

**Mackenzie Valley Land and Water Board**

**Financial Statements**

**March 31, 2016**

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# **Mackenzie Valley Land and Water Board**

## **Financial Statements**

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**March 31, 2016**

**Page**

<b>Independent Auditors' Report</b>	<b>3</b>
<b>Statement of Financial Position</b>	<b>4</b>
<b>Statement of Operations</b>	<b>5</b>
<b>Statement of Changes in Net Assets (Deficit)</b>	<b>6</b>
<b>Statement of Cash Flows</b>	<b>7</b>
<b>Notes to Financial Statements</b>	<b>8 - 14</b>
<b>Schedule 1 - Deh Cho Panel</b>	<b>15</b>
<b>Schedule 2 - Public Hearings</b>	<b>16</b>
<b>Schedule 3 - Landfill Closure Guideline Development</b>	<b>17</b>

## Independent Auditors' Report

### To the Board of Directors of Mackenzie Valley Land and Water Board

We have audited the accompanying financial statements of Mackenzie Valley Land and Water Board ("the Board") which comprises the statement of financial position as at March 31, 2016 and the statements of operations, changes in net assets (deficit), 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 Public Sector Accounting Standards for Not-for-Profit Organizations, and such for internal control as management determines is necessary to enable preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' 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 an audit to obtain reasonable assurance whether the financial statements are free of 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, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2016 and the results of its operations for the year then ended in accordance with Public Sector Accounting Standards for Not-for-Profit Organizations.



Chartered Accountants

Yellowknife, Northwest Territories  
July 18, 2016

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# Mackenzie Valley Land and Water Board

## Statement of Financial Position

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As at March 31, 2016 2015

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### Assets

#### Current

Accounts receivable (Note 4)	\$ 49,571	\$ 213,749
Prepaid expenses	1,399	23,154

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50,970 236,903

**Capital assets (Note 5)** **20,143** **16,866**

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**\$ 71,113** **\$ 253,769**

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### Liabilities

Bank indebtedness (Note 6)	\$ 142,405	\$ 212,933
Accounts payable and accrued liabilities (Note 7)	265,411	415,154
Deferred contributions (Note 8)	36,915	-

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444,731 628,087

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### Net Assets (Deficit)

Net assets invested in capital assets 20,143 16,866

**Unrestricted net assets (deficit)** **(393,761)** **(391,184)**

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**(373,618)** **(374,318)**

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**\$ 71,113** **\$ 253,769**

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### Commitments (Note 11)

Approved on behalf of the Board

 Director

 Director

# Mackenzie Valley Land and Water Board

## Statement of Operations

For the year ended March 31,	2016 Budget (Unaudited)	2016 Actual	2015 Actual
<b>Revenue</b>			
Government of Canada - Department of Indigenous Affairs and Northern Development			
Core	\$ 2,400,000	\$ 2,400,000	\$ 2,400,000
Mackenzie Valley Resource Management Act - Restructuring	-	-	122,000
Deh Cho Panel (Schedule 1)	200,000	200,000	200,000
Public Hearings (Schedule 2)	90,000	90,000	385,000
Mackenzie Valley Resource Management Act - Consultation	-	-	24,000
Training	-	-	25,000
Government of the Northwest Territories - Department of Municipal and Community Affairs			
Closure Guidelines Development (Schedule 3)	10,000	10,000	-
Other	-	-	35,000
Transfer to deferred revenue	-	(36,915)	-
	<b>2,700,000</b>	<b>2,663,085</b>	<b>3,191,000</b>
<b>Core expenditures</b>			
Advertising	24,000	7,447	9,467
Amortization	-	22,915	10,129
Computer support	36,000	58,661	506
Honoraria	237,800	179,026	200,375
Hospitality	13,000	9,831	13,468
Insurance	8,200	5,758	5,761
Licenses and dues	-	3,203	3,928
Meeting room rentals	-	2,692	4,101
Office rent	264,000	244,287	255,877
Office services and supplies	108,000	168,702	130,237
Professional fees - legal	68,000	77,460	60,894
Professional fees - accounting	15,000	17,147	13,505
Training	-	16,484	17,323
Translation fees	-	-	8,932
Travel - board	20,000	25,637	33,092
Travel - staff	30,000	30,995	14,796
Wages and benefits	1,576,000	1,489,563	1,615,113
	<b>2,400,000</b>	<b>2,359,808</b>	<b>2,397,504</b>
<b>Program expenditures</b>			
Mackenzie Valley Resource Management Act - Restructuring	-	-	129,548
Deh Cho Panel (Schedule 1)	200,000	200,043	200,009
Hearings (Schedule 2)	90,000	90,110	385,103
Mackenzie Valley Resource Management Act - Consultation	-	-	23,992
Training	-	-	25,056
Landfill Closure Guidelines Development (Schedule 3)	10,000	12,424	-
Other	-	-	35,000
	<b>2,700,000</b>	<b>2,662,385</b>	<b>3,196,212</b>
<b>Funding to reduce prior year deficit</b>	-	-	(4,917)
<b>Excess revenue over expenditures before other items</b>	-	700	(10,129)
<b>Transfer to (from) capital assets</b>	-	(3,277)	2,538
<b>Excess revenues over expenditures</b>	<b>\$ -</b>	<b>\$ (2,577)</b>	<b>\$ (7,591)</b>

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## Mackenzie Valley Land and Water Board

### Statement of Changes in Net Assets (Deficit)

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<b>For the year ended March 31,</b>	<b>Investment in capital assets</b>	<b>Unrestricted net assets</b>	<b>2016</b>	<b>2015</b>
<b>Balance, beginning of year</b>	\$ 16,866	\$ (391,184)	\$ (374,318)	\$ (369,106)
Excess of revenues over expenditures	-	700	700	(10,129)
Funding to reduce prior year deficit	-	-	-	4,917
Investment in capital assets	26,192	(26,192)	-	-
Amortization of capital assets	(22,915)	22,915	-	-
<b>Balance, end of year</b>	<b>\$ 20,143</b>	<b>\$ (393,761)</b>	<b>\$ (373,618)</b>	<b>\$ (374,318)</b>

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## Mackenzie Valley Land and Water Board

### Statement of Cash Flows

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For the year ended March 31,	2016	2015
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess (revenue) expenditures	\$ 700	\$ (10,129)
Item not affecting cash		
Amortization	22,915	10,129
Funding to reduce prior year deficit	-	4,917
<b>Change in non-cash operating working capital</b>		
Accounts receivable	164,178	(164,049)
Prepaid expenses	21,755	(17,781)
Accounts payable and accrued liabilities	(149,743)	51,447
Deferred contributions	36,915	-
	<b>96,720</b>	<b>(125,466)</b>
<b>Investing activity</b>		
Purchase of capital assets	<b>(26,192)</b>	<b>(7,591)</b>
<b>Change in bank indebtedness</b>	<b>70,528</b>	<b>(133,057)</b>
<b>Bank indebtedness, beginning of year</b>	<b>(212,933)</b>	<b>(79,876)</b>
<b>Bank indebtedness, end of year</b>	<b>\$ (142,405)</b>	<b>\$ (212,933)</b>

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# Mackenzie Valley Land and Water Board

## Notes to Financial Statements

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March 31, 2016

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### 1. Organization and Jurisdiction

The Mackenzie Valley Land and Water Board (the "Board") is established under the *Mackenzie Valley Resource Management Act*. It monitors and approves the land and water use in areas where there are no settled claims.

The Board is exempt from income tax under section 149(1)(l) of the *Income Tax Act*.

### 2. Significant Accounting Policies

These financial statements have been prepared in accordance with Public Sector Accounting Standards for Not-for-Profit Organizations (PSA-NPO) as issued by the Public Sector Accounting Board (PSAB).

#### (a) Financial Instruments

The Board classifies its financial instruments at cost or amortized cost. The Board's accounting policy for this financial instrument category is as follows:

This category includes accounts receivable, bank indebtedness and accounts payable and accrued liabilities. They are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets.

Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instruments.

Write-downs on financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the write-down being recognized in the statement of operations.



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# Mackenzie Valley Land and Water Board

## Notes to Financial Statements

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March 31, 2016

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### 2. Significant Accounting Policies (continued)

#### (b) Capital assets

Capital assets are recorded in the investment in capital assets fund at cost. Amortization is recorded in the investment in capital assets fund using the declining balance method and the straight-line method at the annual rates set out in Note 4.

#### (c) Revenue recognition

The Board follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and its collection is reasonably assured. Contributions which are not expensed in the current year are set up as deferred funding or refundable contributions that must be repaid to the contributor.

#### (d) Use of estimates

The preparation of financial statements in conformity with Public Sector Accounting Standards for Not-for-Profit Organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the updated amounts of revenues and expenses during the period. Actual results could differ from those estimates.

#### (e) Allocation of expenditures

The Board allocates expenditures according to the contribution agreement to which the expenditure relates. The expenditures are any direct cost related to the fulfillment of the contribution agreement. The costs are then allocated to the contribution agreement based on the actual amount of the expenditure.

Wages and benefits are allocated to contribution agreements based on the time spent working on the fulfillment of the agreement. The percentage of individual staff wages and benefits that are allocated to each project range from 0-100%.

Office administrative costs are allocated to contribution agreements that allow such costs to be allocated. Office administrative costs are allocated based on the percentage of staff time required to fulfill that contribution agreement.

#### (f) Employee future benefits

The Board has a defined contribution plan providing pension and post-employment benefits for its employees. The cost of the defined contribution plan is recognized based on the required contribution by the Board during each period.

A provision has been made for the Board's liability for employee future benefits arising from services rendered by employees to the statement of financial position date. A provision has also been made for the Board's obligation relating to unused vacation and lieu time. This amount is not separately funded. Severance is no longer paid as of April 1, 2015. All prior amounts owing have been paid.

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# Mackenzie Valley Land and Water Board

## Notes to Financial Statements

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March 31, 2016

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### 3. Future changes to significant accounting policies

#### (a) Related party disclosures, Section PS 2200

PSAB approved Section PS 2200, Related Party Disclosures. This Section is effective for fiscal periods beginning on or after April 1, 2017. Earlier adoption is permitted. This Section defines related parties and establishes disclosures required for related party transactions. It is expected that reasonable efforts would be made to identify related party transactions. This may involve adopting policies and procedures designed to ensure that these transactions are appropriately identified, measured and disclosed in the financial statements. Not all related party relationships or transactions occurring between related parties are required to be disclosed. Disclosure is generally required when related party transactions have occurred at a value different from that which would have been arrived at if the parties were unrelated. However, not all of these transactions are reportable under this Section. Only those transactions that have or could have a material financial effect on the financial statements are disclosed.

The impact of the transition to this accounting standard has not yet been determined.

#### (b) Assets, Section PS 3210

PSAB approved Section PS 3210, Assets. This Section is effective for fiscal periods beginning on or after April 1, 2017. Earlier adoption is permitted. This Section provides guidance on how to apply the definition of assets as set out in Section PS 1000, and establishes standards for disclosure of assets except certain specific types of assets, which are dealt with in other Sections.

The impact of the transition to this accounting standard has not yet been determined.

#### (c) Contractual Rights, Section PS 3380

PSAB approved Section PS 3380, Contractual Rights. This Section is effective for fiscal periods beginning on or after April 1, 2017. Earlier adoption is permitted. This Section defines and establishes standards for disclosure of rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future except certain specific types of contractual rights.

The impact of the transition to this accounting standard has not yet been determined.

#### (d) Inter-entity Transactions Section PS 3420

PSAB approved Section PS 3420, Inter-entity Transactions. This Section is effective for fiscal periods beginning on or after April 1, 2017. Earlier adoption is permitted. This Section establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective. This section may be applied in conjunction with Related Party Disclosures, Section PS 2200.

The impact of the transition to this accounting standard has not yet been determined.

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## Mackenzie Valley Land and Water Board

### Notes to Financial Statements

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March 31, 2016

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#### 4. Accounts Receivable

	2016	2015
Government of Canada Department of Indigenous Affairs - and Northern Development	\$ -	\$ 95,400
Payroll advance receivable	827	4,647
Goods and services tax	14,936	27,452
Trade	33,808	86,250
	<hr/>	<hr/>
	\$ 49,571	\$ 213,749

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#### 5. Capital Assets

				2016	2015
	Rate	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture and fixtures	20%	\$ 190,494	\$ 181,014	\$ 9,480	\$ 9,999
Computer equipment	30%	48,833	38,170	10,663	6,867
Computer software	100%	231,677	231,677	-	-
Leasehold improvements	SL/3yr	387,911	387,911	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
		\$ 858,915	\$ 838,772	\$ 20,143	\$ 16,866

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#### 6. Bank Indebtedness

The Board has an operating line of credit with the Canadian Imperial Bank of Commerce (CIBC) with a limit of \$150,000, bearing interest at CIBC's prime plus 2.50%.

	2016	2015
Bank indebtedness balance as at March 31, 2016	\$ 117,615	\$ 93,404
Less: Petty Cash	(55)	-
Add: outstanding cheques	24,845	119,529
	<hr/>	<hr/>
	\$ 142,405	\$ 212,933

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A deposit was received April 5, 2016 in the amount of \$199,992 to ensure there was sufficient cash for the outstanding cheques.

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## Mackenzie Valley Land and Water Board

### Notes to Financial Statements

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March 31, 2016

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#### 7. Accounts Payable and Accrued Liabilities

	2016	2015
Accounts payable and accrued liabilities	\$ 96,887	\$ 188,622
Wages and benefits payable	82,230	146,488
Vacation and time in lieu liability	86,294	68,765
Severance liability	-	11,279
	<hr/> \$ 265,411	<hr/> \$ 415,154

#### 8. Deferred contributions

	2016	2015
Government of Canada - Department of Indigenous Affairs and Northern Development	<hr/> \$ 36,915	<hr/> \$ -

#### 9. Interfund Transfer

The amount of \$26,192 (2015 - \$7,591) consists of the transfers from the unrestricted net assets (deficit) fund to the investment in tangible capital assets fund to fund the acquisition of capital assets.

#### 10. Financial Instruments

The Board is exposed to credit and liquidity risks from its financial instruments. Qualitative and quantitative analysis of the significant risk from the Board's financial instruments by type of risk is provided below:

##### Credit risk

Credit risk is the risk of financial loss to the Board if a debtor fails to make payments of interest and principal when due. The Board is exposed to this risk relating to its accounts receivable.

Accounts receivable are government agencies. Credit risk related to accounts receivable is mitigated by internal controls as well policies and oversight over arrears for ultimate collection. Management has determined that no accounts receivable required impairment. These amounts are as disclosed in Note 3. The accounts receivable are all considered current.

The Board's maximum exposure to credit risk is represented by the financial assets for a total of \$49,571 (2015 - \$213,749).

##### Concentration of credit risk

Concentration of credit risk is the risk that a customer(s) has a significant portion (more than ten percent) of the total accounts receivable balance and thus there is a higher risk to the Board in the event of a default. The Board does have concentration risk. At March 31, 2016, receivables from one government agency comprised 45% of the total outstanding accounts receivables (2015 - 45%). The Board reduces this risk by monitoring overdue balances.

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# Mackenzie Valley Land and Water Board

## Notes to Financial Statements

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March 31, 2016

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### 10. Financial Instruments (Continued)

#### Liquidity risk

Liquidity risk is the risk that the Board cannot repay its obligations when they become due to its creditors. The Board does have a liquidity risk in the accounts payable and accrued liabilities of \$265,411 (2015 - \$415,154). The Board reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due and maintains a line of credit to repay trade creditors.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures, and methods used to measure the risk.

### 11. Commitments

The Board has entered into contracts for office equipment and lease of office premises with the following future minimum payments:

	Equipment	Office	Total
2017	\$ 21,660	\$ 239,313	\$ 260,973
2018	16,438	239,313	255,751
2019	770	239,313	240,083
2020	577	239,313	239,890
2021	-	59,828	59,828
	<b>\$ 39,445</b>	<b>\$ 1,017,080</b>	<b>\$ 1,056,525</b>

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### 12. Pension Plan

#### Pension Contributions

The Board participates in the NEBS Pension Plan which is a defined contribution plan. Substantially all employees with at least one year of service are eligible to participate.

The contribution percentage to the plan is up to 16% of each employee's salary (8% from the employees and 8% from the employer).

During the year contributions made by the Board to the NEBS pension plan totaled \$80,845. The total contributions made by the Board to the RRSP plan in the prior year totaled \$83,008

### 13. Comparative Figures

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year.

### 14. Budget

The budget figures presented are unaudited, and are those approved by the Board.

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## **Mackenzie Valley Land and Water Board**

### **Notes to Financial Statements**

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**March 31, 2016**

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#### **15. Economic Dependence**

The Board is dependent upon funding in the form of contributions from Indigenous Affairs and Northern Development Canada. Management is of the opinion that if the funding was reduced or altered, operations would be significantly affected.

#### **16. Amalgamation of Land and Water Boards**

There are four land and water boards which issue land use permits and water licences for resource extraction in the Mackenzie Valley. These four boards were expected to be amalgamated into one as of April 1, 2015. An injunction was issued against the Government of Canada to stop the amalgamation of one of the four boards, thus putting a hold on the amalgamation of the remaining boards. There has been no update to the amalgamation as at the date of the audit report.

#### **17. Related party transactions**

During the year, honoraria the travel expenditures were paid to members of the Board of Directors. These expenditures were in the normal course of the Board's operations and were measured at the exchange amount.

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## Mackenzie Valley Land and Water Board

### Schedule 1 - Deh Cho Panel

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For the year ended March 31,

	2016 Budget (Unaudited)	2016 Actual	2015 Actual
<b>Revenue</b>			
Government of Canada - Department of Indigenous Affairs and Northern Development	\$ 200,000	\$ 200,000	\$ 200,000
<b>Expenditures</b>			
Legal	10,000	6,078	-
Honoraria	24,000	33,200	36,865
Salaries	144,000	143,337	145,622
Travel - board	18,000	11,309	11,798
Travel - staff	-	2,119	5,724
	200,000	200,043	200,009
<b>Excess revenue (expenditures)</b>	\$ -	\$ (43)	\$ (9)

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## Mackenzie Valley Land and Water Board

### Schedule 2 - Public Hearings

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For the year ended March 31,

	2016 Budget (Unaudited)	2016 Actual	2015 Actual
<b>Revenue</b>			
Government of Canada - Department of Indigenous Affairs and Northern Development	\$ 90,000	\$ 90,000	\$ 385,000
<b>Expenditures</b>			
Board costs	-	586	44,214
Honoraria	-	5,400	-
Legal	-	57,495	59,060
Meeting costs	-	540	18,596
Office services and supplies	-	1,185	-
Technical fees	-	24,904	263,233
	<b>90,000</b>	<b>90,110</b>	<b>385,103</b>
<b>Excess revenue (expenditures)</b>	<b>\$ -</b>	<b>\$ (110)</b>	<b>\$ (103)</b>

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# Mackenzie Valley Land and Water Board

## Schedule 3 - Landfill Closure Guideline Development

For the year ended March 31,	2016 Budget (Unaudited)	2016 Actual	2015 Actual
<b>Revenue</b>			
Government of Northwest Territories - Department of Municipal and Community Affairs	\$ 10,000	\$ 10,000	\$ -
<b>Expenditures</b>			
Legal fees	-	6,560	-
Salaries	-	5,864	-
	10,000	12,424	-
<b>Excess revenue</b>	\$ -	\$ (2,424)	\$ -