

**NECHAKO-KITAMAAT DEVELOPMENT
FUND SOCIETY**

FINANCIAL STATEMENTS

MARCH 31, 2019

NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY

FINANCIAL STATEMENTS

MARCH 31, 2019

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Nechako-Kitamaat Development Fund Society, which comprise the Statement of Financial Position as at March 31, 2019, and the Statements of Operations and Changes in Fund Balances and Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at March 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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 Society 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.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Society'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 Society or to cease operations, or have no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Society'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 misstatements, 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 misstatements when it exists. Misstatements can arise from fraud or errors 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 auditing standards, we exercise professional judgement and maintain professional skepticism through 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 controls.
- 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 purposes of expressing an opinion on the effectiveness of the Society'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 Society'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 Society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including disclosure, 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.

Smithers, BC
May 29, 2019

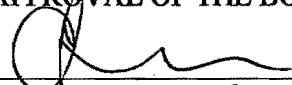


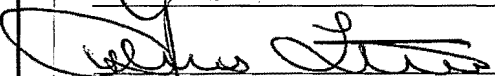
Edmison Mehr

NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2019

	<u>2019</u>	<u>2018</u>
FINANCIAL ASSETS		
Cash - administration fund	\$ 16,240	\$ 25,358
Cash -grant fund	253,721	282,256
Short term investments, Note 3	2,067,896	1,963,416
GST receivable	<u>2,108</u>	<u>2,152</u>
	<u>2,339,965</u>	<u>2,273,182</u>
LIABILITIES		
Accounts payable	<u>4,899</u>	<u>4,900</u>
NET FINANCIAL ASSETS	2,335,066	2,268,282
CONTRACTUAL OBLIGATIONS (Total \$553,348), Note 7		
NON FINANCIAL ASSETS	<u>-</u>	<u>-</u>
ACCUMULATED SURPLUS (see Note 7 for Contractual Obligations)	<u>\$ 2,335,066</u>	<u>\$ 2,268,282</u>
ACCUMULATED SURPLUS IS COMPRISED OF:		
Accumulated operating	\$ 2,137,972	\$ 1,959,566
Accumulated remeasurement gains and losses	<u>197,094</u>	<u>308,716</u>
	<u>\$ 2,335,066</u>	<u>\$ 2,268,282</u>

APPROVAL OF THE BOARD:

 _____ Director

 _____ Director

NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY
STATEMENT OF OPERATIONS AND CHANGES TO OPERATING FUND BALANCE
FOR THE YEAR ENDED MARCH 31, 2019

	2019 Actual	2019 Budget (Note 6)	2018 Actual
REVENUE			
Contribution agreement funding -			
Province of B.C.	\$ 500,000	\$ 500,000	\$ 500,000
Investment	<u>225,988</u>	<u>113,414</u>	<u>103,895</u>
	<u>725,988</u>	<u>613,414</u>	<u>603,895</u>
EXPENSES			
Accounting and audit	5,765	5,500	6,551
Advertising and promotion	1,762	1,200	388
Conference	3,964	5,000	-
Honorariums	12,850	9,000	8,247
Insurance	775	800	775
Office	1,144	1,500	819
Server maintenance	4,905	4,900	5,052
Subcontract - manager	64,613	64,613	59,937
Subcontract - other	414	1,200	-
Supplies and equipment	-	1,200	-
Telephone	2,259	2,400	1,077
Travel and meetings - board	9,856	9,000	7,199
Travel and meetings - manager	2,369	3,500	2,066
Special events	<u>-</u>	<u>1,000</u>	<u>-</u>
Sub-total	110,676	110,813	92,111
Grant payments	<u>436,906</u>	<u>550,000</u>	<u>358,670</u>
	<u>547,582</u>	<u>660,813</u>	<u>450,781</u>
Excess (deficiency) of revenues over expenses for the year	178,406	(47,399)	153,114
Operating fund balance, beginning of year	<u>1,959,566</u>	<u>1,959,566</u>	<u>1,806,452</u>
Operating fund balance, end of year	<u>\$ 2,137,972</u>	<u>\$ 1,912,167</u>	<u>\$ 1,959,566</u>

**NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY
STATEMENT OF REMEASUREMENT GAINS AND LOSSES
FOR THE YEAR ENDED MARCH 31, 2019**

	<u>2019</u>	<u>2018</u>
Accumulated remeasurement gains and losses, beginning of year	\$ 308,716	269,691
Unrealized gain (loss) on portfolio investment	8,095	57,842
Realized (gain) loss on portfolio investment, reclassified to operations	<u>(119,717)</u>	<u>(18,817)</u>
Accumulated remeasurement gains and losses, end of year	<u>\$ 197,094</u>	<u>\$ 308,716</u>

NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY
STATEMENT OF CASH FLOWS
MARCH 31, 2019

	<u>2019</u>	<u>2018</u>
OPERATING ACTIVITIES		
Excess of revenues over expenses for the year	\$ 178,406	153,114
Add: Items not involving cash		
Unrealized gain (loss) on portfolio investment	<u>8,095</u>	<u>57,842</u>
	<u>186,501</u>	<u>210,956</u>
Net change in non-cash working capital		
Net (increase) decrease in:		
GST receivable	43	2,413
Net increase (decrease) in:		
Accounts payable	<u>-</u>	<u>(4,099)</u>
	<u>43</u>	<u>(1,686)</u>
	<u>186,544</u>	<u>209,270</u>
CAPITAL ACTIVITIES	<u>-</u>	<u>-</u>
FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
INVESTING ACTIVITIES		
Decrease (increase) in short term investments	(104,480)	(134,104)
Realized gain (loss) on portfolio investment, reclassified to operations	<u>(119,717)</u>	<u>(18,817)</u>
	<u>(224,197)</u>	<u>(152,921)</u>
INCREASE (DECREASE) IN CASH	(37,653)	56,349
CASH, beginning of year	<u>307,614</u>	<u>251,265</u>
CASH, end of year	\$ <u>269,961</u>	<u>307,614</u>
CASH CONSISTS OF:		
Cash - administration fund	\$ 16,240	25,358
Cash - grant fund	<u>253,721</u>	<u>282,256</u>
	\$ <u>269,961</u>	<u>307,614</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, 2019

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, 2019 is \$15,349,460 (2018 - \$14,866,971). At March 31, 2019 a total of \$11.3 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. 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, 2019

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, 2019 is \$1,870,802 (2018 - \$1,654,700).

	<u>2019</u>	<u>2018</u>
Cash and Cash Equivalents Funds	\$ 95,892	\$ 57,810
Fixed Income Funds	710,567	555,025
Equity Funds - Canadian	310,040	388,216
Equity Funds - United States	423,197	529,747
Equity Funds - Other International	<u>528,200</u>	<u>432,618</u>
	<u>\$ 2,067,896</u>	<u>\$ 1,963,416</u>

NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2019

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, 2019, the Society had cash of \$269,961 (March 31, 2018 - \$307,614) to settle current liabilities of \$4,899 (March 31, 2018 - \$4,900). 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, 2019**

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>2019</u>	<u>2018</u>
Director	\$ 250	\$ 1,300
Director	1,500	625
Director	2,400	1,550
Director	2,450	2,475
Director	1,500	1,300
Director	875	647
Director	<u>1,500</u>	<u>1,125</u>
	<u>\$ 10,475</u>	<u>\$ 9,022</u>

6. BUDGET

The budget amounts correspond to Appendix 'A' of the 2018/19 Business Plan.

NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2019

7. CONTRACTUAL OBLIGATIONS

The Society is contractually obligated, provided the recipients fulfill the requirements of the funding agreements, to provide grants totaling \$553,348 subsequent to March 31, 2019. 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</u> <u>Beginning</u>	<u>Grant</u> <u>Approvals</u>	<u>Grant</u> <u>(Payments)</u>	<u>Cancellations and</u> <u>Project Surplus Retained</u>	<u>Balance</u> <u>Ending</u>
Autumn Services Society - Autumn Centre Expansion	\$ -	\$ 48,329	\$ -	\$ -	\$ 48,329
Burns Lake Library - Equipment Upgrade	-	4,200	-	-	4,200
Chinook Emergency Preparedness Society - Project Lead	-	30,000	-	-	30,000
District of Vanderhoof - Airport Apron Expansion	-	104,787	-	-	104,787
District of Vanderhoof - OK Cafe Phase 2 Upgrade	-	2,600	-	-	2,600
District of Vanderhoof - Recreational Fields Phase 2	-	30,000	(30,000)	-	-
District of Vanderhoof - Skatepark	-	30,000	(15,000)	-	15,000
Fraser Lake Arts Council - Festival of the Arts 2018	-	4,500	(2,506)	(1,994)	-
Lakes District Fair Association - Well and Pumphouse	-	17,237	-	-	17,237
Lakes District Family Enhancement Society - Community Greenhouse	-	15,000	-	-	15,000
Nechako Valley Search and Rescue - Three Bay Garage	-	50,000	(50,000)	-	-
Nechako Valley Sporting Association - Biathlon Cover	-	3,980	(3,582)	-	398
Nechako Valley Sporting Association - Ski Terrain Park Expansion	-	3,783	(3,783)	-	-
Tweedsmuir Recreation Commission - Wistaria Hall Foundation	-	40,000	(40,000)	-	-
Vanderhoof Menshed Society - Forklift	-	10,000	-	-	10,000
Village of Fraser Lake - Community Bus Garage	-	39,997	-	-	39,997
Village of Fraser Lake - Ice Plant Replacement	-	60,000	(56,431)	(3,569)	-
Burns Lake Mountain Biking Assn - 2016 Project Trails	500	-	(500)	-	-
Burns Lake Mountain Biking Assn - Hogzilla	50,000	-	-	-	50,000
Grassy Plains Community Hall Assn - Hall Roofing	6,995	-	(6,995)	-	-
Lakes District Airport Society - Runway Rehabilitation 1/2	2,451	-	(2,451)	-	-
Rip'n the North Bike Club - 10th Anniversary Upgrade	18,000	-	(15,122)	(2,878)	-
Nechako Valley Exhibition Society - Kitchen Upgrade	5,000	-	(4,500)	-	500
Fraser Lake and Area Menshed Society - Workshop Renovation	497	-	(497)	-	-
Southside Seniors Housing Society - Architect Concept	2,500	-	(2,500)	-	-
Village of Fraser Lake - Mining Equipment Restoration	3,477	-	(2,674)	(803)	-
Colleymount Recreation Commission - Trout Creek Hall Update	10,590	-	-	(10,590)	-
Burns Lake Fire Training Society - Burns Lake Fire Training	16,780	-	(16,780)	-	-
Stellat'en First Nation - Hall Restoration	50,000	-	(25,000)	-	25,000
Southside Seniors Housing Society - Housing Architectural Fees	40,000	-	-	-	40,000
Fraser Lake Fire Rescue Training Society - Wildfire Protection Unit	93,975	-	(93,085)	(890)	-
Nechako View Seniors Citizens Housing - Mar-Del Div Phase 1	40,000	-	(20,000)	-	20,000
District of Vanderhoof - Visitor Building	60,000	-	-	-	60,000
Haisla Nation Council - Monkey Beach Film	90,000	-	(45,000)	-	45,000
Vanderhoof Menshed Society - Menshed Transportation	500	-	(500)	-	-
Nechako Valley Historical Society - Storage Container	4,800	-	-	-	4,800
District of Vanderhoof - Ball Diamond Washroom	5,000	5,000	-	-	10,000
Village of Burns Lake - Economic Diversification	10,500	-	-	-	10,500
	<u>\$ 511,565</u>	<u>\$ 499,413</u>	<u>\$ (436,906)</u>	<u>\$ (20,724)</u>	<u>\$ 553,348</u>