

**NECHAKO-KITAMAAT DEVELOPMENT
FUND SOCIETY**

FINANCIAL STATEMENTS

MARCH 31, 2021

NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY

FINANCIAL STATEMENTS

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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, 2021, 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, 2021, 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 17, 2021


Edmison Mehr

NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2021

	<u>2021</u>	<u>2020</u>
FINANCIAL ASSETS		
Cash - administration fund	\$ 12,207	\$ 44,909
Cash -grant fund	158,489	87,100
Short term investments, Note 3	2,206,703	1,938,245
GST receivable	<u>2,995</u>	<u>2,981</u>
	<u>2,380,394</u>	<u>2,073,235</u>
LIABILITIES		
Accounts payable	<u>4,898</u>	<u>4,899</u>
NET FINANCIAL ASSETS	2,375,496	2,068,336
CONTRACTUAL OBLIGATIONS (Total \$124,800), Note 7		
NON FINANCIAL ASSETS	<u>-</u>	<u>-</u>
ACCUMULATED SURPLUS (see Note 7 for Contractual Obligations)	<u>\$ 2,375,496</u>	<u>\$ 2,068,336</u>
ACCUMULATED SURPLUS IS COMPRISED OF:		
Accumulated operating	\$ 1,989,329	\$ 2,074,193
Accumulated remeasurement gains and losses	<u>386,167</u>	<u>(5,857)</u>
	<u>\$ 2,375,496</u>	<u>\$ 2,068,336</u>

APPROVAL OF THE BOARD:

Cindy Shelford Director

Boris Fraser Director

NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY
STATEMENT OF OPERATIONS AND CHANGES TO OPERATING FUND BALANCE
FOR THE YEAR ENDED MARCH 31, 2021

	2021 Actual	2021 Budget (Note 6)	2020 Actual
REVENUE			
Contribution agreement funding -			
Province of B.C.	\$ 500,000	\$ 500,000	\$ 500,000
Investment	<u>91,474</u>	<u>55,000</u>	<u>83,309</u>
	<u>591,474</u>	<u>555,000</u>	<u>583,309</u>
EXPENSES			
Accounting and audit	5,253	5,500	4,766
Advertising and promotion	805	1,000	1,340
Conference	26	-	2,921
Honorariums	8,425	10,000	9,875
Insurance	765	840	840
Legal	2,060	2,500	-
Office	1,700	1,000	1,716
Server maintenance	3,756	5,250	4,906
Subcontract - manager	70,963	71,106	73,694
Subcontract - other	-	800	-
Supplies and equipment	-	2,000	4,622
Telephone	1,554	2,000	2,000
Travel and meetings - board	-	2,000	7,517
Travel and meetings - manager	<u>-</u>	<u>1,000</u>	<u>1,773</u>
Sub-total	95,307	131,696	115,970
Special project-economic impact study	12,590	12,590	25,710
Special project-business case	25,584	26,700	-
Grant payments	<u>542,857</u>	<u>500,000</u>	<u>505,408</u>
	<u>676,338</u>	<u>644,286</u>	<u>647,088</u>
Excess (deficiency) of revenues over expenses for the year	(84,864)	(89,286)	(63,779)
Operating fund balance, beginning of year	<u>2,074,193</u>	<u>2,074,193</u>	<u>2,137,972</u>
Operating fund balance, end of year	<u>\$ 1,989,329</u>	<u>\$ 1,984,907</u>	<u>\$ 2,074,193</u>

**NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY
STATEMENT OF REMEASUREMENT GAINS AND LOSSES
FOR THE YEAR ENDED MARCH 31, 2021**

	2021	2020
Accumulated remeasurement gains and losses, beginning of year	\$ (5,857)	197,094
Unrealized gain (loss) on portfolio investment	416,895	(210,750)
Realized (gain) loss on portfolio investment, reclassified to operations	<u>(24,871)</u>	<u>7,799</u>
Accumulated remeasurement gains and losses, end of year	<u>\$ 386,167</u>	<u>\$ (5,857)</u>

NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY
STATEMENT OF CASH FLOWS
MARCH 31, 2021

	2021	2020
OPERATING ACTIVITIES		
Excess of revenues over expenses for the year	\$ (84,864)	(63,779)
Add: Items not involving cash		
Unrealized gain (loss) on portfolio investment	<u>416,895</u>	<u>(210,750)</u>
	<u>332,031</u>	<u>(274,529)</u>
Net change in non-cash working capital		
Net (increase) decrease in:		
GST receivable	<u>(14)</u>	<u>(873)</u>
	<u>332,017</u>	<u>(275,402)</u>
CAPITAL ACTIVITIES	<u>-</u>	<u>-</u>
FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
INVESTING ACTIVITIES		
Decrease (increase) in short term investments	(268,459)	129,651
Realized gain (loss) on portfolio investment, reclassified to operations	<u>(24,871)</u>	<u>7,799</u>
	<u>(293,330)</u>	<u>137,450</u>
INCREASE (DECREASE) IN CASH	38,687	(137,952)
CASH, beginning of year	<u>132,009</u>	<u>269,961</u>
CASH, end of year	\$ <u><u>170,696</u></u>	<u><u>132,009</u></u>
CASH CONSISTS OF:		
Cash - administration fund	\$ 12,207	44,909
Cash - grant fund	<u>158,489</u>	<u>87,100</u>
	\$ <u><u>170,696</u></u>	<u><u>132,009</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, 2021

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, 2021 is \$13,993,531 (2020 - \$14,317,775). At March 31, 2021 a total of \$12.3 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 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, 2021

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, 2021 is \$1,820,536 (2020 - \$1,944,100).

	2021	<u>2020</u>
Cash and Cash Equivalents Funds	\$ 151,751	\$ 110,236
Fixed Income Funds - Canadian	50,278	480,303
Fixed Income Funds - Other International	637,035	180,875
Equity Funds - Canadian	280,850	257,811
Canadian Equity Funds	637,035	180,875
Equity Funds - United States	430,924	377,164
Equity Funds - Other International	<u>655,865</u>	<u>531,856</u>
	<u>\$ 2,206,703</u>	<u>\$ 1,938,245</u>

NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2021

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 risk

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, 2021, the Society had cash of \$170,696 (March 31, 2020 - \$132,009) to settle current liabilities of \$4,898 (March 31, 2020 - \$4,899). 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 current Covid-19 pandemic has increased market volatility significantly. The Society is exposed to these risks including the current increased volatility due to Covid-19. 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, 2021

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 T4 reporting forms and there are no material differences to the fiscal year totals. The director remuneration is as follows:

	2021	<u>2020</u>
Director	\$ 1,500	\$ 1,000
Director	-	1,250
Director	2,850	2,975
Director	1,500	625
Director	1,375	1,125
Director	1,500	1,375
Director	1,500	125
Director	<u>375</u>	<u>875</u>
	<u>\$ 10,600</u>	<u>\$ 9,350</u>

6. BUDGET

The budget amounts correspond to Appendix 'A' of the 2020/21 Business Plan.

7. CONTRACTUAL OBLIGATIONS

The Society is contractually obligated, provided the recipients fulfill the requirements of the funding agreements, to provide grants totaling \$124,800 subsequent to March 31, 2021. 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.

NECHAKO-KITAMAAT DEVELOPMENT FUND SOCIETY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2021

	<u>Balance Beginning</u>	<u>Grant Approvals</u>	<u>Grant (Payments)</u>	<u>Cancellations and Project Surplus Retained</u>	<u>Balance Ending</u>
Autumn Services Society - Autumn Centre Expansion	\$ 24,165	\$ -	\$ (24,165)	\$ -	\$ -
Chinook Emergency Preparedness Society - Project Lead	15,000	-	(10,868)	(4,132)	-
District of Vanderhoof - Airport Apron Expansion	10,478	-	(10,478)	-	-
Lakes District Fair Association - Well and Pumphouse	17,237	-	(17,237)	-	-
Burns Lake Mountain Biking Assn - Hogzilla	10,000	-	(10,000)	-	-
Haisla Nation Council - Monkey Beach Film	9,000	-	(9,000)	-	-
Nechako Valley Historical Society - Storage Container	2,400	-	(1,920)	-	480
Lakes District Fair Association - Pump House/Concession Rebuild	22,763	-	(22,763)	-	-
Lakes District Film Society - Beacon Theatre Repairs	20,000	-	(20,000)	-	-
Stellaten First Nation - Trails to Resilience & Recovery Initiative	20,000	-	(20,000)	-	-
Village of Fraser Lake - Solar Energy Power	9,836	-	-	(9,836)	-
Vanderhoof Air Cadets - Canoes	300	-	-	-	300
Village of Burns Lake - Mobile Tourism Centre	7,400	-	(5,434)	(1,966)	-
Cheslatta Carrier Nation - History Book of the Cheslatta Carrier Nation	37,500	-	(18,750)	-	18,750
Village of Fraser Lake - Fraser Lake Innovation Centre	80,000	-	(80,000)	-	-
Village of Fraser Lake - Fire Department SCBA Replacement	35,000	-	(35,000)	-	-
Vanderhoof Flying Club - Aviation Fuel System	35,000	-	(35,000)	-	-
Burns Lake and District Seniors Society - Walking Tracks	7,500	-	(7,500)	-	-
District of Vanderhoof - Wayfinding Signage	7,800	-	(7,800)	-	-
Nechako Valley Exhibition Society	13,819	-	(13,819)	-	-
Village of Fraser Lake - Fraser Lake Disability Door Assists	-	2,914	-	-	2,914
Burns Lake and District Chamber of Commerce - Tourist Info Book	-	4,000	-	(4,000)	-
Nechako Valley Regional Cattlemen's Association - Building Resilience & Adaptation in Agriculture-Responding to Insect Pests	-	6,500	(1,792)	(4,708)	-
Burns Lake Snowmobile Club - Nellian Lake Gazebo	-	12,325	(6,163)	-	6,162
Burns Lake Mountain Biking Association - Village Connector	-	30,000	(15,000)	-	15,000
Regional District Bulkley Nechako - Southside Fire Apparatus	-	40,000	(40,000)	-	-
Village of Fraser Lake - Arena Ammonia Safety Upgrade	-	43,963	(43,963)	-	-
Vanderhoof Menshed Society - Storage Containers	-	5,000	(5,000)	-	-
COVID-Response Recovery	-	28,000	(28,000)	-	-
First Nations Educational Foundation - Haislakala Language Revitaliation Project	-	25,000	(22,500)	-	2,500
Vanderhoof Menshed Society - Building Upgrade	-	5,000	(5,000)	-	-
Lake Babine Nation - Lighting Upgrade	-	21,205	(21,205)	-	-
Lakes District Airport Society - Refuelling Station	-	30,000	-	-	30,000
Vanderhoof Menshed Society - Heating Efficiencies	-	5,000	(4,500)	-	500
Haisla Nation Council - Bandshell	-	48,194	-	-	48,194
	<u>\$ 385,198</u>	<u>\$ 307,101</u>	<u>\$ (542,857)</u>	<u>\$ (24,642)</u>	<u>\$ 124,800</u>