have maturity date of 30 years.

Chippewas of Georgina Island First Nation

Notes to the Consolidated Financial Statements

March 31, 2010

6. Mortgages receivable (continued)

Estimated principal repayments due in the next five years assuming renewal on the same terms are as follows:

2011	\$ 97,893
2012	99,502
2013	18,480
2014	18,480
2015	18,480

7. Property and equipment

			<u>2010</u>	<u>2009</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land	\$ 973,594	\$ -	\$ 973,594	\$ 973,594
Buildings	5,724,348	1,731,538	3,992,810	3,566,536
Equipment	1,462,927	1,190,105	272,822	263,162
Boats	4,390,868	4,145,970	244,898	424,496
Vehicles	1,017,670	774,634	243,036	140,913
Water system	2,172,975	1,303,785	869,190	956,109
Parking lot	216,250	59,330	156,920	165,573
Roads	1,497,097	388,584	1,108,513	1,161,396
Docks	1,782,797	1,675,338	107,459	147,220
	<u>\$ 19,238,526</u>	<u>\$ 11,269,284</u>	<u>\$ 7,969,242</u>	<u>\$ 7,798,999</u>

8. Landfill closure and post closure costs

The accrued liability for the landfill site represents the present value of closure and post closure costs, using an estimated long term borrowing rate of 6% and inflation rate of 4%. The accrued liability is recorded based on the capacity of the landfill used to date. The remaining landfill life is estimated to be 23 years. The total estimated future expenditures representing the sum of the discounted future cash flows for closure and post-closure care are \$722,810 leaving an amount to be recognized of \$583,094. Post-closure care is estimated to continue for a period of 24 years. Management expects these future costs to be funded by INAC when incurred at a future date. Some of these future costs have been reflected in the financial statements in order to comply with landfill disclosure requirements in the CICA Public Sector Accounting Handbook.

Chippewas of Georgina Island First Nation

Notes to the Consolidated Financial Statements

March 31, 2010

9. Promissory notes

As part of the Chippewas Tri-Council for the Coldwater Reservation Specific Claim Negotiations the First Nation has signed promissory notes with Indian and Northern Affairs Canada. The promissory notes are interest free and due on the date on which the claim is settled. Management expects to recover more from the land claim than the balance of the promissory notes.

10. Long term debt	<u>2010</u>	<u>2009</u>
Mortgage, 4.30%, due 2022, renewal date 2013, payable in blended monthly payments of \$1,732	\$ 196,029	\$ 208,180
Mortgage, 3.47%, due 2030, renewal date 2011 payable in blended monthly payments of \$ 3,125	546,256	564,589
Mortgage, 4.31% due 2033, renewal date 2033, payable in blended monthly payments of \$3,163	551,208	565,282
Mortgage, 2.84% due 2035, renewal date 2015, payable in blended monthly payments of \$1,688	359,507	-
Term loan bears interest at prime plus 1.5%, due 2012 payable in monthly payments of \$3,000 principal plus interest,	-	36,000
Term loan bears interest at 5.5%, due 2014 payable in monthly payments of \$648 principal plus interest,	40,352	33,975
Term loan bears interest at 4.9%, due 2013, payable in blended monthly payments of \$766. As security the First Nation has pledged the vehicle to which the loan relates.	23,550	31,375
	<u>\$ 1,716,902</u>	<u>\$ 1,439,401</u>

The mortgages are authorized by First Nation Council Resolution and are guaranteed by Indian and Northern Affairs Canada.

The term loans due 2012 and 2014 are unsecured and authorized by First Nation Council Resolution.

Estimated principal repayments due in the next five years, assuming renewal on the same terms, are as follows:

2011	\$ 73,230
2012	77,121
2013	78,003
2014	74,115
2015	65,637

Chippewas of Georgina Island First Nation

Notes to the Consolidated Financial Statements

March 31, 2010

11. Accumulated deficit (surplus)

	<u>2010</u>	<u>2009</u>
The accumulated (deficit) surplus is represented by:		
Unrestricted		
Operating	\$ 4,400,363	\$ 4,785,027
Social Housing	273,103	282,656
Virginia Beach Marina	(346,876)	(248,719)
Georgina Island Tourism Co. Ltd.	101,080	110,008
Lands	3,213,836	3,223,511
Restricted		
Ottawa Trust accounts	12,905	12,905
Equity in Chippewas Tri-Council for the Coldwater Reservation Specific Claim Negotiation	(9,084,854)	(8,632,351)
Casino Rama	<u>1,292,450</u>	<u>1,669,688</u>
	<u>\$ (137,993)</u>	<u>\$ 1,202,725</u>

12. Economic relationship

The Chippewas of Georgina Island First Nation receive a major portion of its revenue pursuant to a funding arrangement with Indian and Northern Affairs Canada.

	<u>2010</u>	<u>2009</u>
13. Change in non-cash operating working capital		
Receivables	\$ (515,861)	\$ (400,007)
Prepays	35,918	(2,300)
Inventory	(137,895)	7,464
Payables and accruals	109,451	(20,431)
Deferred revenue	<u>(246,443)</u>	<u>164,468</u>
	<u>\$ (754,830)</u>	<u>\$ (250,806)</u>

14. Ottawa trust accounts

Included in cash, are Ottawa trust accounts which arise from funds derived from capital or revenue sources, as outlined in Section 62 of the Indian Act. These funds are held in trust in the "consolidated revenue fund" of the Government of Canada and are subject to audit by the Office of the Auditor General of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act.

Chippewas of Georgina Island First Nation

Notes to the Consolidated Financial Statements

March 31, 2010

15. Financial instruments

The First Nation's financial instruments consist of cash and cash equivalents, receivables, inventory, investments, mortgages receivable, payables and accruals, deferred revenue, promissory notes and long term debt. Unless otherwise noted, it is management's opinion that the First Nation is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair market value of these financial instruments approximates their carrying value unless otherwise noted.

16. Contingencies

- a) The First Nation is contingently liable for members' mortgages in the amount of \$307,836 (2009 - \$496,125) that are guaranteed by INAC.
 - b) Where differences exist between the First Nation's net approved expenditures and their actual net expenditures, the resolution of these variances will be negotiated between funding agencies and the First Nation. Any resulting adjustment will be recognized in the year in which the changes are confirmed by the funding agency and will be recorded at that time on the statement of revenue and expenditures for the applicable program.
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17. Segmented Reporting

The First Nation provides a wide range of services to its members. For management reporting purposes, the First Nation's operations and activities are organized and reported by Fund. The First Nation's services are provided by programs and their activities are reported in these funds.

18. Comparative figures

Certain prior year figures presented for comparative purposes have been reclassified to conform with the presentation adopted for the current year.