

Financial Statements of

**HAUDENOSAUNEE
DEVELOPMENT INSTITUTE**

Year ended March 31, 2016



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INDEPENDENT AUDITORS' REPORT

To the Haudenosaunee Confederacy Chiefs Council

We have audited the accompanying financial statements of Haudenosaunee Development Institute, which comprise the statement of financial position as at March 31, 2016, the statements of operations, changes in net 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 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.

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 Haudenosaunee Development Institute as at March 31, 2016, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

July 28, 2016
Hamilton, Canada

HAUDENOSAUNEE DEVELOPMENT INSTITUTE

Statement of Financial Position

Year ended March 31, 2016, with comparative financial information for 2015

	2016	2015
Assets		
Current assets:		
Cash	\$ 738,303	\$ -
Due from GRETI (note 4)	702,748	1,226,929
Accounts receivable (note 2)	744,468	530,090
Receivable from 2438543 Ontario Inc. (note 4, 5)	7,092	6,592
Prepaid expenses	-	608
	<u>2,192,611</u>	<u>1,764,219</u>
Capital assets (note 3)	551,218	-
	<u>\$ 2,743,829</u>	<u>\$ 1,764,219</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 6)	\$ 36,465	\$ 48,763
Investment losses in 2438543 Ontario Inc., net (notes 4, 5)	-	247,416
	<u>36,465</u>	<u>296,179</u>
Net assets:		
Invested in capital assets	551,218	-
Unrestricted	1,016,555	848,915
Land lease fund	1,287,220	609,750
Land acquisition fund	(147,629)	9,375
	<u>2,707,364</u>	<u>1,468,040</u>
Commitments (note 8)		
	<u>\$ 2,743,829</u>	<u>\$ 1,764,219</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

HAUDENOSAUNEE DEVELOPMENT INSTITUTE

Statement of Operations

Year ended March 31, 2016, with comparative financial information for 2015

	2016	2015
Revenues (Schedule):		
Haudenosaunee Development Institute Administration	\$ 229,041	\$ 662,275
Archaeological Study Centre	1,132,137	811,415
Environmental Monitoring Centre	584,232	846,524
Land lease fees	677,470	389,750
Kanohstaton Project	2,995	131,708
Capacity Language/Cultural Development	212,500	-
Land acquisition fees	375,000	9,375
Other revenue	-	62,501
	<u>3,213,375</u>	<u>2,913,548</u>
Expenses (Schedule):		
Salaries, benefits and contract fees	931,724	996,485
Professional fees	459,807	410,926
Cultural development	400,000	-
Travel	187,459	360,543
Office and general	102,260	193,133
Bad debt expense	76,771	5,030
Rent	30,833	25,416
Advertising	22,345	10,172
Depreciation	9,483	-
Training	785	4,194
Investment loss (note 4, 5)	-	247,466
	<u>2,221,467</u>	<u>2,253,365</u>
Excess of revenues over expenses	\$ 991,908	\$ 660,183

See accompanying notes to financial statements.

HAUDENOSAUNEE DEVELOPMENT INSTITUTE

Statement of Changes in Net Assets

Year ended March 31, 2016, with comparatives financial information for 2015

	Unrestricted	Invested in capital assets	Land lease	Land acquisition	2016 Total
Balance, beginning of year	\$ 848,915	\$ -	\$ 609,750	\$ 9,375	\$ 1,468,040
Excess of revenues over expenses	(51,079)	(9,483)	677,470	375,000	991,908
Net change in invested in capital	(28,697)	560,701	-	(532,004)	-
Disposal of investment (note 4)	247,416	-	-	-	247,416
Balance, end of year	\$ 1,016,555	\$ 551,218	\$ 1,287,220	\$ (147,629)	\$ 2,707,364

	Unrestricted	Invested in capital assets	Land lease	Land acquisition	2015 Total
Balance, beginning of year	\$ 587,857	\$ -	\$ 220,000	\$ -	\$ 807,857
Excess of revenues over expenses	261,058	-	389,750	9,375	660,183
Balance, end of year	\$ 848,915	\$ -	\$ 609,750	\$ 9,375	\$ 1,468,040

See accompanying notes to financial statements.

HAUDENOSAUNEE DEVELOPMENT INSTITUTE

Statements of Cash Flows

Year ended March 31, 2016, with comparative financial information for 2015

	2016	2015
Cash provided by (used in):		
Operating activities:		
Excess of revenues over expenses	\$ 991,908	\$ 660,183
Items not involving cash:		
Amortization of capital assets	9,483	-
Change in non-cash operating working capital		
Accounts receivable	(214,378)	675,717
Prepaid expenses	608	4,498
Due from 2438543 Ontario Inc.	(500)	(6,592)
Accounts payable and accrued liabilities	(12,298)	(229,617)
Due to/from GRETl, net	524,181	(1,251,605)
Deferred revenue	-	(100,000)
	1,299,004	(247,416)
Investing activities:		
Investment loss In 2438543 Ontario Inc.	-	247,416
Purchase of capital assets	(560,701)	-
	(560,701)	247,416
Net increase in cash	738,303	-
Cash, beginning of year	-	-
Cash, end of year	\$ 738,303	\$ -

See accompanying notes to financial statements.

HAUDENOSAUNEE DEVELOPMENT INSTITUTE

Notes to Financial Statements

Year ended March 31, 2016

Haudenosaunee Development Institute (HDI) (the “Organization”) is a formal, unincorporated Organization established by the Haudenosaunee Confederacy Chiefs Council (“HCCC”). The Organization established and administers a regulatory framework which identifies, registers and regulates development in compliance with a number of regulatory obligations including the Haudenosaunee Green Plan and the Haudenosaunee Development Protocol.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian Accounting Standards for Not-For-Profit Organizations in Part III of the CPA Canada Handbook.

(a) Fund accounting:

The Organization follows the restricted fund method of accounting.

The Land lease fund consists of net assets to be used for the sole benefit of the Haudenosaunee people and will be managed by the Haudenosaunee Confederacy Chiefs Council (HCCC). Such funds shall only be used by HCCC to support the advancement and promotion of Haudenosaunee educational programs and initiatives, human health and welfare, Haudenosaunee ceremonies, language, cultural heritage and education on the conservation of the environment and natural heritage. Expenditures must be for the benefit of the Haudenosaunee, as deemed fit by the Royane and Yakoyane on a case by case basis.

The Land acquisition fund consists of net assets to be used for the sole benefit of the Haudenosaunee people and will be managed by the Haudenosaunee Confederacy Chiefs Council (HCCC). Such funds shall only be used by the HCCC for purposes of acquisition of land to support the advancement and promotion of Haudenosaunee educational programs and initiatives, human health and welfare, promotion of Haudenosaunee educational programs and initiatives, Haudenosaunee ceremonies, language, cultural heritage and education on the conservation of the environment and natural heritage. Expenditures must be for the acquisition of land and for the benefit of the Haudenosaunee, as deemed fit by the Royane and Yakoyane on a case by case basis.

The unrestricted fund is available for general daily operations of the Organization as directed and approved by management.

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Notes to Financial Statements

Year ended March 31, 2016

1. Significant accounting policies (continued):

(b) Revenue recognition:

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Revenue from fees or contracts is recognized when the services are provided or the goods are sold.

(c) Cash and cash equivalents:

Cash and cash equivalents include cash on hand and short-term deposits which are highly liquid with original maturities of less than three months.

(d) Investments:

The Organization applies the equity method as a basis of accounting for investments in companies over which it exercises significant influence. Under the equity method, the Organization records these investments initially at cost and the carrying amounts are adjusted thereafter to include the Organization's pro rata share of post-acquisition earnings of the investees, computed by the consolidation method. The adjustments are included in the determination of net income by the Organization, and the investment accounts of the Organization are also increased or decreased to reflect the Organization's share of capital transactions and changes in accounting policies and corrections of errors relating to prior period financial statements applicable to post-acquisition periods. Profit distributions received or receivable from investees reduce the carrying amounts of the investments. Unrealized inter-entity gains or losses are eliminated.

The Organization's determination of significant influence is based on consideration of voting interest in the investees along with other indicators such as representation on the Board of Directors, participation in policy-making processes, material inter-entity transactions, interchange of managerial personnel or provision of technical information.

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Notes to Financial Statements

Year ended March 31, 2016

1. Significant accounting policies (continued):

(e) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Organization's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized on a straight-line basis using the following annual rates:

	Rate
Furniture and fixtures	20%
Computer software and equipment	33%

(f) Use of estimates:

The preparation of the 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 revenue and expenses during the year. Significant items subject to such estimates and assumptions include accounts payable and accrued liabilities. Actual results could differ from those estimates.

(g) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Organization has not elected to carry any such financial instruments at fair value.

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Notes to Financial Statements

Year ended March 31, 2016

1. Significant accounting policies (continued):

(g) Financial instruments (continued):

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Organization determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Organization expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(h) Allocation of expenses:

The Organization records a number of its expenses by program. The costs of each program include the costs of personnel, premises and other expenses that are directly related to providing the program.

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Notes to Financial Statements

Year ended March 31, 2016

2. Accounts receivable:

	2016	2015
Accounts receivable	\$ 763,248	\$ 530,090
Less allowance for doubtful accounts	18,780	-
	\$ 744,468	\$ 530,090

3. Capital assets:

	Cost	Accumulated amortization	Net book value
Land	\$ 532,004	\$ -	\$ 532,004
Computer and equipment	18,698	5,484	13,214
Furniture and fixtures	9,999	3,999	6,000
	\$ 560,701	\$ 9,483	\$ 551,218

4. Related entities:

Haudenosaunee Confederacy Chiefs Council ("the Council"):

The Council formed the Organization in 2007 in order to create a process and an institution to ensure certain rights are protected with respect to land development. The Organization represents the Council's interest in development of lands within the Haudenosaunee jurisdiction.

The Organization receives applications for projects on land and recommends approval to the Council and the Council provides final approval. The Organization reports to Council on a regular basis on the status and progress of potential and on-going projects.

Grand River Employment and Training Inc. ("GRET"):

The Organization has entered into a financial management services agreement with GRET to administer financial recording and payroll processing. A fee is collected on a percentage of all revenue pertaining to monitoring contracts.

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Notes to Financial Statements

Year ended March 31, 2016

4. Related entities (continued):

GRETI maintained a general bank account until August 2015 which included the Organization's transactions. All transactions were in the normal course of operations and at arm's length. The payable to GRETI is the net result of transactions during the year. No interest is charged when the account is in an overdraft position.

2438543 Ontario Inc.:

On October 20, 2014, HDI incorporated 2438543 Ontario Inc. under the Canada Corporations Act. This entity was incorporated for purposes of establishing a partnership to hold an investment within the Grand Valley Wind Farm project. This corporation, in partnership with five other entities, formed a limited partnership for a combined ownership of 25% of the Grand Valley Wind Farm project.

On February 10, 2016, HDI entered into a related party transaction with HCCC to transfer the investment in 2438543 Ontario Inc. to HCCC. The common shares were transferred for a nominal amount of \$2, given the related party transaction the gain on sale is recorded directly though net assets for a total gain of \$247,416.

5. Investments:

In fiscal 2015, the Organization controlled 2438543 Ontario Inc. and it was been included in the Organization's financial statements using the equity method. When the investment was transferred to HCCC, control was renounced and the Organization recognized the net loss up to February 10, 2016, date of transfer of common shares to HCCC.

Financial position:

	2016	2015
Total assets	\$ -	\$ 2,973,243
Total liabilities	\$ -	\$ 3,220,659
Total shareholder's equity	-	(247,416)
	\$ -	\$ 2,973,243

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Notes to Financial Statements

Year ended March 31, 2016

5. Investments (continued):

Results of operations:

	2016	2015
Total revenues	\$ -	\$ -
Total expenses	(899,136)	(247,466)
	<u>\$ (899,136)</u>	<u>\$ (247,466)</u>

Cash flows:

	2016	2015
Excess of expenses over revenues	\$ (899,136)	\$ (247,466)
Operating activities	401,300	6,592
Financing activities	506,386	240,924
Change in cash flows	<u>\$ 8,550</u>	<u>\$ 50</u>

6. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$nil (2015 - \$179), which includes amounts payable for employment insurance and WSIB.

7. Financial risks and concentration of credit risk:

(a) Liquidity risk:

Liquidity risk is the risk that the Organization will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Organization manages its liquidity risk by monitoring its operating requirements. The Organization prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from 2015.

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Organization is exposed to credit risk with respect to the accounts receivable. The Organization assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts.

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Notes to Financial Statements

Year ended March 31, 2016

8. Commitments:

On October 3, 2014, the Organization entered into a rental agreement with GRETI for a four year term to lease office space, the remaining minimum payments for the next two years are due as follows:

2017	\$	30,996
2018		30,996
	\$	61,992

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Program Schedule – Archaeological Study Centre

Year ended March 31, 2016, with comparative financial information for 2015

	HDI Administration	Archaeology	Environmental	Kanonstaton	Capacity Language	Land lease	Land acquisition	2016	2015
Revenues:									
Application fees	\$ 229,041	\$ 1,132,137	\$ 584,232	\$ 2,995	\$ 212,500	\$ 677,470	\$ 375,000	\$ 3,213,375	\$ 2,851,047
Other revenue	-	-	-	-	-	-	-	-	62,501
	229,041	1,132,137	584,232	2,995	212,500	677,470	375,000	3,213,375	2,913,548
Expenses:									
Salaries and benefits	95,635	560,720	275,369	-	-	-	-	931,724	996,485
Professional fees	459,327	-	-	480	-	-	-	459,807	410,926
Cultural development	-	-	-	-	400,000	-	-	400,000	-
Travel	244	108,633	78,582	-	-	-	-	187,459	360,543
Office and general	92,871	-	6,874	2,515	-	-	-	102,260	193,133
Rent	30,833	-	-	-	-	-	-	30,833	25,416
Advertising	22,345	-	-	-	-	-	-	22,345	10,172
Bad debt expense	76,771	-	-	-	-	-	-	76,771	5,030
Depreciation	9,483	-	-	-	-	-	-	9,483	-
Training	785	-	-	-	-	-	-	785	4,194
Investment loss	-	-	-	-	-	-	-	-	247,466
	788,294	669,353	360,825	2,995	400,000	-	-	2,221,467	2,253,365
Excess of revenue over expenses (expenses over revenues)									
	\$ (559,253)	\$ 462,784	\$ 223,407	\$ -	\$ (187,500)	\$ 677,470	\$ 375,000	\$ 991,908	\$ 660,183