

Financial Statements of

SIX NATIONS OF THE GRAND RIVER

Year ended March 31, 2013

SIX NATIONS OF THE GRAND RIVER

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March 31, 2013

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Management's Responsibility for the Financial Statements

The accompanying financial statements of Six Nations of the Grand River as at and for the year end March 31, 2013 are the responsibility of Six Nations' management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards. A summary of the significant accounting policies are described in Note 1 to the financial statements.

Six Nations' management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

Six Nations Elected Council meets with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The financial statements have been audited by KPMG LLP, independent external auditors appointed by Six Nations. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on Six Nations' financial statements.

On behalf of the Six Nations Elected Council:

Chief William K. Montour

Dayle Bomberry,

Senior Administrative Officer



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INDEPENDENT AUDITORS' REPORT

To the Six Nations Council and Members of Six Nations of the Grand River

We have audited the accompanying consolidated financial statements of Six Nations of the Grand River, which comprise the consolidated statement of financial position as at March 31, 2013, the consolidated statements of operations, net financial assets and cash flows for the year then ended, and notes, comprising 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.

Auditors' 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 our 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, we consider 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 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 Six Nations of the Grand River as at March 31, 2013, and its consolidated results of operations and its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Accountants, Licensed Public Accountants,

August 26, 2013
St. Catharines, Canada

SIX NATIONS OF THE GRAND RIVER

Consolidated Statement of Financial Position

March 31, 2013, with comparative figures for 2012

	2013	2012
Financial assets:		
Cash	\$ 14,303,966	\$ 22,379,766
Investments (note 2)	22,740,524	23,445,239
Accounts receivable (note 3)	3,385,434	2,462,818
Housing loans receivable (note 4)	17,847,758	16,953,522
Other assets (note 5)	1,502,255	1,616,739
Investment in Six Nations Natural Gas Company Limited Partnership (note 6)	5,306,367	5,269,691
	<u>65,086,304</u>	<u>72,127,775</u>
Financial liabilities:		
Accounts payable and accrued liabilities	9,233,963	11,411,861
Deferred revenue (note 7)	5,187,692	5,330,531
Net long-term liabilities (note 9)	20,746,782	22,347,776
	<u>35,168,437</u>	<u>39,090,168</u>
Net financial assets	29,917,867	33,037,607
Non-financial assets:		
Tangible capital assets (note 10)	118,556,110	101,084,487
Inventory	138,544	173,358
Prepaid expenses	298,647	475,938
	<u>118,993,301</u>	<u>101,733,783</u>
Commitments (note 12)		
Contingencies (note 13)		
Accumulated surplus (note 11)	\$ 148,911,168	\$ 134,771,390

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

SIX NATIONS OF THE GRAND RIVER

Consolidated Statement of Operations

Year ended March 31, 2013, with comparative figures for 2012

	Budget (unaudited – note 17)	2013	2012
Revenues:			
User charges:			
User charges	\$ 501,507	\$ 582,952	\$ 657,009
Accommodation charges	466,056	796,455	735,257
Rental income	898,560	2,393,479	1,816,291
	<u>1,866,123</u>	<u>3,772,886</u>	<u>3,208,557</u>
Government transfers (note 15):			
Aboriginal Affairs and Northern Development			
Canada (note 14)	8,353,415	22,432,732	14,563,972
Other federal	8,109,585	9,062,448	8,714,959
Province of Ontario	13,060,669	18,278,034	17,441,791
	<u>29,523,669</u>	<u>49,773,214</u>	<u>40,720,722</u>
Other:			
Bingo	15,005,893	17,186,727	14,147,089
Donations	-	411,080	390,004
Investment income	-	1,707,834	1,168,251
Equity in income of Six Nations Natural Gas Company Limited Partnership (note 6)	-	36,676	266,282
Ontario First Nations Limited Partnership Agreement	-	8,018,178	8,809,768
GRETl	-	325,269	325,229
Gain on sale of tangible capital assets	-	40,970	-
Gain on sale on investments	-	2,664	-
Other	8,315,663	2,479,227	3,117,098
	<u>23,321,556</u>	<u>30,208,625</u>	<u>28,223,721</u>
Total revenues	54,711,348	83,754,725	72,153,000
Expenses:			
Corporate and Committee of the Whole	6,435,828	8,871,877	11,120,105
Physical and Economic Development	24,805,664	29,408,150	24,147,459
Human and Emergency Services	25,267,019	31,333,068	31,106,018
Other	-	1,852	780
	<u>56,508,511</u>	<u>69,614,947</u>	<u>66,374,362</u>
Annual surplus (deficit)	(1,797,163)	14,139,778	5,778,638
Accumulated surplus, beginning of year	134,771,390	134,771,390	128,992,752
Accumulated surplus, end of year	\$ 132,974,227	\$ 148,911,168	\$ 134,771,390

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

SIX NATIONS OF THE GRAND RIVER

Consolidated Statement of Change in Net Financial Assets

Year ended March 31, 2013, with comparative figures for 2012

	Budget (unaudited – note 17)	2013	2012
Annual surplus (deficit)	\$ (1,797,163)	\$ 14,139,778	\$ 5,778,638
Acquisition of tangible capital assets	(286,900)	(22,715,986)	(9,736,478)
Amortization of tangible capital assets	-	5,181,834	5,001,538
Loss (gain) on sale of tangible capital assets	-	(40,970)	16,687
Proceeds on sale of tangible capital assets	-	103,499	143,288
Change in supplies of inventory	-	34,814	(3,290)
Change in prepaid expense	-	177,291	(193,716)
Change in net financial assets	(2,084,063)	(3,119,740)	1,006,667
Net financial assets, beginning of year	33,037,607	33,037,607	32,030,940
Net financial assets, end of year	\$ 30,953,544	\$ 29,917,867	\$ 33,037,607

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

SIX NATIONS OF THE GRAND RIVER

Consolidated Statement of Cash Flows

March 31, 2013 with comparative figures for 2012

	2013	2012
Operating activities:		
Annual surplus	\$ 14,139,778	\$ 5,778,638
Items not involving cash:		
Amortization	5,181,834	5,001,538
Loss (gain) on sale of tangible capital assets	(40,970)	16,687
Gain on sale of investments	(2,664)	-
Equity in income of Six Nations Natural Gas Company Limited Partnership	(36,676)	(266,282)
Change in non-cash assets and liabilities:		
Accounts receivable	(922,616)	1,862,001
Housing loans receivable	(894,236)	100,172
Other assets	114,484	(498,916)
Accounts payable and accrued liabilities	(2,177,898)	4,427,386
Deferred revenue	(142,839)	142,048
Inventory	34,814	(3,290)
Prepaid expenses	177,291	(193,716)
Net change in cash from operating activities	15,430,302	16,366,266
Capital activities:		
Proceeds on sale of tangible capital assets	103,499	143,288
Cash used to acquire tangible capital assets	(22,715,986)	(9,736,478)
Net change in cash from capital activities	(22,612,487)	(9,593,190)
Investing activities:		
Net change in investments	707,379	(6,971,448)
Net change in cash from investing activities	707,379	(6,971,448)
Financing activities:		
Long-term liabilities repaid	(1,600,994)	(3,760,486)
Net change in cash from financing activities	(1,600,994)	(3,760,486)
Net change in cash	(8,075,800)	(3,958,858)
Cash, beginning of year	22,379,766	26,338,624
Cash, end of year	\$ 14,303,966	\$ 22,379,766

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

SIX NATIONS OF THE GRAND RIVER

Notes to Consolidated Financial Statements

Year ended March 31, 2013

1. Significant accounting policies:

The consolidated financial statements of Six Nations of the Grand River ("Six Nations") are prepared by management in accordance with Canadian public sector accounting standards ("PSAS") as recommended by the Canadian Institute of Chartered Accountants, and as required by Aboriginal Affairs and Northern Development Canada ("AANDC"). Significant accounting policies adopted by Six Nations are as follows:

(a) Basis of consolidation:

(i) Consolidated entities:

The consolidated financial statements reflect the assets, liabilities, revenues, expenses and fund balances of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to Six Nations and which are owned or controlled by Six Nations. These entities and organizations include:

- H.C. Peatson Education
- Ottawa Trust Fund
- Economic Development Fund
- Six Nations Bingo Hall
- Six Nations Commercial Leasing

Interdepartmental and inter-organizational transactions and balances between these organizations are eliminated upon consolidation.

(ii) Trust funds:

Trust funds and their related operations administered by Six Nations are not included in these financial statements.

(b) Basis of accounting:

Six Nations follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

(c) Investments:

Investments consist of bonds and interest bearing mutual funds and are stated at the lower of cost and market value. Gains and losses on investments are recorded when incurred.

SIX NATIONS OF THE GRAND RIVER

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2013

1. Significant accounting policies (continued):

(d) Housing loans receivable:

Housing loans receivable consist of loans to Six Nations' members and bear interest at the rate of 7% or 0% per annum. Housing loans receivable are recorded at fair value, with the differences between fair value and face value recorded as grant expense. Interest on 7% loans is recorded when earned. Housing loans receivable are considered impaired when management has determined that there is a reasonable doubt as to the ultimate collectability of principal and interest. On a periodic basis, Six Nations evaluates its housing loans receivable and establishes an allowance for doubtful accounts on a loan-by-loan basis for specifically identified probable losses on loans receivable.

(e) Other assets:

Other assets consist of properties held for resale and a loan receivable from Six Nations Police. Properties held for resale are carried at the lower of cost and net realizable value. Cost includes amounts for improvements to prepare the property for sale or servicing. Loan receivable from Six Nations Police is recorded at fair value and does not bear interest. The difference in the face value and fair value of the loan is recorded as grant expense. Loan receivable from Six Nations Police is considered impaired when management has determined that there is a reasonable doubt as to the ultimate collectability of principal. On a periodic basis, Six Nations reviews the collectability of its loan receivable from Six Nations Police and establishes an allowance for doubtful account if collection is doubtful.

(f) Investment in Six Nations Natural Gas Limited Partnership:

The Investment in Six Nations Natural Gas Limited Partnership has been accounted for on a modified equity basis, consistent with the accounting treatment for government business enterprises. Under the modified equity basis, the business enterprise's accounting principles are not adjusted to conform with those of Six Nations, and inter-organizational transactions and balances are not eliminated. Six Nation's share of the partnership is 99%.

(g) Non-financial assets:

Non financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

SIX NATIONS OF THE GRAND RIVER

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2013

1. Significant accounting policies (continued):

(g) Non-financial assets (continued):

(i) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land, are amortized on a straight line basis over their estimated useful lives as follows:

Asset	Useful Life - Years
Land improvements	10 - 40
Buildings and building improvements	4 - 40
Houses	25 - 40
Vehicles	10
Bridges	40
Machinery and equipment	5 - 25
Office equipment and furniture	2 - 10
Water and wastewater networks	12 - 65
Water and wastewater equipment	10 - 65
Roads infrastructure - Base	40
- Surface	20 - 30
Computer hardware and software	3
Leasehold improvements	over the term of the lease

Amortization commences in the month of acquisition. Assets under construction are not amortized until the asset is available for productive use. Assets are disposed of when they are no longer in use to Six Nations.

(ii) Contributions of tangible capital assets:

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

(iii) Intangible assets:

Intangible assets and natural resources that have not been purchased are not recognized as assets in the financial statements.

(iv) Interest capitalization:

Six Nations' tangible capital asset policy does not allow for the capitalization of interest costs associated with the acquisition or construction of a tangible capital asset.

(v) Leases:

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related payments are charged to expenditures as incurred.

SIX NATIONS OF THE GRAND RIVER

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2013

1. Significant accounting policies (continued):

(g) Non-financial assets (continued):

(vi) Inventory:

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

(h) Reserves and reserve funds:

Certain amounts, as approved by Six Nations' Council are set aside in reserves and reserve funds for future operating and capital purposes. Transfers to and/or from reserves and reserve funds are an adjustment to the respective fund when approved. Reserves and reserve funds are presented on the statement of financial position in accumulated surplus.

(i) Government transfers:

Government transfers received relate to social services, child care, housing and health programs. Government transfers paid relate to social services programs. Transfers are recognized in the financial statements in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

(j) Deferred revenue:

Deferred revenue represents revenues which have been collected but for which the related services have yet to be performed or eligible expenses incurred. Deferred revenue is comprised of general deferred revenue, security deposits for public works customers and rental clients, Government transfers, and project funding are recognized when the transfer can be reasonably estimated, is authorized and has met eligibility criteria if required. Other externally restricted funds are recognized as revenue when the funds are spent for the purpose intended.

(k) Investment income:

Investment income earned is reported as revenue in the period earned.

(l) Rental Income

Rent is collected for the rental of apartments, townhomes, and houses. Rental income is recorded when it is earned. Provision is established for specifically identified probable losses on rental income.

'Home ownership' (Rent-to-own) income is classified as deferred revenue when received in accordance with PSAS, as amounts are deposited on future purchase. Revenue is recognized when the ownership of the property is transferred to the tenant of the property and is accounted for as a disposal of a tangible capital asset.

SIX NATIONS OF THE GRAND RIVER

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2013

1. Significant accounting policies (continued):

(m) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant estimates include assumptions used in estimating provisions for accounts receivable and accrued liabilities. Amounts recorded for amortization of tangible capital assets are based on estimates of useful service life. Actual results could differ from these estimates.

2. Investments:

Investments reported on the consolidated statement of financial position have market values as follows:

	2013		2012	
	Cost	Market Value	Cost	Market Value
Investments	\$22,740,524	\$23,346,420	\$23,445,239	\$23,887,218

3. Accounts receivable:

Accounts receivable are reported net of a valuation allowance of \$436,527 (2012 - \$431,223).

4. Housing loans receivable:

Housing loans receivable represent principal and interest amounts currently owing. These loan agreements are secured by the members' reserve property. The housing loans receivable on the consolidated statement of financial position, are made up of the following:

	2013	2012
Loans with interest at 0% per annum	\$ 1,057,557	\$ 996,650
Loans with interest at 7% per annum	17,279,984	16,446,655
Allowance for doubtful accounts	(489,783)	(489,783)
	\$ 17,847,758	\$ 16,953,522

Six Nations has provided interest free loans to members that meet certain criteria upon approval of Council. The loans with interest at 0% have a face value of \$1,312,756 (2012 - \$1,390,482). Additionally, Six Nations has approved further financing to specific members in the amount of \$728,681 (2012 - \$1,563,270), which has not been paid at year-end.

SIX NATIONS OF THE GRAND RIVER

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2013

5. Other assets:

Included in other assets is a loan receivable from Six Nations Police in the amount of \$770,466 (2012 - \$822,977), which does not bear interest. In 2010, Six Nations approved a grant of \$1,150,000 to Six Nations Police for the construction of a new police station. The debt is repayable over a term of 35 years with monthly payments of \$2,738. As the loan does not bear interest, a grant expense in the amount of \$300,000 was recognized in the year the loan was granted, which represented the difference in the face value and fair value of the loan. This amount will be amortized into income over the term of the loan. The face value of the loan is \$1,053,323 (2012 - \$1,114,406).

SIX NATIONS OF THE GRAND RIVER

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2013

6. Investments in Six Nations Natural Gas Company Limited Partnership:

The following provides condensed supplementary financial information for the operations of Six Nations Natural Gas Company Limited Partnership ("Six Nations Natural Gas") for the years ended March 31, 2013 and March 31, 2012. Six Nations owns an interest of 99% in Six Nations Natural Gas Company Limited Partnership and Six Nations Natural Gas Limited owns the remaining 1% interest.

Financial position:

	2013	2012
Current assets	\$ 3,092,911	\$ 3,029,913
Capital assets	2,533,445	2,550,097
Total assets	5,626,356	5,580,010
Current liabilities	341,961	287,557
Net assets	5,284,395	5,292,453
Six Nations Natural Gas Limited's interest in partnership	171,864	171,874
Government assistance treated as a capital transaction	(149,892)	(194,636)
Investment in Six Nations Natural Gas	\$ 5,306,367	\$ 5,269,691

Results of operations:

	2013	2012
Revenues	\$ 1,372,587	\$ 1,379,046
Operating expenses	1,335,907	1,112,737
Net income	36,680	266,309
Six Nations Natural Gas Limited's interest	(4)	(27)
Net income – Six Nations Natural Gas	\$ 36,676	\$ 266,282

Investment in Six Nations Natural Gas:

	2013	2012
Opening balance	\$ 5,269,691	\$ 5,003,409
Net income	36,676	266,282
Closing balance – Investment in Six Nations Natural Gas	\$ 5,306,367	\$ 5,269,691

SIX NATIONS OF THE GRAND RIVER

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2013

7. Deferred revenue:

The deferred revenues, reported on the consolidated statement of financial position, are made up of the following:

	2013	2013	2013	
	Deposits	Rent-to-own properties	Other deferred revenue	Total
Balance, beginning of year	\$ 162,226	\$ 4,511,482	\$ 656,823	\$ 5,330,531
Deposits collected	50,493	-	-	50,493
Housing payments	-	382,470	-	382,470
Federal funding	-	-	155,944	155,944
	212,719	4,893,952	812,767	5,919,438
Less:				
Deposits returned	36,093	-	-	36,093
Contributions used in operations	2,970	-	612,683	615,653
Rent-to-own revenue earned on disposal	-	80,000	-	80,000
	39,063	80,000	612,683	731,746
Balance, end of year	\$ 173,656	\$ 4,813,952	\$ 200,084	\$ 5,187,692

	2012	2012	2012	
	Deposits	Rent-to-own properties	Other deferred revenue	Total
Balance, beginning of year	\$ 150,010	\$ 4,168,324	\$ 870,149	\$ 5,188,483
Deposits collected	236,988	-	24,618	261,606
Housing payments	-	552,158	-	552,158
Federal funding	-	-	419,623	419,623
Provincial funding	-	-	84,925	84,925
	386,998	4,720,482	1,399,315	6,506,795
Less:				
Deposits returned	9,792	-	-	9,792
Contributions used in operations	214,980	-	742,492	957,472
Rent-to-own revenue earned on disposal	-	209,000	-	209,000
	224,772	209,000	742,492	1,176,264
Balance, end of year	\$ 162,226	\$ 4,511,482	\$ 656,823	\$ 5,330,531

SIX NATIONS OF THE GRAND RIVER

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2013

7. Deferred revenue (continued):

Deferred revenue for deposits includes payments made from customers of public works and Housing prepaid security deposits from rental clients.

Rent-to own properties includes home ownership payments with regards to Sale Agreements for residential properties. Other deferred revenue includes funds (donation and project funding) received for specific purposes and will be recognized as revenue when the related expenditures for the purpose specified have been incurred.

8. Employee benefits and other liabilities:

Six Nations provides to substantially all of its employees a defined contribution pension plan. The plan is a contributory plan with funding of benefits based on the related employee's earnings. Six Nations matches employee contributions to a maximum of 4.05%. Contributions vest after two years of service with Six Nations. Once the contributions vest, employees may receive benefits upon retirement or termination of their employment. Contributions are expensed in the period incurred. Six Nations recognized an expense during the year related to its portion of the contributions of \$1,251,979 (2012 - \$1,467,937).

SIX NATIONS OF THE GRAND RIVER

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2013

9. Net long-term liabilities:

The balance of net long-term liabilities reported on the consolidated balance sheet is made up of the following:

	2013	2012
Bank of Montreal, interest accrued at 2.64% with principal payments of \$15,438 monthly, maturing January 2018. Amount is unsecured.	\$ 2,870,816	\$ 3,034,789
Bank of Montreal, interest rates ranging from 2.52% to 2.85% with principal payments of \$31,081 monthly, maturing between April 2014 and May 2017. Amount is guaranteed by Aboriginal Affairs and Northern Development Canada.	1,335,353	1,612,865
First Nations Bank of Canada, interest rates ranging from 2.72% to 2.89% with principal payments of \$19,377 monthly, maturing between July 2015 and August 2017. Amount is unsecured.	3,208,933	2,725,494
Royal Bank of Canada, interest rates ranging from 2.61% to 5.515% with principal payments of \$181,550 monthly, maturing between December 2013 and July 2016. Amount is guaranteed by a general security agreement.	8,270,871	9,047,566
Toronto Dominion, interest accrued at 5.12% with principal payments of \$5,882 monthly, maturing August 2012. Amount is guaranteed by Aboriginal Affairs and Northern Development Canada.	-	619,530
Canada Mortgage and Housing Corporation, interest rates ranging from 1.67% to 3.13% with principal payments of \$29,140 monthly, maturing between June 2021 and May 2035. Amount is guaranteed by Aboriginal Affairs and Northern Development Canada.	4,888,148	5,093,333
Obligation under capital lease with National Leasing, interest accrued at 7.813% with principal payments of \$4,690 monthly, maturing October 2016. Amount secured by the underlying equipment.	172,661	214,199
Net long-term liabilities, end of year	\$ 20,746,782	\$ 22,347,776

SIX NATIONS OF THE GRAND RIVER

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2013

9. Net long-term liabilities (continued):

Principal payments, due in each of the next five years are as follows:

2014	\$ 2,689,824
2015	6,330,062
2016	3,517,472
2017	1,232,451
2018	3,171,230
Thereafter	3,805,743
	<hr/>
	\$ 20,746,782

Total interest on net long-term liabilities which are reported on the consolidated statement of operations amounted to \$857,571 in 2013 (2012 - \$1,072,924).

SIX NATIONS OF THE GRAND RIVER

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2013

10. Tangible capital assets:

	2013							
	Land and Land Improvements	Building and Building Improvements	Vehicles, Machinery and Equipment	Water and Wastewater Infrastructure	Roads Infrastructure	Office Equipment, Furniture and Computers	Work in Progress	Total
Cost								
Balance, beginning of year	\$2,222,729	\$81,719,351	\$12,527,221	\$8,575,712	\$32,076,561	\$2,515,956	\$19,772,519	\$159,410,049
Additions	2,730,183	519,437	498,356	72,297	698,709	513,898	17,683,106	22,715,986
Disposals	-	(229,933)	(57,758)	-	(35,405)	(1,300)	-	(324,396)
Balance, end of year	4,952,912	82,008,855	12,967,819	8,648,009	32,739,865	3,028,554	37,455,625	181,801,639
Accumulated amortization								
Balance, beginning of year	841,824	28,426,204	5,323,234	3,493,408	18,831,253	1,409,639	-	58,325,562
Disposals	-	(195,444)	(29,718)	-	(35,405)	(1,300)	-	(261,867)
Amortization expense	147,102	2,738,997	850,507	172,456	755,993	516,779	-	5,181,834
Balance, end of year	988,926	30,969,757	6,144,023	3,665,864	19,551,841	1,925,118	-	63,245,529
Net book value, end of year	\$3,963,986	\$51,039,098	\$6,823,796	\$4,982,145	\$13,188,024	\$1,103,436	\$37,455,625	\$118,556,110

SIX NATIONS OF THE GRAND RIVER

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2013

10. Tangible capital assets (continued):

	2012							
	Land and Land Improvements	Building and Building Improvements	Vehicles, Machinery and Equipment	Water and Wastewater Infrastructure	Roads Infrastructure	Office Equipment, Furniture and Computers	Work in Progress	Total
Cost								
Balance, beginning of year	\$2,222,729	\$81,908,875	\$12,179,214	\$8,562,212	\$31,444,919	\$1,825,153	\$11,913,812	\$150,056,914
Additions	-	193,819	348,007	13,500	631,642	690,803	7,858,707	9,736,478
Disposals	-	(383,343)	-	-	-	-	-	(383,343)
Balance, end of year	2,222,729	81,719,351	12,527,221	8,575,712	32,076,561	2,515,956	19,772,519	159,410,049
Accumulated amortization								
Balance, beginning of year	779,268	25,910,273	4,476,677	3,320,577	18,087,550	973,047	-	53,547,392
Disposals	-	(223,368)	-	-	-	-	-	(223,368)
Amortization expense	62,556	2,739,299	846,557	172,831	743,703	436,592	-	5,001,538
Balance, end of year	841,824	28,426,204	5,323,234	3,493,408	18,831,253	1,409,639	-	58,325,562
Net book value, end of year	\$1,380,905	\$53,293,147	\$7,203,987	\$5,082,304	\$13,245,308	\$1,106,317	\$19,772,519	\$101,084,487

SIX NATIONS OF THE GRAND RIVER

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2013

10. Tangible capital assets (continued):

Work in Progress

Work in progress assets having a value of \$37,455,625 (2012 - \$19,772,519) have not been amortized. Amortization of these assets will commence when the asset is put into service.

Contributed Tangible Capital Assets

Contributed capital assets have been recognized at fair market value at the date of contribution. The value of contributed assets received during the year is \$175,096 (2012 - \$358,323).

Tangible Capital Assets Disclosed at Nominal Values

Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value. Land is the only category where nominal values were assigned, other than described below.

Works of Art and Historical Treasures

Six Nations holds several historical buildings which are recorded at nominal value.

11. Accumulated surplus:

Accumulated surplus consists of balances as follows at March 31:

	2013	2012
Surplus:		
Invested in tangible capital assets	\$ 97,809,328	\$ 78,736,711
Operating fund	2,456,146	6,116,447
	<u>100,265,474</u>	<u>84,853,158</u>
Reserve funds set aside by Six Nations Elected Council:		
Bingo	2,245,796	2,122,290
Ontario First Nations Limited Partnership Agreement	15,781,897	26,975,059
Central administration	12,952,767	10,611,211
Day care	445,298	446,167
Economic development	2,837,820	(2,332,911)
Economic development fund	1,460,916	1,460,916
Fire	1,876,030	1,456,824
Health services	698,072	674,481
Housing	2,242,765	1,960,319
Iroquois lodge	47,072	46,923
Parks and recreation	1,358,779	868,383
Public works	4,924,610	4,011,660
Social and correctional services	1,773,872	1,616,910
	<u>48,645,694</u>	<u>49,918,232</u>
	<u>\$ 148,911,168</u>	<u>\$ 134,771,390</u>

SIX NATIONS OF THE GRAND RIVER

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2013

12. Commitments:

- (a) Six Nations has outstanding contractual obligations totaling approximately \$29,260,565 (2012 - \$15,380,000) outlined as follows by project:

	2013	2012
Water treatment plant	\$ 10,260,565	\$ 15,380,000
Samsung – Solar Project	7,000,000	-
Samsung – Wind farm Project	12,000,000	-
Total commitments	\$ 29,260,565	\$ 15,380,000

Amounts reported for Samsung Solar and Wind Farm projects are estimated on the high end with actual commitments expected to be lower.

- (b) Six Nations has at March 31, 2013 approved funding of community, cultural development, education, economic development and health projects in the amounts of \$15,634,217, \$1,266,419, \$2,675,300, \$682,500 and \$226,872 respectively through the Ontario First Nations Limited Partnership Agreement funds.
- (c) Minimum annual lease payments:

Six Nations rents vehicles and equipment with minimum annual lease payments for the years ending March 31 as follows:

2014	\$ 16,859
2015	7,285
2016	1,754
	\$ 25,898

13. Contingencies:

- (a) Six Nations has been named as a defendant in two legal claims. Council is of the opinion that there is a strong defense against these claims and is defending the claims. At this time it is not possible to determine the outcome of these claims. Accordingly, no provision for losses has been reflected in the accounts of Six Nations for these matters. Council does not anticipate that the impact, if any, will be material to the financial statements.

SIX NATIONS OF THE GRAND RIVER

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2013

14. Aboriginal Affairs and Northern Development Canada:

	2013	2012
Base budget	\$ 31,508,716	\$ 23,708,609
Less non-consolidated entities:		
Grand River Post Secondary Education Office	(7,653,777)	(7,464,138)
Ganakwa Sra	(647,217)	(615,200)
Gaweniyoh	(1,288,923)	(1,181,872)
	(9,589,917)	(9,261,210)
Less current year deferred revenue:		
Six Nations of the Grand River	(155,945)	(419,613)
	(155,945)	(419,613)
Add prior year deferred revenue:		
Six Nations of the Grand River	419,613	447,188
Grand River Post Secondary Education Office	-	132,000
	419,613	579,188
Other adjustments:		
Six Nations of the Grand River	250,265	(43,002)
	250,265	(43,002)
	\$ 22,432,732	\$ 14,563,972

SIX NATIONS OF THE GRAND RIVER

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2013

15. Government transfers:

Six Nations recognized the transfer of government funding as expenses or revenues in the period that the events giving rise to the transfer occurred. The Government transfers reported on the Statement of Operations are:

	2013	2012
Revenue:		
Aboriginal Affairs and Northern Development Canada:		
Economic development	\$ 984,596	\$ 772,127
Education	443,093	444,297
Fire	656,228	622,632
General government	2,104,416	2,459,707
Health services	105,399	149,000
Housing	248,780	262,897
Iroquois lodge	193,869	193,200
Lands and resources	41,431	-
Membership	660,326	528,477
Parks and recreation	113,150	237,630
Public works	14,769,873	6,898,844
Social, correctional services and day care	463,510	424,600
Welfare	1,648,061	1,570,561
	<u>22,432,732</u>	<u>14,563,972</u>
Other federal:		
Economic development	2,760	-
Fire	(2,467)	10,254
Health services	6,711,790	6,389,288
Housing	1,239,092	1,322,325
Iroquois lodge	22,084	53,197
Parks & recreation	123,507	-
Public works	7,500	20,089
Social, correctional services and day care	958,182	919,806
	<u>9,062,448</u>	<u>8,714,959</u>
Province of Ontario:		
Economic development	97,866	64,875
Health services	6,658,849	6,191,097
Iroquois lodge	1,905,143	2,125,615
Lands and resources	255,000	80,000
Parks and recreation	25,906	292,126
Public works	440,946	575,946
Social, correctional services and day care	3,790,581	3,416,981
Welfare	5,103,743	4,695,151
	<u>18,278,034</u>	<u>17,441,791</u>
Total revenues	\$ 49,773,214	\$ 40,720,722

SIX NATIONS OF THE GRAND RIVER

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2013

15. Government transfers (continued):

	2013	2012
Expenses:		
Welfare payments	\$ 4,872,645	\$ 4,428,693

16. Segmented information:

Segmented information has been identified based upon functional areas by Six Nations. The functions have been separately disclosed in the segmented information as follows:

(i) Central Administration and Committee of the Whole:

Central Administration and Committee of the Whole consists of the general management of Six Nations, including adopting bylaws and policy, and providing administrative, human resources, information technology, and communication support, and financial services and programs that benefit the community as a whole such as land claims and Ontario First Nations Limited Partnership Agreement funds.

(ii) Physical and Economic Development:

Physical and economic development segment is responsible for the physical assets of the community and to generate economic development within the community. It includes planning, design, operation and maintenance of the roadway system; street lights; the engineering and operation of the water and wastewater systems and waste management. Additionally, Six Nations is committed to providing and advocating for secure, affordable housing in Six Nations, and buildings for commercial lease.

(iii) Human and Emergency Services:

Human and emergency services offer a range of programs related to wellbeing of the community. Included in human and emergency services are: lands and memberships; health services that includes protection and promotion, disease and injury prevention; ambulance and fire services; day care; welfare and innovations; social and correctional services; the maintenance and operation of parks and open space; and the Iroquois Lodge.

SIX NATIONS OF THE GRAND RIVER

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2013

16. Segmented information (continued):

Certain allocation methodologies are employed in the preparation of segmented information. User charges and other revenue have been allocated to the segments based upon the segment that generated the revenue. Government transfers have been allocated to the segment based upon the purpose for which the transfer was made.

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.

Note: User charges include facility rental fees, water & sewage charges, septic rentals and lodge accommodations.

SIX NATIONS OF THE GRAND RIVER

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2013

16. Segmented information (continued):

	2013				
	Central Administration and Committee of the Whole	Physical and Economic Development	Human and Emergency Service	Other Services	Total
Revenues:					
User charges	\$ 34,373	\$ 2,418,239	\$ 1,320,274	\$ -	\$ 3,772,886
Government transfers:					
AANDC	2,588,940	16,003,248	3,840,544	-	22,432,732
Other federal	-	1,249,352	7,813,096	-	9,062,448
Province of Ontario	255,000	538,812	17,484,222	-	18,278,034
Investment income	743,897	939,845	21,790	2,302	1,707,834
Equity in Six Nations Natural Gas Company Limited Partnership	36,676	-	-	-	36,676
Other	8,951,273	17,711,139	1,801,703	-	28,464,115
Total revenues	12,610,159	38,860,635	32,281,629	2,302	83,754,725
Expenses:					
Salaries, wages and employee benefits	2,705,071	5,181,324	18,172,439	-	26,058,834
Operating expenses	5,874,763	19,709,631	11,923,343	1,852	37,509,589
Debt services	20,558	818,448	25,684	-	864,690
Amortization	271,485	3,698,747	1,211,602	-	5,181,834
Total expenses:	8,871,877	29,408,150	31,333,068	1,852	69,614,947
Annual surplus	\$ 3,738,282	\$ 9,452,485	\$ 948,561	\$ 450	\$ 14,139,778

SIX NATIONS OF THE GRAND RIVER

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2013

16. Segmented information (continued):

	2012				
	Central Administration and Committee of the Whole	Physical and Economic Development	Human and Emergency Service	Other Services	Total
Revenues:					
User charges	\$ 20,532	\$ 1,936,224	\$ 1,251,801	\$ -	\$ 3,208,557
Government transfers:					
AANDC	2,904,005	7,933,868	3,726,099	-	14,563,972
Other federal	-	1,342,414	7,372,545	-	8,714,959
Province of Ontario	80,000	640,822	16,720,969	-	17,441,791
Investment income	292,567	835,624	36,120	3,940	1,168,251
Equity in Six Nations Natural Gas Company Limited Partnership	266,282	-	-	-	266,282
Other	11,180,149	14,516,654	1,092,385	-	26,789,188
Total revenues	14,743,535	27,205,606	30,199,919	3,940	72,153,000
Expenses:					
Salaries, wages and employee benefits	2,979,759	4,424,242	17,955,474	-	25,359,475
Operating expenses	7,443,759	15,035,826	12,019,978	780	34,500,343
Debt services	453,900	1,012,008	47,098	-	1,513,006
Amortization	242,687	3,675,383	1,083,468	-	5,001,538
Total expenses:	11,120,105	24,147,459	31,106,018	780	66,374,362
Annual surplus (deficit)	\$ 3,623,430	\$ 3,058,147	\$ (906,099)	\$ 3,160	\$ 5,778,638

SIX NATIONS OF THE GRAND RIVER

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2013

17. Budget data:

The unaudited budget data presented in these consolidated financial statements are based upon the 2013 operating and capital budgets approved by Six Nations Council. The chart below reconciles the approved budget to the budget figures reported in these consolidated financial statements. Budgets established for tangible capital asset acquisitions are on a project-oriented basis, the costs of which may be carried out over one or more years. As such, it is not practical to present annualized budget information for the acquisition of tangible capital assets on the statement of change in net financial assets.

	Budget Amount
Revenues:	
Operating budget	\$ 54,711,348
Add:	
Aboriginal Affairs and Northern Development Canada projects	14,079,317
Other federal projects	952,863
Province of Ontario projects	5,217,365
Ontario First Nations Limited Partnership Agreement	8,018,178
Other	775,654
Total revenues	83,754,725
Expenses:	
Operating budget	56,508,511
Add:	
Expense projects	7,924,602
Amortization	5,181,834
Total expenses	69,614,947
Annual surplus	\$ 14,139,778

SIX NATIONS OF THE GRAND RIVER

Notes to Consolidated Financial Statements

Year ended March 31, 2013

18. Salaries and travel expenses paid to senior officials:

Salaries and travel expenses paid to senior officials included in the consolidated financial statements are as follows:

	Position	Number of months	Salary range per annum	Travel expenses
Dayle Bomberry	Senior Administrative Officer	12	\$ 90,000 – 120,000	\$ 2,344
Gary Phillips	Director of Finance	10	87,317 – 115,683	-
Lonny Bomberry	Director of Lands and Resources	12	50,135 – 79,900	1,041
Ruby Miller	Director of Health Services	12	50,135 – 79,900	6,126
Mike Montour	Director of Public Works	12	50,135 – 79,900	1,496
Arliss Skye	Director of Social Services	12	50,135 – 79,900	1,014
Matt Jamieson	Director of Economic Development	12	90,000 – 97,000	2,744
Cheryl Henhawk	Director of Parks and Recreation	12	50,135 – 79,900	87
Sharon Martin	Director of Welfare	12	50,135 – 79,900	3,530
Michael Seth	Fire Chief	12	50,135 – 79,900	1,309
Janice Burning	Manager, Lands and Membership	12	50,135 – 79,900	4,075
Nick Petruzzella *	General Manager of Six Nations Natural Gas	12	87,317 – 115,683	-

* Salary range for General Manager of Six Nations Natural Gas has not been approved by council resolution.

SIX NATIONS OF THE GRAND RIVER

Notes to Consolidated Financial Statements

Year ended March 31, 2013

19. Salaries, honoraria and travel expenses paid to elected senior officials:

Salaries, honoraria and travel expenses paid to senior officials included in the consolidated financial statements are as follows:

	Number of months	Total honorarium	Travel expenses
Chief Montour	12	\$ 68,062	\$ 10,514
Carl Hill	12	34,808	11,143
David Hill	12	34,808	5,585
Gail Ava Hill	12	34,808	15,995
Mark Hill	12	34,808	2,754
Darryl Hill	12	34,808	1,541
Robert Johnson	12	34,808	1,935
Ross Johnson	12	34,808	862
Roger Jonathan	12	34,808	374
Wray Maracle	12	34,800	5,284
Helen Miller	12	34,808	6,278
Lewis Staats	12	34,808	1,842
Melba Thomas	12	<u>34,808</u>	<u>665</u>
Total Councilors		<u>417,688</u>	<u>54,258</u>
Total Chief and Councilors		\$ 485,750	\$ 64,772

Travel expense includes out-of-pocket expenses such as accommodation, airfare, mileage, meals and incidentals. The amounts included above do not include reimbursements from event sponsors.

20. Comparative figures:

Certain 2012 comparative figures have been reclassified to conform to the presentation adopted in the current year.