

Financial Statements of

**SIX NATIONS OF THE GRAND RIVER
COMMUNITY DEVELOPMENT TRUST**

Year Ended December 31, 2013

SIX NATIONS OF THE GRAND RIVER COMMUNITY DEVELOPMENT TRUST
Index
Year Ended December 31, 2013

Contents

	Page
Management's Responsibility for the Financial Statements	3
Independent Auditor's Report	4 - 5
Statement of Financial Position	6
Statement of Operations	7
Statement of Changes in Distributable Reserves	8
Statement of Cash Flows	9
Notes to the Financial Statements	10 - 18

MANAGEMENT' S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying financial statements of Six Nations of the Grand River Community Development Trust as at and for the year end December 31, 2013 are the responsibility of the Trust's management and have been prepared in compliance with the Trust Agreement dated January 6, 2004, and in accordance with Canadian accounting standards for not-for-profit organizations. A summary of significant accounting policies are described in Note 1 to the financial statements.

The Trust's 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 the Trust Agreement dated January 6, 2004 and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

The Trustees meet with management and the external auditor 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 Lucy Popoli Chartered Accountant Professional Corporation, independent external auditor appointed by the Trustees. The accompanying Auditor's Report outlines her responsibilities, the scope of her examination and her opinion on the Trust's financial statements.

On behalf of the Trustees:

Trustee:

Trustee:



Chartered Accountant
Professional Corporation

9 Pine Street North, Unit 35, Thorold, ON L2V 3Z9
p 905-680-1565 / 905-680-6073
lpopoli@popoli.ca
www.popoli.ca

INDEPENDENT AUDITOR'S REPORT

To the Trustees of SIX NATIONS OF THE GRAND RIVER COMMUNITY DEVELOPMENT TRUST

I have audited the accompanying financial statements of SIX NATIONS OF THE GRAND RIVER COMMUNITY DEVELOPMENT TRUST, which comprise the statement of financial position as at December 31, 2013, and the statements of operations, changes in distributable reserves 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 financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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.

continued

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion the financial statements present fairly, in all material respects, the financial position of SIX NATIONS OF THE GRAND RIVER COMMUNITY DEVELOPMENT TRUST as at December 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Lucy Popoli CA Professional Corp.

LUCY POPOLI CHARTERED ACCOUNTANT PROFESSIONAL CORPORATION
Authorized to practise public accounting by Chartered Professional Accountants of Ontario

Thorold, Ontario
April 23, 2014

SIX NATIONS OF THE GRAND RIVER COMMUNITY DEVELOPMENT TRUST

Statement of Financial Position as at December 31

	2013	2012
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 9,138	\$ 6,149
Accrued interest receivable	92,007	104,428
Prepaid expenses	3,357	3,814
	<u>104,502</u>	<u>114,391</u>
Investments (Note 2)	16,494,333	16,383,536
Property and Equipment (Note 3)	-	1,063
	<u>\$ 16,598,835</u>	<u>\$ 16,498,990</u>

LIABILITIES AND TRUST EQUITY

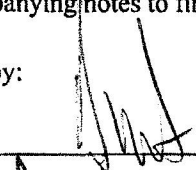
Current Liabilities		
Accounts payable and accrued liabilities	\$ 4,185	\$ 1,402
Trust Equity		
Distributable reserves (Note 4)	16,594,650	16,497,588
	<u>\$ 16,598,835</u>	<u>\$ 16,498,990</u>

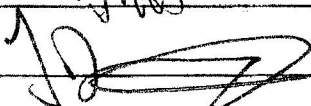
Related party transactions (Note 8)

Commitments (Note 9)

See accompanying notes to financial statements

Approved by:

Trustee:  _____

Trustee:  _____

SIX NATIONS OF THE GRAND RIVER COMMUNITY DEVELOPMENT TRUST

Statement of Operations for the year ended December 31

	2013	2012
Revenue		
Investment income	\$ 570,248	\$ 724,776
Expenses		
Administration	70,057	66,016
Bank charges and interest	187	412
Amortization	1,063	751
Elections	1,382	-
Honorarium (Note 5)	28,050	31,800
Insurance	3,480	3,384
Investment management fees	52,109	52,150
Professional development	1,802	1,063
Professional fees	14,000	14,440
Project expenditures (Note 6)	625,577	821,607
Rent	11,190	11,190
Repairs and maintenance	103	133
	809,000	1,002,946
Other Revenues		
Change in fair value of investments	335,814	122,340
	335,814	122,340
Excess (Deficiency) of Revenues over Expenses for the year	\$ 97,062	\$ (155,830)

See accompanying notes to financial statements

SIX NATIONS OF THE GRAND RIVER COMMUNITY DEVELOPMENT TRUST

Statement of Changes in Distributable Reserves for the year ended December 31

	2013	2012
Distributable reserves, beginning of year	\$ 16,497,588	\$ 16,653,418
Excess (Deficiency) of Revenues over Expenses for the year	97,062	(155,830)
Distributable reserves, end of year	\$ 16,594,650	\$ 16,497,588

See accompanying notes to financial statements

SIX NATIONS OF THE GRAND RIVER COMMUNITY DEVELOPMENT TRUST

Statement of Cash Flows for the year ended December 31

	2013	2012
Cash flows from operating activities		
Excess (deficiency) of revenues over expenses for the year	\$ 97,062	\$ (155,830)
Items not affecting cash:		
Amortization	1,063	751
Realized gains (losses)	12,728	(85,299)
Change in fair value of investments	(335,814)	(122,340)
Changes in non-cash working capital:		
Accrued interest receivable	12,421	(2,302)
Prepaid expenses	457	-
Accounts payable and accrued liabilities	2,782	755
Net cash used in operating activities	(209,301)	(364,265)
Cash flows from investing activities		
Purchase of property and equipment	-	(1,417)
Purchase of long-term investments	(7,657,912)	(2,820,430)
Proceeds from sale of long-term investments	7,870,202	2,809,215
Net cash provided by (used in) investing activities	212,290	(12,632)
Net increase (decrease) in cash	2,989	(376,897)
Cash, beginning of year	6,149	383,046
Cash, end of year	\$ 9,138	\$ 6,149

See accompanying notes to financial statements

SIX NATIONS OF THE GRAND RIVER COMMUNITY DEVELOPMENT TRUST

Notes to Financial Statements

Year Ended December 31, 2013

The Six Nations of the Grand River Community Development Trust (the "Trust") was formed by Six Nations of the Grand River. A Trust Agreement dated January 6, 2004 (the "Trust Agreement"), was signed with the original trustees. The purpose of the Trust is to invest and distribute funds from the Ontario First Nations Limited Partnership ("OFNLP") for community development projects.

1. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations contained in Part III of the Canadian Institute of Chartered Accountants ("CICA") Handbook. To the extent that Part III of the CICA Handbook does not address certain matters applicable to the Trust, it will use accounting standards for private enterprises contained in Part II of the CICA Handbook. The significant accounting policies adopted are as follows:

(a) Cash and Cash Equivalents

Cash includes cash and cash equivalents. Cash and cash equivalents consist primarily of cash on hand, balances with banks and short-term deposits with original maturities of three months or less from the date of acquisition.

(b) Financial Instruments

Measurement

The Trust initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The Trust subsequently measures all its financial assets and financial liabilities at cost or amortized cost, except for investments in equity, bonds and debentures instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in operations.

Financial assets measured at cost or amortized cost include cash and cash equivalents and accrued interest receivable.

Financial liabilities measured at cost or amortized cost include accounts payable and accrued liabilities.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in operations. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in operations.

SIX NATIONS OF THE GRAND RIVER COMMUNITY DEVELOPMENT TRUST

Notes to Financial Statements

Year Ended December 31, 2013

1. Significant Accounting Policies (continued)

Transactions costs

The entity recognized its transactions costs in operations in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

(c) Investments

Investments are carried at fair value. Fair values of investments in bonds and debentures and equities are determined based on quoted closing market prices. Fair values of investments in mutual funds are determined based on their reported net asset value per unit.

(d) Property and Equipment

Property and equipment are recorded at cost less accumulated amortization. Amortization is based on the estimated useful life of the assets and is provided at the following rates and methods:

	<u>Rate</u>	<u>Method</u>
Furniture and equipment	3 years	straight line method
Computer hardware	2 years	straight line method

All additions made during the year are amortized at 50% of the above rate.

(e) Impairment of Long Lived Assets

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the asset exceeds its fair value.

SIX NATIONS OF THE GRAND RIVER COMMUNITY DEVELOPMENT TRUST

Notes to Financial Statements

Year Ended December 31, 2013

1. Significant Accounting Policies (continued)

(f) Revenue Recognition

Investment income on reserve resources, which must be spent on projects or operations, is recorded when earned. Interest income on bonds and debentures is recognized on an accrual basis. Dividends are recorded as revenue when the right to receive is established. Realized gains and losses on investments are recorded based on the average cost of the related investments. Unrealized gains and losses on investments are recorded as a change in fair value since the beginning of the year or since the date of purchase when purchased during the year.

Six Nations of the Grand River Casino Rama revenue allocation to the Trust is recognized as revenue when it is authorized by the Council of Six Nations of the Grand River.

(g) Measurement Uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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 revenue and expenses during the reporting period. Management reviews these estimates periodically, which include useful lives of the property and equipment and accruals and as adjustments become necessary they are reported in the period in which they become known. Actual results may vary from the current estimates.

SIX NATIONS OF THE GRAND RIVER COMMUNITY DEVELOPMENT TRUST

Notes to Financial Statements

Year Ended December 31, 2013

2. Investments

	2013	2012
	Fair value	Fair value
Cash and money market accounts	\$ 953,430	\$ 219,510
Bonds and debentures		
Government of Canada	\$ 809,977	\$ 2,080,224
Provincial	3,329,872	3,556,354
Canadian corporate	5,326,747	6,176,921
Canadian other	441,265	-
United States corporate	156,519	157,811
	\$ 10,064,380	\$ 11,971,310
Canadian Equities		
Consumer discretionary	593,434	412,769
Consumer staples	93,151	158,772
Energy	785,310	746,743
Financials	1,202,132	974,633
Funds	32,352	42,913
Health care	61,549	38,571
Industrial	279,802	205,164
Materials	238,175	530,354
Telecommunications	88,780	97,048
	\$ 3,374,685	\$ 3,206,967
United States Equities		
Materials	-	120,101
Funds	318,162	243,235
	\$ 318,162	\$ 363,336
International Funds		
Funds	862,994	403,569
	\$ 862,994	\$ 403,569
Mutual Funds	920,682	218,844
	\$ 920,682	\$ 218,844
	\$ 16,494,333	\$ 16,383,536

SIX NATIONS OF THE GRAND RIVER COMMUNITY DEVELOPMENT TRUST
Notes to Financial Statements
Year Ended December 31, 2013

2. Investments (continued)

The Government of Canada bonds have stated interest rates ranging from 3.25% to 4.0%. These investments will mature as follows: \$325,563 within the next year to five years, and \$484,414 thereafter.

The Provincial bonds have stated interest rates ranging from 2.55% to 4.65%. These investments will mature as follows: \$1,310,616 within the next year to five years, and \$2,019,256 thereafter.

The Canadian Corporate bonds have stated interest rates ranging from 2.364% to 6.17%. These investments will mature as follows: \$2,699,149 within the next year to five years, and \$2,627,598 thereafter.

The Canadian other investment consists of Canadian funds.

The United States other investment consists of a Bank of America Corp. Senior Note with a stated interest rate of 4.36%. This investment matures in September 2015.

3. Property and Equipment

	2013		2012	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture and equipment	\$ 20,381	\$ 20,381	\$ -	\$ -
Computer hardware	5,153	5,153	-	1,063
	\$ 25,534	\$ 25,534	\$ -	\$ 1,063

4. Distributable Reserves

	2013	2012
Operating reserve	\$ 6,594,650	\$ 6,497,588
Restricted trust principal	10,000,000	10,000,000
	\$ 16,594,650	\$ 16,497,588

In accordance with the Trust Agreement dated January 6, 2004 and further to the fifth year anniversary review dated January 6, 2009, the Trustees are obliged to continue to maintain a Reserve trust principal of not less than \$10,000,000. The principal has not been drawn upon as of December 31, 2012.

SIX NATIONS OF THE GRAND RIVER COMMUNITY DEVELOPMENT TRUST

Notes to Financial Statements
Year Ended December 31, 2013

5. Honorarium

Honorarium includes all regular meetings, committee meetings, presentations, trustee development, elections and proposal review expenses incurred during the year. The following is a breakdown by trustee:

	2013	2012
Darnay, Tom	\$ 4,200	\$ 3,900
Harris, Barbara	3,900	4,500
Hill, B. Darryl	4,050	3,300
Hill, Paula Jill	-	5,250
Martin, Kevin	4,050	-
Martin, Tammy	4,350	4,950
Smith, Rosemary	3,900	5,550
Thomas, Melba	3,600	4,350
	\$ 28,050	\$ 31,800

6. Project Expenditures

During the year, expenditures were incurred on the following approved projects:

	2013	2012
Arts Council (SN) - Red Barn	\$ 6,000	\$ 12,619
Brantford Native Housing	49,676	8,510
Community Food Bank (SN)	27,000	-
Dwadewayehsta Gayogoho:ho	39,000	-
Farmers Association - Grain Transport	-	70,000
Fighting Against Crack Together - Skatne	-	15,992
Fire Department - Fire Prevention	-	3,500
First Nations Youth Choir	13,250	16,580
Ganohkwarsa Family Assault Support Services	58,943	-
Grand River Champion of Champions Pow Wow	-	5,000
Grand River Post Secondary - Funding for Priority	-	61,770
Her Majesty's Royal Chapel of the Mohawks	-	533
Legacy Consortium (SN)	44,000	-
Nations Uniting Sharing Centre	3,000	27,000
Onkwawenna Kentyohkwa - Mohawk Adult Immersion	69,000	18,498
Oliver M Smith School - Kids Want to Play	-	1,592
Parks and Recreation	66,326	293,456
Police (SN)	-	2,015
Polytechnic (SN) - 20th Anniversary Year	85,000	-
Polytechnic (SN) - Homework Support	30,840	30,582
Polytechnic (SN) - University Accreditation	17,812	49,941
Public Library (SN)	270	19,340
SONICS CKRZ 100.3FM	20,208	50,292
Veterans Association (SN)	49,900	-
Woodland Cultural Centre	45,352	134,387
	\$ 625,577	\$ 821,607

SIX NATIONS OF THE GRAND RIVER COMMUNITY DEVELOPMENT TRUST

Notes to Financial Statements

Year Ended December 31, 2013

7. Income Taxes

Pursuant to the Trust Agreement, any income earned during the year is allocated to the Members of the Six Nations and as a consequence no income tax liability exists for the Trust.

8. Related Party Transactions

The Trust pays the settler, Six Nations of the Grand River, for the rental of its office facilities as well as honorariums for council members that are trustees. Transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties. These expenses totalled \$18,840 in 2013 (2012 - \$18,840) and are detailed below.

The annual rental of the office facilities totalled \$11,190 (2012 - \$11,190). The lease was renewed effective December 1, 2013 for a one year period ending November 30, 2014 for an annual amount of \$11,190.

Of the total honorariums outlined in note 5, council member trustees were reimbursed an amount of \$7,650 (2012 - \$7,650).

SIX NATIONS OF THE GRAND RIVER COMMUNITY DEVELOPMENT TRUST

Notes to Financial Statements
Year Ended December 31, 2013

9. Commitments

The Trust has a remaining commitment for approved projects totalling \$685,084. Of this amount, \$73,084 pertains to existing projects which were not complete by year end and \$612,000 pertains to projects commencing in 2014.

	Carried to	
	2014	2014
Arts Council (SN) - The Red Barn	\$ -	\$ 12,000
Community Food Bank	3,000	
Dwadewayehsta Gayogoho:ho (We are Learning Cayuga)	4,333	35,000
First Nations Youth Choir	1,000	
Forest Theatre Pageant (SN)		37,000
Ganohkwasra Family Assault Support Services	11,057	50,000
Grand River Champion of Champions Pow Wow		22,000
Iroquois Lodge		75,000
Language Commission		100,000
Minor Lacrosse (SN)		25,000
Nations Uniting Sharing Centre		6,000
Ohsweken Baptist Church		6,000
Onkwawenna Kentyohkwa	7,666	35,000
Police (SN)		12,000
Polytechnic (SN) - Homework Support Program	6,000	30,000
Polytechnic (SN) - Language and Culture Enhancement Project		45,000
Polytechnic (SN) - University Accreditation	39,928	
SONICS CKRZ 100.3 FM		10,000
The Everlasting Tree School		50,000
Two Rivers Community Development Centre		5,000
Veterans Association	100	
Woodland Cultural Centre - Education Extension		42,000
Woodland Cultural Centre - Museum		15,000
	\$ 73,084	\$ 612,000

Effective December 1, 2013, the Trust renewed its lease for the rental of the office facilities for a one year period ending November 30, 2014 for an annual amount of \$11,190.

10. Comparative Figures

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.

SIX NATIONS OF THE GRAND RIVER COMMUNITY DEVELOPMENT TRUST

Notes to Financial Statements

Year Ended December 31, 2013

11. Financial Instruments

The Trust is exposed to the following financial risks as a result of its investment activities. The Trust manages its investment portfolio based on its cash flow needs and with a view to optimizing investment income and in accordance with its investment policy.

Market Risk

Market risk is the risk that the fair value or future cash flows of an investment will fluctuate because of changes in market prices.

Market risk is comprised of the following:

[a] Foreign currency risk

Foreign currency risk arises from investments that are denominated in foreign currencies. Fluctuations in the relative value of foreign currencies against the Canadian dollar can result in a positive or negative effect on the fair value of investments. The Trust is exposed to foreign currency risk with respect to its investments in the United States bonds and debentures, United States equity and international funds for which underlying securities are denominated in foreign currencies.

[b] Interest rate risk

Interest rate risk refers to the effect on the fair value or future cash flows of an investment due to fluctuations in interest rates. The Trust is exposed to interest rate risk with respect to its investments in bonds and debentures.

[c] Other price risk

Other price risk is the risk that the value of the investments will fluctuate as a result of changes in the market prices, other than those arising from foreign currency or interest rate risk, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in a market or market segment. This equity investments of the Trust would be subject to this risk.

Credit Risk

Credit risk is the risk associated with the inability of a third party to fulfill payment obligations. Concentration of credit risk exists when a significant proportion of the portfolio is invested in securities with similar characteristics or subject to similar economic, political or other conditions. The Trust limits the exposure to credit risk by its selection of investment vehicles in accordance with its investment policy.

Liquidity Risk

Liquidity risk refers to the Trust's ability to meet financial obligations as they become due. The Trust limits the exposure to liquidity risk by its selection of investment vehicles that can be readily sold.