

Consolidated Financial Statements

Chippewas of Georgina Island First Nation

March 31, 2011

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Independent Auditors' Report

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To the Members of
Chippewas of Georgina Island First Nation

We have audited the accompanying consolidated financial statements of Chippewas of Georgina Island First Nation, which comprise the consolidated financial position as at March 31, 2011, and the consolidated statement of operations and accumulated surplus, changes in net financial debt, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 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.

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 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 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 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 Chippewas of Georgina Island First Nation as at March 31, 2011, and the consolidated statement of its operations and accumulated deficit, changes in net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other matters

The current year's supplementary information included in the Schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Without modifying our report we draw attention to the budget figures which are provided for comparative purposes only. They have not been subject to audit procedures. Accordingly, we do not express an opinion on the budget figures.

Grant Thornton LLP

Orillia, Canada
September 19, 2011

Chartered Accountants
Licensed Public Accountants

Chippewas of Georgina Island First Nation

Consolidated Statements of Operations and Accumulated Surplus

Year Ended March 31	2011	2010
Revenue		
Indian and Northern Affairs Canada	\$ 4,433,435	\$ 3,763,010
Province of Ontario	1,129,990	1,635,453
Government of Canada	566,655	720,823
Lands leases and fees	1,014,400	1,002,455
Sale of property	33,396	59,188
Casino Rama	1,590,947	356,337
Other	1,810,355	1,788,752
Interest	38,906	29,569
	<u>10,618,084</u>	<u>9,355,587</u>
Expenditures		
Operating	8,166,044	8,618,539
Social Housing	170,914	159,522
Trust	232	499
Virginia Beach Marina	874,587	774,916
Georgina Island Tourism Co. Ltd.	-	14,128
Lands	723,970	675,770
Chippewas Tri-Council for the Coldwater Reservation Specific Claim Negotiation	414,583	452,515
Casino Rama	528	416
	<u>10,350,858</u>	<u>10,696,305</u>
Annual surplus (deficit)	\$ <u>267,226</u>	\$ <u>(1,340,718)</u>
<hr/>		
Accumulated (deficit) surplus, beginning of year	\$ (137,993)	\$ 1,202,725
Annual surplus (deficit)	<u>267,226</u>	<u>(1,340,718)</u>
Accumulated surplus (deficit), end of year	\$ <u>129,233</u>	\$ <u>(137,993)</u>

See accompanying notes and schedules to the consolidated financial statements.

Chippewas of Georgina Island First Nation

Consolidated Statement of Financial Position

March 31

2011

2010

Financial assets

Cash and cash equivalents (Note 4)	\$ 3,650,932	\$ 1,661,526
Receivables	1,519,235	1,417,409
Investments (Note 5)	265,927	15,000
Due from related party (Note 6)	50,000	-
Mortgages receivable (Note 7)	1,028,675	1,124,030
Inventory for resale	<u>364,703</u>	<u>155,401</u>
	<u>6,879,472</u>	<u>4,373,366</u>

Financial liabilities

Payables and accruals	878,199	622,695
Deferred revenue	337,323	220,621
Landfill closure and post closure costs (Note 9)	142,404	139,716
Promissory notes (Note 10)	10,431,440	9,435,607
Long term debt (Note 11)	<u>1,985,149</u>	<u>1,716,902</u>
	<u>13,774,515</u>	<u>12,135,541</u>

Net financial debt (Page 5)

(6,895,043) (7,762,175)

Non-financial assets

Prepays	20,000	-
Tangible capital assets (Note 8)	<u>7,004,276</u>	<u>7,624,182</u>
	<u>7,024,276</u>	<u>7,624,182</u>

Accumulated surplus (deficit) (Note 12)

\$ 129,233 \$ (137,993)

Contingencies (Note 17)

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 2011 2010

Annual surplus (deficit)	\$ 267,226	\$ (1,340,718)
Acquisition of tangible capital assets	(118,948)	(1,008,623)
Amortization of tangible capital assets	738,854	838,380
Change in capital assets	-	345,060
Change in prepaids	<u>(20,000)</u>	<u>35,918</u>
Decrease (increase) in net financial debt	867,132	(1,129,983)
Net financial debt,		
Beginning of year	<u>(7,762,175)</u>	<u>(6,632,192)</u>
End of year	\$ <u>(6,895,043)</u>	\$ <u>(7,762,175)</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

2011

2010

Increase (decrease) in cash and cash equivalents

Operating		
Annual surplus (deficit)	\$ 267,226	\$ (1,340,718)
Amortization	738,854	838,380
Landfill closure and post closure costs (Note 9)	<u>2,688</u>	<u>4,716</u>
	1,008,768	(497,622)
Change in non-cash operating working capital (Note 14)	<u>(8,922)</u>	<u>(754,830)</u>
	999,846	(1,252,452)
Financing		
Promissory notes issued	995,833	675,688
Long term debt issued	342,229	372,901
Long term debt repayments	<u>(73,982)</u>	<u>(95,401)</u>
	1,264,080	953,188
Investing		
Purchase of tangible capital assets	(118,948)	(1,008,623)
Increase in investments	(250,927)	-
Mortgages issued	-	(70,604)
Payments received in mortgages receivable	<u>95,355</u>	<u>62,148</u>
	(274,520)	(1,017,079)
Net increase (decrease) in cash and cash equivalents	1,989,406	(1,316,343)
Cash and cash equivalents, beginning of year	<u>1,661,526</u>	<u>2,977,869</u>
Cash and cash equivalents, end of year	\$ 3,650,932	\$ 1,661,526

See accompanying notes and schedules to the consolidated financial statements.

Chippewas of Georgina Island First Nation

Notes to the Consolidated Financial Statements

March 31, 2011

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

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, celebration event, fees 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 cost of business less any applicable selling expenses.

Chippewas of Georgina Island First Nation

Notes to the Consolidated Financial Statements

March 31, 2011

2. Summary of significant accounting policies (continued)

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.