

**NECHAKO-KITAMAAT DEVELOPMENT
FUND SOCIETY**

FINANCIAL STATEMENTS

MARCH 31, 2018

NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY

FINANCIAL STATEMENTS

MARCH 31, 2018

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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 Statement of Financial Position as at March 31, 2018, and the 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, 2018, 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 16, 2018



Edmison Mehr

**NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2018**

	<u>2018</u>	<u>2017</u>
FINANCIAL ASSETS		
Cash - administration fund	\$ 25,358	\$ 28,098
Cash -grant fund	282,256	223,167
Short term investments, Note 5	1,963,416	1,829,311
GST receivable	<u>2,152</u>	<u>4,565</u>
	<u>2,273,182</u>	<u>2,085,141</u>
LIABILITIES		
Accounts payable	<u>4,902</u>	<u>9,000</u>
NET FINANCIAL ASSETS	2,268,280	2,076,141
CONTRACTUAL OBLIGATIONS (Total \$511,566), Note 7		
NON FINANCIAL ASSETS	<u>-</u>	<u>-</u>
ACCUMULATED SURPLUS (see Note 7 for Contractual Obligations)	<u>\$ 2,268,280</u>	<u>\$ 2,076,141</u>
ACCUMULATED SURPLUS IS COMPRISED OF:		
Accumulated operating	\$ 1,959,564	\$ 1,806,450
Accumulated remeasurement gains and losses	<u>308,716</u>	<u>269,691</u>
	<u>\$ 2,268,280</u>	<u>\$ 2,076,141</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, 2018

	2018 Actual	2018 Budget (Note 6)	2017 Actual
REVENUE			
Contribution agreement funding -			
Province of B.C.	\$ 500,000	\$ 500,000	\$ 500,000
Investment	<u>103,896</u>	<u>104,101</u>	<u>72,260</u>
	<u>603,896</u>	<u>604,101</u>	<u>572,260</u>
EXPENSES			
Accounting and audit	6,551	5,200	5,032
Advertising and promotion	388	1,400	1,055
Honorariums	8,247	9,000	6,225
Insurance	775	800	1,076
Office	819	1,500	1,308
Server maintenance	5,052	4,600	4,590
Subcontract - manager	59,937	63,345	61,982
Subcontract - other	-	1,400	537
Supplies and equipment	-	1,200	723
Telephone	1,077	2,400	2,160
Travel and meetings - board	7,199	8,000	7,057
Travel and meetings - manager	<u>2,066</u>	<u>3,500</u>	<u>2,154</u>
Sub-total	92,111	102,345	93,899
Grant promotion	-	-	3,405
Grant payments	<u>358,671</u>	<u>495,000</u>	<u>563,967</u>
	<u>450,782</u>	<u>597,345</u>	<u>661,271</u>
Excess (deficiency) of revenues over expenses for the year	153,114	6,756	(89,011)
Operating fund balance, beginning of year	<u>1,806,450</u>	<u>1,806,450</u>	<u>1,895,461</u>
Operating fund balance, end of year	<u>\$ 1,959,564</u>	<u>\$ 1,813,206</u>	<u>\$ 1,806,450</u>

NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY
CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES
FOR THE YEAR ENDED MARCH 31, 2018

	<u>2018</u>	<u>2017</u>
Accumulated remeasurement gains and losses, beginning of year	\$ 269,691	102,861
Unrealized gain (loss) on portfolio investment	57,842	188,737
Realized (gain) loss on portfolio investment, reclassified to operations	<u>(18,817)</u>	<u>(21,907)</u>
Accumulated remeasurement gains and losses, end of year	<u>\$ 308,716</u>	<u>\$ 269,691</u>

NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY
CONSOLIDATED STATEMENT OF CASH FLOWS
MARCH 31, 2018

	<u>2018</u>	<u>2017</u>
OPERATING ACTIVITIES		
Excess of revenues over expenses for the year	\$ 153,114	(89,011)
Add: Items not involving cash		
Unrealized gain (loss) on portfolio investment	<u>57,842</u>	<u>188,737</u>
	<u>210,956</u>	<u>99,726</u>
Net change in non-cash working capital		
Net (increase) decrease in:		
GST receivable	2,413	(2,147)
Net increase (decrease) in:		
Accounts payable	<u>(4,099)</u>	<u>5,219</u>
	<u>(1,686)</u>	<u>3,072</u>
	<u>209,270</u>	<u>102,798</u>
CAPITAL ACTIVITIES	<u>-</u>	<u>-</u>
FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
INVESTING ACTIVITIES		
Decrease (increase) in short term investments	(134,104)	(230,812)
Realized gain (loss) on portfolio investment, reclassified to operations	<u>(18,817)</u>	<u>(21,907)</u>
	<u>(152,921)</u>	<u>(252,719)</u>
INCREASE (DECREASE) IN CASH	56,349	(149,921)
CASH, beginning of year	<u>251,265</u>	<u>401,186</u>
CASH, end of year	\$ <u>307,614</u>	<u>251,265</u>
CASH CONSISTS OF:		
Cash - administration fund	\$ 25,358	28,098
Cash - grant fund	<u>282,256</u>	<u>223,167</u>
	\$ <u>307,614</u>	<u>251,265</u>
ADDITIONAL CASH FLOW INFORMATION:		
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, 2018

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, 2018 \$14,866,971 (2017 - \$15,056,723). At March 31, 2018 a total of \$10.8 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. The Society is required to file a T2 Corporate Income Tax Return annually however its activities are exempt from taxation.

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 5, 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, 2018

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, 2018 is \$1,654,700 (2017 - \$1,559,628).

	<u>2018</u>	<u>2017</u>
Cash and Cash Equivalents Funds	\$ 57,810	\$ 43,869
Fixed Income Funds	555,025	496,440
Equity Funds - Canadian	388,216	384,558
Equity Funds - United States	529,747	475,411
Equity Funds - Other International	<u>432,618</u>	<u>429,033</u>
	<u>\$ 1,963,416</u>	<u>\$ 1,829,311</u>

NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2018

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 5, 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, 2018, the Society had cash of \$307,614 (March 31, 2017 - \$251,265) to settle current liabilities of \$4,902 (March 31, 2017 - \$9,000). 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.

**NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 MARCH 31, 2018**

5. REMUNERATION PAID TO DIRECTORS, EMPLOYEES AND CONTRACTORS

In accordance with the Societies Act the Society discloses all remuneration paid to directors and also discloses annual payments to employees and contractors that individually exceed \$75,000. The Society has no employees and none of the Society's contractors are paid in excess of the \$75,000 disclosure amount. The director remuneration is provided on the calendar year basis as the information is most readily available from the T4A reporting forms and there are no material differences to the fiscal year totals. The director remuneration is as follows:

	<u>2018</u>	<u>2017</u>
Director	\$ 1,300	\$ 438
Director	625	962
Director	1,550	1,488
Director	2,475	1,500
Director	1,300	612
Director	647	613
Director	<u>1,125</u>	<u>613</u>
	<u>\$ 9,022</u>	<u>\$ 6,226</u>

6. BUDGET

The budget amounts correspond to Appendix 'A' of the 2017/18 Business Plan.

NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2018

7. CONTRACTUAL OBLIGATIONS

The Society is contractually obligated, provided the recipients fulfill the requirements of the funding agreements, to provide grants totaling \$511,565 subsequent to March 31, 2018. The following schedule provides the continuity of commitments at the beginning of the year with the current year grant approvals, the grant payments paid out or unexpended funds returned and any other grant adjustments including projects cancelled that do not proceed and projects completed at a total cost below the anticipated total to agree to the outstanding grant commitments at the end of the year.

	<u>Balance Beginning</u>	<u>Grant Approvals</u>	<u>Grant (Payments) and Returned</u>	<u>Cancellations and Project Surplus Retained</u>	<u>Balance Ending</u>
BC Forage Council - Innovative Forage Production	\$ 7,500	\$ -	\$ (5,712)	\$ (1,788)	\$ -
Burns Lake Health-Care Auxiliary - Thrift Store Expansion	20,000	-	(20,000)	-	-
Burns Lake Mountain Biking Assn - 2016 Project Trails	5,000	-	(4,500)	-	500
Burns Lake Mountain Biking Assn - Hogzilla	100,000	-	(50,000)	-	50,000
District of Vanderhoof - Greenhouse Feasibility Study	7,500	-	-	(7,500)	-
District of Vanderhoof - Recreation Centre Upgrade	55,000	-	(55,000)	-	-
Freshwater Fisheries Society - Stewardship Centre Plan	5,000	-	-	(5,000)	-
Grassy Plains Community Hall Assn - Hall Roofing	13,990	-	(6,995)	-	6,995
Lakes District Airport Society - Runway Rehabilitation 1/2	2,451	-	-	-	2,451
Lakes District Fall Fair Assn - Grounds Improvement	18,893	-	(18,893)	-	-
Lakes District Senior Housing Assn - Sprinkler Upgrade	29,000	-	(29,000)	-	-
Nechako Community Arts Council - Arts Take Wing	2,976	-	(1,500)	(1,476)	-
Nechako Valley Exhibition Society - Lighting Upgrade	209	-	(209)	-	-
RDBN - Investment Readiness Action	6,000	-	2,002	(8,002)	-
RDBN - Research and Signage	10,000	-	(4,911)	(5,089)	-
Rip'n the North Bike Club - 10th Anniversary Upgrade	36,000	-	(18,000)	-	18,000
Southside Economic Development Assn - Roads Already Travelled	3,000	-	-	(3,000)	-
Village of Burns Lake - Ammonia Plant Replacement	50,000	-	(50,000)	-	-
Village of Burns Lake - Economic Diversification	21,000	-	(10,500)	-	10,500
Nechako Valley Exhibition Society - Kitchen Upgrade	-	5,000	-	-	5,000
Nechako Valley Exhibition Society - Grounds Water Management	-	14,710	(14,710)	-	-
Village of Fraser Lake - Festival of the Arts 2017	-	6,245	(3,122)	(3,123)	-
Nechako Valley Search and Rescue - Mobile Command Centre	-	33,595	(33,595)	-	-
Fraser Lake Fire Rescue Training Society - Regional Training Centre	-	4,955	(4,790)	(165)	-
Fraser Lake and Area Menshed Society - Workshop Renovation	-	4,975	(4,478)	-	497
Southside Seniors Housing Society - Architect Concept	-	2,500	-	-	2,500
Village of Fraser Lake - Mining Equipment Restoration	-	6,955	(3,478)	-	3,477
Colleymount Recreation Commission - Trout Creek Hall Update	-	10,590	-	-	10,590
Burns Lake Fire Training Society - Burns Lake Fire Training	-	33,560	(16,780)	-	16,780
Stellat'en First Nation - Hall Restoration	-	50,000	-	-	50,000
Southside Seniors Housing Society - Housing Architectural Fees	-	40,000	-	-	40,000
Fraser Lake Fire Rescue Training Society - Wildfire Protection Unit	-	93,975	-	-	93,975
Nechako View Seniors Citizens Housing - Mar-Del Div Phase 1	-	40,000	-	-	40,000
District of Vanderhoof - Visitor Building	-	60,000	-	-	60,000
Haisla Nation Council - Monkey Beach Film	-	90,000	-	-	90,000
Vanderhoof Menshed Society - Menshed Transportation	-	5,000	(4,500)	-	500
Nechako Valley Historical Society - Storage Container	-	4,800	-	-	4,800
District of Vanderhoof - Ball Diamond Washroom	-	5,000	-	-	5,000
	<u>\$ 393,519</u>	<u>\$ 511,860</u>	<u>\$ (358,671)</u>	<u>\$ (35,143)</u>	<u>\$ 511,565</u>