

**NECHAKO-KITAMAAT DEVELOPMENT  
FUND SOCIETY**

**FINANCIAL STATEMENTS**

**MARCH 31, 2015**

**NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY**

**FINANCIAL STATEMENTS**

**MARCH 31, 2015**

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EDMISON MEHR  
CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Directors of  
Nechako-Kitamaat Development Fund Society  
Prince George, BC

We have audited the accompanying financial statements of Nechako-Kitamaat Development Fund Society, which comprise the Consolidated Statement of Financial Position as at March 31, 2015, and the Consolidated Statements of Operations and Changes to Operating Fund Balance, Remeasurement Gains and Losses, 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 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.

Auditor's 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 the auditor's 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, 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.

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 Nechako-Kitamaat Development Fund Society as at March 31, 2015, and of its financial performance and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Smithers, BC  
May 21, 2015



Edmison Mehr

**NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
MARCH 31, 2015**

	<u>2015</u>	<u>2014</u>
<b>FINANCIAL ASSETS</b>		
Cash - administration fund	\$ 15,010	\$ 16,933
Cash -grant fund	325,552	394,933
Short term investments, Note 3	1,658,668	1,471,959
GST receivable	<u>2,448</u>	<u>2,326</u>
	<u>2,001,678</u>	<u>1,886,151</u>
<b>LIABILITIES</b>		
Accounts payable	<u>3,781</u>	<u>3,782</u>
NET FINANCIAL ASSETS	1,997,897	1,882,369
COMMITMENT (Total \$481,322), Note 6		
NON FINANCIAL ASSETS	<u>-</u>	<u>-</u>
ACCUMULATED SURPLUS	<u>\$ 1,997,897</u>	<u>\$ 1,882,369</u>
 <b>ACCUMULATED SURPLUS IS COMPRISED OF:</b>		
Accumulated operating	\$ 1,759,048	\$ 1,750,010
Accumulated remeasurement gains and losses	<u>238,849</u>	<u>132,359</u>
	<u>\$ 1,997,897</u>	<u>\$ 1,882,369</u>

APPROVAL OF THE BOARD:

 Director

 Director

**NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY**  
**STATEMENT OF CONSOLIDATED OPERATIONS AND CHANGES TO OPERATING FUND**  
**BALANCE**  
**FOR THE YEAR ENDED MARCH 31, 2015**

	2015 Actual	2015 Budget (Note 6)	2014 Actual
<b>REVENUE</b>			
Contribution agreement funding - Province of B.C.	\$ 500,000	\$ 500,000	\$ 500,000
Investment	<u>89,571</u>	<u>77,222</u>	<u>77,222</u>
	<u>589,571</u>	<u>577,222</u>	<u>577,222</u>
<b>EXPENSES</b>			
Accounting and audit	4,472		4,613
Advertising and promotion	2,998		1,206
Bank charges and interest	-		38
Honorariums	6,700		6,775
Insurance	1,015		865
Office	2,299		4,226
Other	-		150
Subcontract - manager	59,373		58,474
Subcontract - other	-		691
Supplies and equipment	2,607		8,431
Telephone	3,776		2,821
Travel and meetings - board	8,783		7,211
Travel and meetings - manager	<u>855</u>		<u>2,692</u>
Sub-total	92,878	98,385	98,193
Grant promotion	7,365	10,000	-
Grant payments	<u>480,290</u>	<u>543,722</u>	<u>439,998</u>
	<u>580,533</u>	<u>652,107</u>	<u>538,191</u>
Excess (deficiency) of revenues over expenses for the year	9,038	(74,885)	39,031
Operating fund balance, beginning of year	<u>1,750,010</u>	<u>1,750,010</u>	<u>1,710,979</u>
Operating fund balance, end of year	<u>\$ 1,759,048</u>	<u>\$ 1,675,125</u>	<u>\$ 1,750,010</u>

**NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY**  
**CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES**  
**FOR THE YEAR ENDED MARCH 31, 2015**

	<u>2015</u>	<u>2014</u>
Accumulated remeasurement gains and losses, beginning of year	\$ 132,359	23,938
Unrealized gain (loss) on portfolio investment	119,974	134,484
Realized gain (loss) on portfolio investment, reclassified to operations	<u>(13,484)</u>	<u>(26,063)</u>
Accumulated remeasurement gains and losses, end of year	<u>\$ 238,849</u>	<u>\$ 132,359</u>

**NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**MARCH 31, 2015**

	<u>2015</u>	<u>2014</u>
<b>OPERATING ACTIVITIES</b>		
Excess of revenues over expenses for the year	\$ 9,038	39,031
Add: Items not involving cash		
Unrealized gain (loss) on portfolio investment	<u>119,974</u>	<u>134,484</u>
	<u>129,012</u>	<u>173,515</u>
Net change in non-cash working capital		
Net (increase) decrease in:		
GST receivable	<u>(123)</u>	<u>2,610</u>
	<u>128,889</u>	<u>176,125</u>
<b>FINANCING ACTIVITIES</b>		
	<u>-</u>	<u>-</u>
<b>INVESTING ACTIVITIES</b>		
Decrease (increase) in short term investments	(186,709)	(174,505)
Realized gain (loss) on portfolio investment, reclassified to operations	<u>(13,484)</u>	<u>(26,063)</u>
	<u>(200,193)</u>	<u>(200,568)</u>
<b>INCREASE (DECREASE) IN CASH</b>	(71,304)	(24,443)
CASH, beginning of year	<u>411,866</u>	<u>436,309</u>
CASH, end of year	<u>\$ 340,562</u>	<u>411,866</u>
<b>CASH CONSISTS OF:</b>		
Cash - administration fund	\$ 15,010	16,933
Cash - grant fund	<u>325,552</u>	<u>394,933</u>
	<u>\$ 340,562</u>	<u>411,866</u>
<b>ADDITIONAL CASH FLOW INFORMATION:</b>		
Interest paid	<u>\$ -</u>	<u>\$ -</u>
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>

**NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2015**

**1. PURPOSE**

The purpose of the Society is to promote sustainable economic development in northern communities affected by the Kitimat-Kemano project and by the creation of the Nechako Reservoir. The Society was created to manage the programs supported by the Northern Development Fund and to implement the recommendations of the Advisory Board of this Fund. The Society is accountable for the funds advanced to the Society from the Northern Development Fund.

The \$15 million Northern Development Fund, to which both Alcan and the BC Government each contributed \$7.5 million, was created as a result of the BC-Alcan 1997 Agreement. This Agreement resolved the legal issues associated with the cancellation of the Kemano Completion Project. Bill 5, the "BC-Alcan Northern Development Fund Act", to promote sustainable economic development in Northwestern BC, was approved by the Legislature in April, 1998. The Advisory Board for the Northern Development Fund was established in January, 1998 to provide the Minister responsible for the Fund with recommendations for how the Fund should be managed and used to stimulate economic development.

The Provincial Government maintains direct management responsibility for that portion of the Northern Development Fund not forwarded to the Society. The fair market value of the fund at March 31, 2015 \$15,881,286 (2014 - \$15,548,953). At March 31, 2015 a total of \$9.3 million has been forwarded from the Northern Development Fund to the Society since its inception.

The Nechako-Kitamaat Development Fund Society was incorporated under the Society Act on August 18, 1999.

**2. ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards.

**Cash**

Cash consists of cash and cash equivalents that are defined as highly-liquid investments with maturities of three months or less at the acquisition date.

**Financial Instruments**

Financial instruments consist of cash, short term investments, receivables and payables. All financial instruments are recorded at market value. For short term investments, the classes of the investments, as outlined in Note 3, are held in active markets with publicly available trading values. Therefore the fair market value of each class of short term investments is considered Level 1 as outlined by Canadian Public Sector Accounting Standards section 3450, Financial Instruments.



**NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2015**

Revenue

Grant revenue is recognized when the grant is received by the Society.

Investment revenue includes interest, dividend and realized capital gains income and losses. Unrealized gains and losses on held-for-trading financial assets are recorded in the Statement of Remeasurement Gains and Losses in the period in which the unrealized gains and losses arise.

Grant payments

Grants provided to other organizations are recorded as an expense when the amount is paid by the Society.

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known. Actual results could differ from those estimates.

**3. SHORT TERM INVESTMENTS**

Short term investments consist of investments classified as held-for-trading and include the following amounts. The adjusted cost base of the fund at March 31, 2015 is \$1,419,819 (2014 - \$1,339,601).

	<u>2015</u>	<u>2014</u>
Cash and Cash Equivalents Funds	\$ 33,359	\$ 40,748
Fixed Income Funds	448,242	407,726
Equity Funds - Canadian	361,762	575,652
Equity Funds - United States	449,877	389,360
Equity Funds - Other International	<u>365,428</u>	<u>58,473</u>
	<u>\$ 1,658,668</u>	<u>\$ 1,471,959</u>

**NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2015**

**4. FINANCIAL ASSETS AND LIABILITIES**

The significant financial risks to which the Society is exposed include the following:

**Credit risk**

Credit risk is the risk of loss associated with counterparty's inability to fulfil its payment obligations. Financial instruments that potentially subject the Society to a concentration of credit risk consist primarily of cash and short term investments. The Society limits its exposure to credit loss from its cash by placing its cash with major Canadian financial institutions. The Society's maximum exposure to credit risk for short term investments are the amounts disclosed in the Statement of Financial Position.

**Fair value**

The Society estimates the fair value of its financial instruments based on current interest rates, market value and pricing of financial instruments with comparable terms. Unless otherwise indicated, the carrying value of these financial instruments approximates their fair market value because of the near maturity of those instruments. For short term investments, the classes of the investments, as outlined in Note 3, are held in active markets with publicly available trading values. The Society's maximum exposure to fair value risk for short term investments are the amounts disclosed in the Statement of Financial Position.

**Liquidity Risk**

Liquidity risk is the risk that the Society will not be able to meet its financial obligations as they fall due. The Society's approach to managing liquidity is to evaluate current and expected liquidity requirements under both normal and stressed conditions to ensure that it maintains sufficient reserves of cash or have an available credit facility to meet its liquidity requirements in the short and long term.

As at March 31, 2015, the Society had cash of \$340,562 (March 31, 2014 - \$397,864) to settle current liabilities of \$3,781 (March 31, 2014 - \$3,782). Management believes that liquidity risk for financial instruments is minimal.

**Market risk**

Market risk incorporates a range of risks. Movement in risk factors, such as market price risk and currency risk, affect the fair values of financial assets and liabilities. The Society is exposed to these risks. The Society mitigates these risks by the diversity of its short term investment classes as disclosed in Note 3.

**Foreign currency risk**

The Society is exposed to currency risk with respect to the US and other international equity funds amounts as disclosed in Note 3.

**Interest rate risk**

The Society is exposed to interest rate risk to the extent that the cash and money market funds maintained are subject to a floating rate of interest. The interest rate risk on cash and money market funds is not considered significant. Management believes that interest rate risk for cash and money market funds is minimal.

**5. BUDGET**

The budget amounts correspond to Appendix 'A' of the 2014/15 Business Plan.

**NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2015**

**6. COMMITMENT**

The Society is committed, provided the recipients fulfill the requirements of the funding agreements, to provide grants totaling \$481,322 subsequent to March 31, 2015. It is Society's intent that these commitments will be funded fully from the surplus position at March 31, 2015.

	<u>2015</u>	<u>2014</u>
Burns Lake Mountain Bike Association - Stearns Cr. Canyon Trail	\$ -	\$ 2,250
Burns Lake Soccer Club - Walking Trail	-	2,450
Vanderhoof Curling Club - Upgrade	-	18,000
Village of Burns Lake - LD Multi-Sport Facility	-	20,000
Southside Economic Development Assn - Highway 16 Billboard	375	1,875
Southside Economic Development Assn - Takysie Adventure Site	-	60,000
Vanderhoof Curling Club - Upgrade 2	-	21,250
Burns Lake and District Chamber of Commerce - Trails Brochure	4,625	4,625
Burns Lake Mountain Bike Association - Boer Mountain Trail	7,454	74,540
District of Vanderhoof - Visitor Centre Building	-	15,000
District of Vanderhoof - Ferland Park Washroom	-	10,000
District of Vanderhoof - Electronic Sign	-	4,500
District of Vanderhoof - Housing Needs Study	2,500	2,500
District of Vanderhoof - Hotel Valuation Study	-	10,000
District of Vanderhoof - Alternative Capital Funding	-	15,000
Francois Tchesinket Recreation Comm - Shelter & Equipment Upgrade	-	19,765
Grassy Plains Community Hall Association - Deck and Siding	-	25,000
Kitimat Marine Rescue Society - New Vessel	-	25,000
Lakes District Film Appreciation Society - A Seat For All	-	28,920
Nechako Valley Exhibition - Small Animal Barn	-	14,000
Ootsa Lake Bible Camp Society - Playground	-	480
Regional District of Bulkley Nechako - Tourism Marketing	-	2,250
Regional District of Bulkley Nechako - Producers and Consumers	-	2,213
Saik'uz First Nation - Kitchen Upgrade	-	35,714
Southside Economic Development Association - Music Program	-	1,178
Tweedsmuir Recreation Commission - Wistaria Hall Upgrade	40,000	40,000
Village of Burns Lake - Information Signage	-	1,000
Village of Burns Lake - Downtown Revitalization Phase 2A	12,500	25,000
Village of Fraser Lake - Highway Billboard	-	8,400
Southside Economic Development Assn - Roads Already Travelled	2,635	-
District of Vanderhoof - Heritage Restoration	3,000	-
BC Forage Council - Production	7,500	-
Tweedsmuir Cavaliers - Parking for Ponies	7,000	-
Lakes District Fall Fair Assn - Parking Lot Upgrade	11,998	-
Lakes District Outdoor Rec Society - Rec Site Accessibility	3,325	-
District of Vanderhoof - Friendship Centre Renovation	15,000	-
Village of Burns Lake - Information Kiosk Phase II	2,010	-
Burns Lake & District Chamber of Commerce - Marketing Photography	3,500	-
District of Vanderhoof - Recreation Centre Upgrade	55,000	-
Lakes District Fall Fair Assn - Parking/Washroom	26,222	-
Nechako Valley Sporting Association - Lighting Upgrade	35,000	-
St. Lukes Church on the Lake - Restoration Project	15,000	-
Saik'uz First Nation - IRS Commemorative Park	40,000	-
Nechako Valley Search & Rescue - Training Facility Renovation	61,678	-
Burns Lake Mountain Biking Assn - Boer Mountain 2015	<u>125,000</u>	<u>-</u>
	<u>\$ 481,322</u>	<u>\$ 490,910</u>