

Financial Statements of

SIX NATIONS ONTARIO FIRST NATIONS LIMITED
PARTNERSHIP FUND

Year ended March 31, 2012

SIX NATIONS ONTARIO FIRST NATIONS LIMITED PARTNERSHIP FUND

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March 31, 2012

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KPMG LLP
Chartered Accountants
One St. Paul Street Suite 901
PO Box 1294 Stn Main
St. Catharines ON L2R 7A7

Telephone (905) 685-4811
Telefax (905) 682-2008
www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Six Nations Ontario First Nations Limited Partnership Fund, which comprise the statement of financial position as at March 31, 2012, the statements of operations, change in 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 Financial Statements

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.

Auditors' 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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, we consider 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. 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 financial statements present fairly, in all material respects, the financial position of Six Nations Ontario First Nations Limited Partnership Fund as at March 31, 2012, and its results of operations and its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P', with a small arrowhead pointing to the right.

Chartered Accountants, Licensed Public Accountants,

September 12, 2012
St. Catharines, Canada

SIX NATIONS ONTARIO FIRST NATIONS LIMITED PARTNERSHIP FUND

Statement of Financial Position

March 31, 2012, with comparative figures for 2011

	March 31, 2012	March 31, 2011
Financial assets:		
Cash	\$ 4,992,956	\$ 17,440,060
Investments (note 4)	21,314,058	14,385,287
Accounts receivable	6,054	729,927
Other assets (note 5)	822,977	688,631
Due from related parties (note 6)	1,552,637	657,113
	<u>28,688,682</u>	<u>33,901,018</u>
Financial liabilities:		
Accounts payable and accrued liabilities	2,760,501	286,867
Due to related parties (note 6)	-	2,831,551
	<u>2,760,501</u>	<u>3,118,418</u>
Net financial assets	25,928,181	30,782,600
Non-financial assets:		
Tangible capital assets (note 7)	3,916,964	3,542,086
Prepaid expenses	187,906	37,552
	<u>4,104,870</u>	<u>3,579,638</u>
Commitments (note 11)		
Accumulated surplus (note 9)	\$ 30,033,051	\$ 34,362,238

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

SIX NATIONS ONTARIO FIRST NATIONS LIMITED PARTNERSHIP FUND

Statement of Operations

Year ended March 31, 2012, with comparative figures for 2011

	2012	2011
Revenues:		
Investment income	\$ 177,826	\$ 318,088
Ontario First Nations Limited Partnership revenue:		
Formula share	8,165,747	12,236,359
Future Generations Fund (note 8)	643,995	4,077,393
Other	152,272	33,227
Total revenues	9,139,840	16,665,067
Expenses:		
Community development	7,643,101	2,497,270
Cultural development	216,466	359,345
Economic development	5,204,368	475,117
Education	303,915	1,253,523
Health	101,177	260,387
Total expenses	13,469,027	4,845,642
Annual surplus (deficit)	(4,329,187)	11,819,425
Accumulated surplus, beginning of year	34,362,238	22,542,813
Accumulated surplus, end of year	\$ 30,033,051	\$ 34,362,238

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

SIX NATIONS ONTARIO FIRST NATIONS LIMITED PARTNERSHIP FUND

Statement of Change in Net Financial Assets

Year ended March 31, 2012, with comparative figures for 2011

	2012	2011
Annual surplus (deficit)	\$ (4,329,187)	\$ 11,819,425
Acquisition of tangible capital assets	(374,878)	(2,597,484)
Change in prepaid expense	(150,354)	(37,552)
Change in net financial assets (debt)	(4,854,419)	9,184,389
Net financial assets, beginning of year	30,782,600	21,598,211
Net financial assets, end of year	\$ 25,928,181	\$ 30,782,600

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

SIX NATIONS ONTARIO FIRST NATIONS LIMITED PARTNERSHIP FUND

Statement of Cash Flows

March 31, 2012 with comparative figures for 2011

	2012	2011
Operating activities:		
Annual surplus	\$ (4,329,187)	\$ 11,819,425
Change in non-cash assets and liabilities:		
Accounts receivable	723,873	(100,584)
Other current assets	(134,346)	(464,852)
Due from related parties	(895,524)	424,954
Accounts payable and accrued liabilities	2,375,152	(564,496)
Prepaid expenses	(150,354)	(37,552)
Due from related parties	(2,831,551)	2,437,230
Net change in cash from operating activities	(5,241,937)	13,514,125
Capital activities:		
Cash used to acquire tangible capital assets	(276,396)	(2,597,484)
Net change in cash from capital activities	(276,396)	(2,597,484)
Investing activities:		
Portfolio investments	(6,928,771)	(230,663)
Net change in cash from investing activities	(6,928,771)	(230,663)
Net change in cash	(12,447,104)	10,685,978
Cash, beginning of year	17,440,060	6,754,082
Cash, end of year	\$ 4,992,956	\$ 17,440,060

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

SIX NATIONS ONTARIO FIRST NATIONS LIMITED PARTNERSHIP FUND

Notes to Financial Statements

Year ended March 31, 2012

1. Significant accounting policies:

The financial statements of Six Nations Ontario First Nations Limited Partnership Fund (the "Fund") are prepared by management in accordance with Canadian public sector accounting standards as recommended by the Canadian Institute of Chartered Accountants. Six Nations Ontario First Nations Limited Partnership Fund was established to account for the receipt and disbursement of funds received from Ontario First Nations Limited Partnership. Significant accounting policies adopted by the Fund are as follows:

(a) Basis of accounting:

Six Nations Ontario First Nations Limited Partnership Fund 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.

(b) 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.

(c) 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.

(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. 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.

(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.

SIX NATIONS ONTARIO FIRST NATIONS LIMITED PARTNERSHIP FUND

Notes to Financial Statements (continued)

Year ended March 31, 2012

1. Significant accounting policies (continued):

(c) Non-financial assets (continued):

(iv) Interest capitalization:

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

(d) Government transfers:

Government transfers paid relate to approved projects consistent with the funding initiatives as they relate to community development, cultural development, economic development, education or health. 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.

(e) Investment income:

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

(f) 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, accrued liabilities, and valuation of employee future benefits. Actual results could differ from these estimates.

3. Use of Ontario First nations Limited Partnership Funds:

Money received from the Ontario First Nations Limited Partnership can only be spent on the following five approved purposes in accordance with the signed agreement:

- Community development
- Cultural development
- Economic development
- Education
- Health

SIX NATIONS ONTARIO FIRST NATIONS LIMITED PARTNERSHIP FUND

Notes to Financial Statements (continued)

Year ended March 31, 2012

4. Investments:

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

	2012		2011	
	Cost	Market Value	Cost	Market Value
Investments	\$ 21,314,058	\$ 21,756,034	\$14,385,287	\$14,302,401

5. Other assets:

Included in other assets is a loan receivable from Six Nations Police in the amount of \$822,977 (2011 - \$688,631), which does not bear interest. In 2010, Six Nations of the Grand River Elected Council 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 2011, 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 \$1,114,406 (2011 - \$988,631).

6. Related party transactions:

On August 25, 2003, Six Nations of the Grand River Elected Council passed a resolution to allow receipts of Future Generation Fund payments from Ontario First Nations Limited Partnership to be used to supplement annual department budgets as needed. Included in the financial statements is a receivable of \$1,552,637 (2011 - \$657,113) resulting from transactions from which the Fund has paid expenses on behalf of Public Works, Parks & Recreation, Central Administration and Lodge. The amount due from related parties is non-interest bearing, unsecured and has no specified repayment terms.

On March 8, 2012, Six Nations Elected Council passed a resolution to allocate up to a maximum of \$3,000,000 from uncommitted operating funds from the Fund to various departments that had incurred deficits for the year ended March 31, 2012. The balance due to related parties relates to payments owed from the Fund to various departments to fund operating deficits. Total expenses paid by the Fund on behalf of other departments for the year are \$2,312,699 (2011 - \$2,831,551).

SIX NATIONS ONTARIO FIRST NATIONS LIMITED PARTNERSHIP FUND

Notes to Financial Statements (continued)

Year ended March 31, 2012

6. Related party transactions (continued):

Related party balances at March 31 are as follows:

	2012	2011
Due from related parties:		
Public works	\$ 387,838	\$ 657,113
Parks and recreation	998,199	-
Central administration	27,899	-
Lodge	138,701	-
	<u>\$ 1,552,637</u>	<u>\$ 657,113</u>
Due to related parties:		
Economic development	\$ -	\$ 751,851
Parks and recreation	-	224,532
Lands and resource	-	1,647,463
Fire	-	207,705
	<u>\$ -</u>	<u>\$ 2,831,551</u>

7. Tangible capital assets:

The balance of tangible capital assets reported on the statement of financial position consists of the following:

	2012	2011
Work in progress:		
Balance, beginning of year	\$ 3,542,086	\$ 944,602
Additions	374,878	2,597,484
	<u>\$ 3,916,964</u>	<u>\$ 3,542,086</u>

Work in progress which represent assets under construction have not been amortized. The Fund will transfer these assets to various departments of Six Nations of the Grand River for which the expenditure has been approved. Upon transfer these will be recognized as an expense of the Fund.

8. Future Generations Fund:

On June 27, 2002, the Chiefs in Assembly approved the distribution of the Future Generations Fund based upon the formula share. The Fund received \$6,612,822 as their portion of the distribution. The Chiefs in Assembly also approved to discontinue the withholding of Future Generation Fund balances and the interest paid on this Fund to the large four First Nations. Commencing August 2002, the Future Generations Fund was paid directly to the individual First Nations on a monthly basis. The Fund has received \$643,995 (2011 - \$4,077,393) in direct monthly payments of Future Generations Fund in 2012.

SIX NATIONS ONTARIO FIRST NATIONS LIMITED PARTNERSHIP FUND

Notes to Financial Statements

Year ended March 31, 2012

9. Accumulated surplus:

Accumulated surplus consists of the following balances at March 31:

	2012	2011
Surplus:		
Operating fund	\$ 12,388,188	\$ 21,061,792
Reserve funds set aside by Six Nations Council:		
Community development	4,354,547	3,599,424
Cultural development	126,590	553,809
Economic development	1,246,436	4,258,154
Education	-	884,146
Health	11,917,290	4,004,913
	17,644,863	13,300,446
	\$ 30,033,051	\$ 34,362,238

10. Classification of expenditures by object:

The consolidated statement of financial activities presents the expenditure by function; the following classifies those same expenditures by object:

	2012	2011
Government transfers	\$ 9,037,437	\$ 2,493,928
Program expenses	4,133,148	1,848,670
Office	153,706	18,954
Professional fees	123,245	123,827
Repairs and maintenance	11,010	34,426
Travel and training	5,547	1,650
Wages and benefits	2,939	19,687
Special events	1,995	4,500
Grant expense	-	300,000
	\$ 13,469,027	\$ 4,845,642

11. Commitments:

Six Nations has at March 31, 2012 approved funding of community, cultural development, education, economic development and health projects in the amounts of \$4,021,721, \$3,504,293, \$2,477,919, \$4,723,969 and \$2,916,959 respectively through the Ontario First Nations Limited Partnership Agreement funds.

SIX NATIONS ONTARIO FIRST NATIONS LIMITED PARTNERSHIP FUND

Notes to Financial Statements

Year ended March 31, 2012

12. Cumulative funding:

Based upon Six Nations Elected Council Resolutions, the following funding has been provided by the Fund at March 31:

	2012	2011
Community development	\$ 19,823,836	\$ 12,180,735
Cultural development	9,469,679	9,253,213
Economic development	10,373,059	5,168,691
Education	10,870,812	10,566,897
Health	6,628,230	6,527,053
	<u>\$ 57,165,616</u>	<u>\$ 43,696,589</u>

Included in the cumulative funding are expenditures of \$374,878 (2011 - \$2,597,484) used to acquire tangible capital assets in the year ended March 31, 2012.

13. Comparative figures:

Certain 2011 comparative figures have been reclassified to conform with the presentation adopted in the current year.