

**NECHAKO-KITAMAAT DEVELOPMENT
FUND SOCIETY**

FINANCIAL STATEMENTS

MARCH 31, 2017

NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY

FINANCIAL STATEMENTS

MARCH 31, 2017

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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, 2017, 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, 2017, 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 24, 2017



Edmison Mehr

**NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2017**

	<u>2017</u>	<u>2016</u>
FINANCIAL ASSETS		
Cash - administration fund	\$ 28,098	\$ 18,016
Cash -grant fund	223,167	383,170
Short term investments, Note 3	1,829,311	1,598,499
GST receivable	<u>4,565</u>	<u>2,417</u>
	<u>2,085,141</u>	<u>2,002,102</u>
LIABILITIES		
Accounts payable	<u>9,001</u>	<u>3,780</u>
NET FINANCIAL ASSETS	2,076,140	1,998,322
CONTRACTUAL OBLIGATIONS (Total \$410,594), Note 6		
NON FINANCIAL ASSETS	<u>-</u>	<u>-</u>
ACCUMULATED SURPLUS (see Note 6 for Contractual Obligations)	<u>\$ 2,076,140</u>	<u>\$ 1,998,322</u>
ACCUMULATED SURPLUS IS COMPRISED OF:		
Accumulated operating	\$ 1,806,449	\$ 1,895,461
Accumulated remeasurement gains and losses	<u>269,691</u>	<u>102,861</u>
	<u>\$ 2,076,140</u>	<u>\$ 1,998,322</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, 2017

	2017 Actual	2017 Budget (Note 6)	2016 Actual
REVENUE			
Contribution agreement funding -			
Province of B.C.	\$ 500,000	\$ 500,000	\$ 500,000
Investment	<u>72,259</u>	<u>100,105</u>	<u>84,254</u>
	<u>572,259</u>	<u>600,105</u>	<u>584,254</u>
EXPENSES			
Accounting and audit	5,032	5,200	5,535
Advertising and promotion	1,055	1,400	3,500
Honorariums	6,225	9,000	5,825
Insurance	1,076	800	1,034
Office	1,308	1,500	2,639
Server maintenance	4,590	4,600	4,590
Subcontract - manager	61,982	63,345	60,774
Subcontract - other	537	1,400	1,788
Supplies and equipment	723	1,200	1,564
Telephone	2,160	2,400	2,372
Travel and meetings - board	7,057	8,000	4,901
Travel and meetings - manager	<u>2,154</u>	<u>3,500</u>	<u>3,372</u>
Sub-total	93,899	102,345	97,894
Grant promotion	-	-	3,405
Grant payments	<u>567,372</u>	<u>495,592</u>	<u>346,544</u>
	<u>661,271</u>	<u>597,937</u>	<u>447,843</u>
Excess (deficiency) of revenues over expenses for the year	(89,012)	2,168	136,411
Operating fund balance, beginning of year	<u>1,895,461</u>	<u>1,895,461</u>	<u>1,759,050</u>
Operating fund balance, end of year	<u>\$ 1,806,449</u>	<u>\$ 1,897,629</u>	<u>\$ 1,895,461</u>

NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY
CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES
FOR THE YEAR ENDED MARCH 31, 2017

	<u>2017</u>	<u>2016</u>
Accumulated remeasurement gains and losses, beginning of year	\$ 102,861	238,849
Unrealized gain (loss) on portfolio investment	188,737	(93,307)
Realized gain (loss) on portfolio investment, reclassified to operations	<u>(21,907)</u>	<u>(42,681)</u>
Accumulated remeasurement gains and losses, end of year	<u>\$ 269,691</u>	<u>\$ 102,861</u>

NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY
CONSOLIDATED STATEMENT OF CASH FLOWS
MARCH 31, 2017

	<u>2017</u>	<u>2016</u>
OPERATING ACTIVITIES		
Excess of revenues over expenses for the year	\$ (89,012)	136,411
Add: Items not involving cash		
Unrealized gain (loss) on portfolio investment	<u>188,737</u>	<u>(93,307)</u>
	<u>99,725</u>	<u>43,104</u>
Net change in non-cash working capital		
Net (increase) decrease in:		
GST receivable	(2,146)	31
Net increase (decrease) in:		
Accounts payable	<u>5,219</u>	<u>-</u>
	<u>3,073</u>	<u>31</u>
	<u>102,798</u>	<u>43,135</u>
FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
INVESTING ACTIVITIES		
Decrease (increase) in short term investments	(230,812)	60,170
Realized gain (loss) on portfolio investment, reclassified to operations	<u>(21,907)</u>	<u>(42,681)</u>
	<u>(252,719)</u>	<u>17,489</u>
INCREASE (DECREASE) IN CASH	(149,921)	60,624
CASH, beginning of year	<u>401,186</u>	<u>340,562</u>
CASH, end of year	\$ <u><u>251,265</u></u>	\$ <u><u>401,186</u></u>
CASH CONSISTS OF:		
Cash - administration fund	\$ 28,098	18,016
Cash - grant fund	<u>223,167</u>	<u>383,170</u>
	\$ <u><u>251,265</u></u>	\$ <u><u>401,186</u></u>
ADDITIONAL CASH FLOW INFORMATION:		
Interest paid	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>
Income taxes paid	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017

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, 2017 (\$15,056,723 (2016 - \$15,525,385)). At March 31, 2017 a total of \$10.3 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, 2017

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, 2017 is \$1,559,628 (2016 - \$1,495,646).

	<u>2017</u>	<u>2016</u>
Cash and Cash Equivalents Funds	\$ 43,869	\$ 50,868
Fixed Income Funds	496,440	440,688
Equity Funds - Canadian	384,558	339,184
Equity Funds - United States	475,411	408,494
Equity Funds - Other International	<u>429,033</u>	<u>359,264</u>
	<u>\$ 1,829,311</u>	<u>\$ 1,598,498</u>

NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017

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, 2017, the Society had cash of \$251,265 (March 31, 2016 - \$401,186) to settle current liabilities of \$9,002 (March 31, 2016 - \$3,780). 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 2016/17 Business Plan.

NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017

6. CONTRACTUAL OBLIGATIONS

The Society is contractually obligated, provided the recipients fulfill the requirements of the funding agreements, to provide grants totaling \$410,594 subsequent to March 31, 2017.

	<u>2017</u>	<u>2016</u>
Decker Lake Recreation Commission - Freshen and Finish	\$ -	\$ 5,591
Rose Lake Community Club - Renovation and Upgrade	-	5,628
Village of Fraser Lake - Move the Museum	-	50,000
Burns Lake Health-Care Auxiliary - Thrift Store Expansion	20,000	-
Southside Economic Development Assn - Highway 16 Billboard	-	375
Southside Health and Wellness - Centre Upgrade	-	2,035
Village of Burns Lake - Ammonia Plant Replacement	50,000	100,000
Village of Burns Lake - Economic Diversification	21,000	-
Rip'n the North Bike Club - 10th Anniversary Upgrade	53,076	-
Burns Lake Mountain Bike Association - 2016 Project Trails	5,000	-
Burns Lake Mountain Bike Association - Hogzilla	100,000	-
District of Vanderhoof - NVSS Music Program	-	15,000
District of Vanderhoof - Aquatic Centre	-	100,000
Freshwater Fisheries Society - Stewardship Centre Plan	5,000	-
Grassy Plains Community Hall Assn. - Hall Roofing	13,990	-
Nechako Community Arts Council - Arts Take Wing	2,976	-
Village of Burns Lake - Downtown Revitalization Phase 2A	-	12,500
Southside Economic Development Assn - Roads Already Travelled	3,000	3,000
BC Forage Council - Production	7,500	7,500
Lakes District Fall Fair Assn. - Grounds Improvement	18,893	-
Village of Burns Lake - Information Kiosk Phase II	-	2,010
District of Vanderhoof - Recreation Centre Upgrade	55,000	55,000
Lakes District Senior Housing Assn. - Sprinkler Upgrade	29,000	-
Nechako Valley Exhibition Society - Lighting Upgrade	209	-
Saik'uz First Nation - IRS Commemorative Park	-	40,000
Burns Lake Mountain Biking Assn - Boer Mountain 2015 Westside	-	62,500
Grassroots Development - NKDF	-	6,595
Lakes District Airport Society - Runway Rehabilitation	2,450	100,000
District of Vanderhoof Greenhouse Feasibility Study	7,500	7,500
Regional District of Bulkley Nechako - Research & Signage	10,000	20,000
Regional District of Bulkley Nechako - Investment Readiness Plan	<u>6,000</u>	<u>12,000</u>
	<u>\$ 410,594</u>	<u>\$ 607,234</u>