

Financial Statements of

**HAUDENOSAUNEE
DEVELOPMENT INSTITUTE**

Year ended March 31, 2018



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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, 2018, 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, 2018, 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

Hamilton, Canada

January 9, 2019

HAUDENOSAUNEE DEVELOPMENT INSTITUTE

Statement of Financial Position

Year ended March 31, 2018, with comparative financial information for 2017

	2018	2017
Assets		
Current assets:		
Cash	\$ 2,420,807	\$ 1,189,625
Investments	-	1,000,308
Accounts receivable (note 2)	872,461	394,746
Receivable from 2438543 Ontario Inc. (note 4)	843,337	869,273
Receivable from Ogwawihsta Dedwahsnye (note 4)	1,916	-
Prepaid expenses	162,135	1,977
	<u>4,300,656</u>	<u>3,455,929</u>
Capital assets (note 3)	14,377	13,504
	<u>\$ 4,315,033</u>	<u>\$ 3,469,433</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 127,607	\$ 409,452
Due to Ogwawihsta Dedwahsnye (note 4)	-	22,570
Deferred revenue	15,000	65,000
	<u>142,607</u>	<u>497,022</u>
Net assets:		
Invested in capital assets	14,377	13,504
Unrestricted	1,475,206	823,479
Old Council house restoration	349,540	-
Engagement funding	50,000	-
Land lease fund	1,168,928	1,386,053
Land acquisition fund	1,114,375	749,375
	<u>4,172,426</u>	<u>2,972,411</u>
Commitments (note 7)		
	<u>\$ 4,315,033</u>	<u>\$ 3,469,433</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

HAUDENOSAUNEE DEVELOPMENT INSTITUTE

Statement of Operations

Year ended March 31, 2018, with comparative financial information for 2017

	2018	2017
Revenues (Schedule):		
Archaeological Study Centre	\$ 2,447,639	\$ 1,820,983
Land lease fees	986,832	1,012,336
Environmental Monitoring Centre	402,724	582,156
Land acquisition fees	365,000	365,000
Old Council house restoration	350,000	-
Haudenosaunee Development Institute Administration	230,867	215,693
Community engagement funding	50,000	-
Other revenue	35,584	95,444
Joint Stew Board	32,657	-
Kanonhstaton Project	5,700	3,780
	<u>4,907,003</u>	<u>4,095,392</u>
Expenses (Schedule):		
Salaries, benefits and contract fees	1,287,673	1,066,524
Cultural development	748,182	913,503
Legal expense	615,848	465,774
Travel	276,936	310,266
Consulting fees	274,817	528,652
Office and general	163,671	95,159
Communication	115,619	53,093
Bad debt expense	103,047	281,004
Administration fees	67,997	53,009
Rent	26,836	30,996
Amortization	14,084	9,494
Advertising	11,658	18,824
Training	620	4,047
	<u>3,706,988</u>	<u>3,830,345</u>
Excess of revenues over expenses	<u>\$ 1,200,015</u>	<u>\$ 265,047</u>

See accompanying notes to financial statements.

HAUDENOSAUNEE DEVELOPMENT INSTITUTE

Statement of Changes in Net Assets

Year ended March 31, 2018, with comparatives financial information for 2017

	Unrestricted	Invested in capital assets	Land lease	Land acquisition	Old Council house restoration	Community engagement	2018 Total
Balance, beginning of year	\$ 823,479	\$ 13,504	\$ 1,386,053	\$ 749,375	\$ -	\$ -	\$ 2,972,411
Excess of revenues over expenses	666,683	(14,083)	(217,125)	365,000	349,540	50,000	1,200,015
Net change in invested capital	(14,956)	14,956	-	-	-	-	-
Balance, end of year	\$ 1,475,206	\$ 14,377	\$ 1,168,928	\$ 1,114,375	\$ 349,540	\$ 50,000	\$ 4,172,426

	Unrestricted	Invested in Capital assets	Land lease	Land acquisition	Old Council house restoration	Community engagement	2017 Total
Balance, beginning of year	\$ 1,016,555	\$ 19,214	\$ 1,287,220	\$ 384,375	\$ -	\$ -	\$ 2,707,364
Excess of revenues over expenses	(189,292)	(9,494)	98,833	365,000	-	-	265,047
Net change in invested capital	(3,784)	3,784	-	-	-	-	-
Balance, end of year	\$ 823,479	\$ 13,504	\$ 1,386,053	\$ 749,375	\$ -	\$ -	\$ 2,972,411

See accompanying notes to financial statements.

HAUDENOSAUNEE DEVELOPMENT INSTITUTE

Statements of Cash Flows

Year ended March 31, 2018, with comparative financial information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Excess of revenues over expenses	\$ 1,200,015	\$ 265,047
Items not involving cash:		
Amortization of capital assets	14,084	9,494
Change in non-cash operating working capital		
Accounts receivable	(477,715)	349,722
Prepaid expenses	(160,159)	(1,977)
Due from Ogwawishta Dedwahsnye, net	25,936	22,570
Due from 2438543 Ontario Inc.	(24,486)	(330,177)
Accounts payable and accrued liabilities	(281,845)	372,987
Due to/from GRETl, net	-	702,748
Deferred revenue	(50,000)	65,000
	245,830	1,455,414
Investing activities:		
Purchase of capital assets	(14,956)	(3,784)
Proceeds from sale (purchase of) investment	1,000,308	(1,000,308)
	985,352	(1,004,092)
Net increase in cash	1,231,182	451,322
Cash, beginning of year	1,189,625	738,303
Cash, end of year	\$ 2,420,807	\$ 1,189,625

See accompanying notes to financial statements.

HAUDENOSAUNEE DEVELOPMENT INSTITUTE

Notes to Financial Statements

Year ended March 31, 2018

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.

Old Council house restoration fund and the engagement fund were established for maintaining relationships by HDI for future mutual benefits. Amounts included are one-time unrestricted funding earned from funders.

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

HAUDENOSAUNEE DEVELOPMENT INSTITUTE

Notes to Financial Statements

Year ended March 31, 2018

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:

Investment consists of interest bearing instruments including GICs.

(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.

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Notes to Financial Statements

Year ended March 31, 2018

1. Significant accounting policies (continued):

(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.

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, 2018

2. Accounts receivable:

	2018	2017
Accounts receivable	\$ 1,005,243	\$ 610,724
Less allowance for doubtful accounts	(132,782)	(215,978)
	\$ 872,461	\$ 394,746

3. Capital assets:

March 31, 2018	Cost	Accumulated amortization	Net book value
Computer and equipment	\$ 37,438	\$ 25,061	\$ 12,377
Furniture and fixtures	9,999	7,999	2,000
	\$ 47,437	\$ 33,060	\$ 14,377

March 31, 2017	Cost	Accumulated amortization	Net book value
Computer and equipment	\$ 22,482	\$ 12,978	\$ 9,504
Furniture and fixtures	9,999	5,999	4,000
	\$ 32,481	\$ 18,977	\$ 13,504

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.

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Notes to Financial Statements

Year ended March 31, 2018

4. Related entities (continued):

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 and the gain on sale was recorded directly through net assets for a total gain of \$247,416.

In 2016, HDI provided 2438543 Ontario Inc. with the funds to purchase land for \$532,004, this amount is included in the receivable from 2438543 Ontario Inc. The amounts owing from 2438543 Ontario Inc. are non-interest bearing with no scheduled repayment terms and is due on demand.

Ogwawishta Dedwahsnye:

On March 22, 2016, HCCC incorporated Ogawishta Dedwahsnye under the Canada Not-for-profit Corporation Act of Canada. Ogawishta Dedwahsnye provides payroll services for HDI and works with the HCCC on the disbursement of its land lease funds. All transactions were in the normal course of operations and at arm's length. The receivable (2017 – payable) to Ogawishta Dedwahsnye is the net result of transactions during the year.

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$nil (2017 - \$45), which includes amounts payable for employment insurance and WSIB.

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Notes to Financial Statements

Year ended March 31, 2018

6. 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 2017.

(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.

7. Commitments:

On March 31, 2018, the Organization entered into a rental agreement with GRETI for a one year term to lease office space, the remaining minimum payments for the next year is due as follows:

HDI	\$	35,424
Joint Stewardship Board		2,244
	\$	37,668

8. Contingencies:

The nature of the Organization's activities is such that there is usually litigation pending or in prospect at any time. With respect to claims at March 31, 2018, management believes that the Organization has valid defenses and accordingly, no provision for losses has been reflected in the accounts of the Organization for these matters.

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Program Schedule

Year ended March 31, 2018, with comparative financial information for 2017

	HDI Admin	Archaeo Monitor	Enviro Monitor	Kanonstaton	Old Council house restoration	Community engagement funding	Burtch	Land lease	Land Acq	Joint Stew Board	2018	2017
Revenues												
Fees	\$ 230,867	\$ 2,447,639	\$ 402,724	\$ 5,700	\$ 350,000	\$ 50,000	\$ -	\$ 986,832	\$ 365,000	\$ 32,657	\$ 4,871,419	\$ 3,999,948
Other revenue	35,584	-	-	-	-	-	-	-	-	-	35,584	95,444
	266,451	2,447,639	402,724	5,700	350,000	50,000	-	986,832	365,000	32,657	4,907,003	4,095,392
Expenses:												
Salaries, benefits and contract fees	184,186	923,225	180,263	-	-	-	-	-	-	-	1,287,674	1,066,524
Legal	187,745	-	-	-	-	-	428,103	-	-	-	615,848	465,774
Communications	95,619	-	-	-	-	-	20,000	-	-	-	115,619	53,093
Professional fees	238,742	7,741	-	-	-	-	-	-	-	28,333	274,816	528,652
Community language/ cultural development	-	-	-	-	-	-	-	748,182	-	-	748,182	913,503
Travel	23,899	203,536	47,590	-	-	-	1,764	-	-	147	276,936	310,266
Office and general Administrative expenses	147,915	-	-	5,700	460	-	5,908	-	-	3,688	163,671	95,160
Bad debt expense	67,997	-	-	-	-	-	-	-	-	-	67,997	53,009
Rent	103,047	-	-	-	-	-	-	-	-	-	103,047	281,004
Advertising	26,347	-	-	-	-	-	-	-	-	489	26,836	30,996
Amortization expense	11,658	-	-	-	-	-	-	-	-	-	11,658	18,824
Training	14,084	-	-	-	-	-	-	-	-	-	14,084	9,494
	-	-	620	-	-	-	-	-	-	-	620	4,047
	1,101,239	1,134,502	228,473	5,700	460	-	455,775	748,182	-	32,657	3,706,988	3,830,346
Excess of revenues over expense												
	\$ (834,788)	\$ 1,313,137	\$ 174,251	\$ -	\$ 349,540	\$ 50,000	\$ (455,775)	\$ 238,650	\$ 365,000	\$ -	\$ 1,200,015	\$ 265,046