

Beausoleil Williams Treaty
Settlement Trust
Financial Statements
For the 3 month Period Ended December
31, 2019

Beausoleil Williams Treaty Settlement Trust
Financial Statements
For the 3 month Period Ended December 31, 2019

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Independent Auditor's Report

To the Trustees of Beausoleil Williams Treaty Settlement Trust

Opinion

We have audited the financial statements of Beausoleil Williams Treaty Settlement Trust (the Trust), which comprise the statement of financial position as at December 31, 2019, the statements of continuity, changes in trust surplus and cash flows for the 3 month period then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2019, and its financial performance and cash flows for the 3 month period then ended in accordance with Beausoleil Williams Treaty Settlement Trust Agreement between the Beausoleil First Nation and the Trustees in accordance with the basis of accounting described in Note 1.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 1 regarding basis of accounting, which describes financial statements have been prepared in accordance with the Trust Agreement. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Beausoleil Williams Treaty Settlement Trust Agreement between the Beausoleil First Nation and the Trustees, 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.

In preparing the financial statements, management is responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Trust or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Trust's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants, Licensed Public Accountants

Bracebridge, Ontario
May 1, 2020

Beausoleil Williams Treaty Settlement Trust
Statement of Financial Position

December 31

2019

Assets

Current

Cash resources

\$80,137,679

\$80,137,679

Liabilities and Trust Equity

Current

Accounts payable and accrued charges

\$ 12,430

Due to Beausoleil First Nation (Note 2,4)

3,163,301

3,175,731

Trust Equity

Trust surplus

76,961,948

76,961,948

\$80,137,679

On behalf of the Board:



Trustee

Trustee

The Canada Trust Company, per Rachel Bayley

Beausoleil Williams Treaty Settlement Trust
Statement of Changes in Trust Surplus

| For the period September 18 - December 31 | Accumulated trust surplus | 2019 |
|---|------------------------------|--------------|
| Balance, beginning of the period | \$ - | \$ - |
| Annual surplus | 123,149 | 123,149 |
| Annual income payout | (3,163,301) | (3,163,301) |
| Settlement distribution from settlor | 80,002,100 | 80,002,100 |
| Balance, end of the period | \$ 76,961,948 | \$76,961,948 |

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

Beausoleil Williams Treaty Settlement Trust
Statement of Continuity

For the period September 18 - December 31 2019

| | |
|---|-------------------|
| Revenue | |
| Interest income | <u>\$ 165,355</u> |
| Expenses | |
| Audit fees | 12,430 |
| Trustee and investment management fees (Note 3) | <u>29,776</u> |
| | <u>42,206</u> |
| Annual surplus | <u>\$ 123,149</u> |

Beausoleil Williams Treaty Settlement Trust Statement of Cash Flows

For the period September 18 - December 31

2019

| | |
|---|---------------------|
| Cash flows from operating activities | |
| Annual surplus | \$ 123,149 |
| Items not affecting cash: | |
| Allocations to Beausoleil First Nation | <u>(3,163,301)</u> |
| | (3,040,152) |
| Changes in non-cash working capital: | |
| Due to (from) Beausoleil First Nation | 3,163,301 |
| Accounts payable and accrued liabilities | 12,430 |
| Distribution from settlor | <u>80,002,100</u> |
| | <u>80,137,679</u> |
| Net increase in cash | 80,137,679 |
| Cash resources, beginning of the period | <u>-</u> |
| Cash resources, end of the period | <u>\$80,137,679</u> |

Beausoleil Williams Treaty Settlement Trust

Notes to Financial Statements

December 31, 2019

1. Significant Accounting Policies

| | |
|------------------------------------|---|
| Nature and Purpose of Organization | <p>On June 23, 2018, the governments of Canada and the Province of Ontario ("Canada and Ontario") signed the Williams Treaties Settlement Agreement ("Settlement Agreement") with the Beausoleil First Nation. Under the terms of the Settlement Agreement, Canada and Ontario agreed to pay compensation to the Beausoleil First Nations in respect of the Williams Treaties from 1923. In recognition of this settlement, Chief and Council of the Beausoleil First Nation paid \$80,002,100 into a Trust Account governed by the Beausoleil Williams Treaty Settlement Trust ("Trust Agreement") established on September 18, 2019. Members of the Beausoleil First Nation, gave assent and ratification to the terms of the Settlement Agreement on September 18, 2019. The Trust Agreement was created by Chief and Council of the Beausoleil First Nation on September 18, 2019.</p> <p>The Trustees are required to administer the Beausoleil Williams Treaty Settlement Trust ("the Trust") in accordance with the Trust Agreement and investment policy for the Trust.</p> |
| Basis of accounting | <p>The financial statements have been prepared in accordance with the Trust Agreement.</p> <p>Under the terms of the Trust Agreement, the Trustees must distribute the greater of 4% of the closing market value of the authorized investments of the Trust less authorized expenses or 100% of the annual income realized by the Trust each year to the Beausoleil First Nation within the first one hundred and twenty days of the following fiscal year. Annual income is taxable income for Canadian federal income tax after deduction of all authorized expenses made in accordance with Article 5 of the Trust Agreement.</p> <p>Annual surplus from operations has been calculated as income for Canadian federal income tax after deduction of all authorized expenses.</p> |
| Administrative expenses | Administrative expenses are recorded using the accrual basis. |
| Cash resources | Cash resources includes balances in the cash account. |
| Investments | Investments are recorded at market value. When investments are sold the difference between proceeds and cost of the investment is recorded as realized capital gains or losses. Changes in the market value of investment portfolio taken as a whole are included in trust equity as unrealized capital gains and losses, and are not available for distribution to the beneficiaries until realized. |

Beausoleil Williams Treaty Settlement Trust

Notes to Financial Statements

December 31, 2019

1. Significant Accounting Policies (continued)

| | |
|------------------------------|--|
| Income taxes | The Trust is classified as a "reversionary intervivos trust" and is taxable under the Income Tax Act of Canada. |
| Foreign currency translation | Transaction amounts denominated in foreign currencies are translated to their Canadian dollar equivalents at exchange rates prevailing at the transaction dates. Foreign exchange amounts affect the carrying cost of investments purchased. Current foreign exchange rates affect the reported market value of investments. |

Beausoleil Williams Treaty Settlement Trust

Notes to Financial Statements

December 31, 2019

2. Due to Beausoleil First Nation

The amount due and payable to the Beausoleil First Nation, is unsecured, non-interest bearing and expected to be paid in the first one-hundred and twenty days of next fiscal year.

3. Trustee and investment management fees

In return for providing corporate trustee and administrative services, The Canada Trust Company charges the Trust an annual corporate trustee fee of 0.10% per annum on the average market value of the Trust property from year to year, subject to an annual minimum of \$25,000.

Upon the request of the Beausoleil First Nation council resolution, the Trust Agreement requires the evaluation of the investment management firm's performance by a third-party investment supervision firm. The Trustees engaged T.E. Investment Counsel Inc. to provide quarterly monitoring of the aforementioned investment management company.

The Community Trustee honorarium as set by the Beausoleil First Nation's Council is \$500 per meeting plus reasonable expenses.

Total trustee and investment management fees are comprised of:

| | <u>2019</u> |
|--|------------------|
| Trustee fee - The Canada Trust Company | \$ 15,777 |
| Member trustee fees | <u>14,000</u> |
| | <u>\$ 29,777</u> |

4. Per capita distribution to Eligible Minors

A eligible minor is a member who was alive on the date the Trust Agreement took effect, and, who was either a member as of that date, or became a member on or before September 18, 2019 and has reached the age of 21.

Thus, the Trust has a future commitment to distribute funds to members born on or before September 18, 2019 when the member reaches 21 years of age. The Trust will pay \$25,000 per member plus an inflation adjustment calculated semi-annual from the date of the Trust Agreement until the year in which a member reaches 21 years of age.

Beausoleil Williams Treaty Settlement Trust

Notes to Financial Statements

December 31, 2019

5. Financial instruments

Risk Management Policy

Subsequent to period end, the Trust has developed a Statement of Investment Policies & Guidelines (the "SIP&G") to manage risk. The SIP&G includes approved asset allocation strategies, cash flow and spending policies, investment guidelines and constraints, performance benchmarks, reporting requirements of the investment managers and a mechanism for ongoing Investment manager reviews. Additionally, the management of the Trust seeks to lower risk through diversification, monitoring the credit quality of investments and the liquidity requirements of the Trust.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Trust is exposed to credit risk resulting from the possibility that a customer or counterparty to a financial instrument defaults on their financial obligations; if there is a concentration of transactions carried out with the same counterparty; or of financial obligations which have similar economic characteristics such that they could be similarly affected by changes in economic conditions. The Trust's financial instruments that are exposed to concentrations of credit risk relate primarily to its cash and cash equivalents and investments. Management does not believe the risk is significant as cash and cash equivalents are maintained in well established financial institutions and the investments are only made in investment grade securities.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Trust is exposed to interest rate risk on its fixed interest rate financial instruments. Fixed-interest instruments such as GIC's and treasury bills subject the Trust to a fair value risk.

Beausoleil Williams Treaty Settlement Trust

Notes to Financial Statements

December 31, 2019

6. Subsequent Event

Subsequent to year end, the impact of COVID-19 in Canada and on the global economy increased significantly. Covid - 19 has had a significant effect on the financial markets. At year end the Trust's investments were held 100% in a savings account earning interest. Subsequent to year end the Trust approximately 90% of the savings account funds was invested in a mix of fixed income and equity securities. As of March 31, 2020, a decline of 4% in value had been experienced on the fixed income and equity securities. Should financial markets continue to decline, this will impact the future annual earnings available for future distributions to the trust. The extent of any future impact on the Trust's investments or operations as a result of COVID-19 is unknown at this time.
