

Mackenzie Valley Land and Water Board

Financial Statements

March 31, 2019

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Financial Statements

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Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Mackenzie Valley Land and Water Board ("the Board") which comprise the statement of financial position as at March 31, 2019 and the statements of operations, changes in net assets (liabilities), and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2019 and the results of its operations and its cash flows for the year then ended in accordance with Public Sector Accounting Standards for Not-for-Profit Organizations.

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Board 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 the financial statements in accordance with Public Sector Accounting Standards for Not-for-Profit Organizations, 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 Board'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 Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Board's financial reporting process.

Independent Auditors' Report (continued)

Auditors' 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 misstatement, whether due to fraud or error, and to issue an auditors' 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 misstatement when it exists. Misstatements can arise from fraud or error 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 generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout 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 control.
- 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 purpose of expressing an opinion on the effectiveness of the Board'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 Board's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Board to cease to continue as a going concern.
- 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 Board's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Board to cease to continue as a going concern.

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.

Yellowknife, Northwest Territories
June 27, 2019

Crowe MacKay LLP
Chartered Professional Accountants

Mackenzie Valley Land and Water Board

Statement of Financial Position

As at March 31, 2019 2018

Assets

Current

Cash	\$ 129,221	\$ 380,433
Accounts receivable (Note 3)	203,450	123,559
Prepaid expenses	13,824	1,462

346,495 **505,454**

Capital assets (Note 4)

36,322 **36,249**

\$ 382,817 **\$ 541,703**

Liabilities

Current

Accounts payable and accrued liabilities (Note 6)	273,530	292,776
Deferred contributions (Note 7)	466,726	606,439

740,256 **899,215**

Net Assets (Deficit)

Investment in capital assets 36,322 36,249

Unrestricted net assets (liabilities) (393,761) (393,761)

(357,439) (357,512)

\$ 382,817 **\$ 541,703**

Commitments (Note 11)

Contractual Rights (Note 9)

Approved on behalf of the Board

 Director

 Director

Mackenzie Valley Land and Water Board

Statement of Operations

For the year ended March 31,	2019 Budget (Unaudited)	2019 Actual	2018 Actual
Revenue			
Government of Canada - Department of Crown-Indigenous Relations and Northern Affairs Canada			
Core	\$ 3,033,362	\$ 3,033,362	\$ 3,000,000
Public Hearings (Schedule 1)	-	135,900	573,763
Mackenzie Valley Resource Management Act and Administrative Monetary Penalties (Schedule 2)	-	-	39,788
Northern Legislative Initiatives (Schedule 5)	17,000	17,000	-
Government of Canada - Parks Canada	-	16,000	-
Government of the Northwest Territories			
Industrial Discharge (Schedule 3)	-	-	25,000
Legislative Amendments (Schedule 4)	24,300	24,300	22,500
Administration fees	-	1,440	-
Transferred from deferred contributions	-	606,439	283,313
Transfer to deferred contributions	-	(466,726)	(606,439)
	3,074,662	3,367,715	3,337,925
Core expenditures			
Advertising	10,000	6,091	8,810
Amortization	-	14,613	10,974
Computer support	85,000	58,080	57,797
Honoraria	211,500	210,936	164,725
Hospitality	3,000	21,133	9,934
Insurance	8,000	9,284	6,056
Meeting room rentals	31,265	8,124	4,487
Office rent	249,410	241,506	244,361
Office services and supplies	140,000	177,314	170,590
Professional fees - legal	95,000	82,362	80,115
Professional fees - accounting	15,000	18,770	17,500
Training	40,000	14,725	22,226
Travel - board	60,000	34,643	32,339
Travel - panel	35,000	62,448	19,671
Travel - staff	20,000	13,503	16,986
Wages and benefits	2,030,187	2,104,547	1,913,486
	3,033,362	3,078,079	2,780,057
Program expenditures			
Public Hearings (Schedule 1)	-	247,329	449,353
Mackenzie Valley Resource Management Act and Administrative Monetary Penalties (Schedule 2)	-	-	39,788
Industrial Discharge (Schedule 3)	-	-	25,000
Legislative Amendments (Schedule 4)	24,300	25,151	22,500
Northern Legislative Initiatives (Schedule 5)	17,000	17,084	-
	3,074,662	3,367,643	3,316,698
Excess revenue over expenditures before transfer	-	72	21,227
Net transfer to (from) capital assets	-	(72)	(21,227)
Excess revenue	\$ -	\$ -	\$ -

Mackenzie Valley Land and Water Board

Statement of Changes in Net Assets (Liabilities)

For the year ended March 31,	Investment in capital assets	Unrestricted net liabilities	2019	2018
Balance, beginning of year	\$ 36,249	\$ (393,761)	\$ (357,512)	\$ (378,739)
Excess of revenue before transfer	-	72	72	21,227
Investment in capital assets	14,685	(14,685)	-	-
Amortization of capital assets	(14,613)	14,613	-	-
Balance, end of year	\$ 36,321	\$ (393,761)	\$ (357,440)	\$ (357,512)

Mackenzie Valley Land and Water Board

Statement of Cash Flows

For the year ended March 31,	2019	2018
Cash provided by (used in)		
Operating activities		
Excess revenue before transfer	\$ 72	\$ 21,227
Item not affecting cash		
Amortization	14,613	10,974
Change in non-cash operating working capital		
Accounts receivable	(79,891)	(95,632)
Prepaid expenses	(12,362)	13,988
Accounts payable and accrued liabilities	(19,245)	160,372
Deferred contributions	(139,713)	293,835
	(236,526)	404,764
Capital activity		
Purchase of capital assets	(14,686)	(32,201)
Change in bank balance	(251,212)	372,563
Cash, beginning of year	380,433	7,870
Cash, end of year	\$ 129,221	\$ 380,433

Mackenzie Valley Land and Water Board

Notes to Financial Statements

March 31, 2019

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 cash, accounts receivable, 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.

(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, depending on the terms and conditions of the agreement. Deferred funding will be recognized when the good are acquired or the services are provided.

(d) Cash

Cash consists of cash on hand and bank deposits. The Board does not have any cash equivalents.

Mackenzie Valley Land and Water Board

Notes to Financial Statements

March 31, 2019

2. Significant Accounting Policies (continued)

(e) Segment disclosure

The Schedules of Revenues and Expenses has been prepared in accordance with PS Handbook Section PS 2700 – Segment Disclosures. The segments selected are to enable users to better understand the government reporting entity and the major revenue and expense activities of the Board. For each reported segment, revenues and expenditures represent amounts directly attributable to each segment. Segments include:

Public Hearings: Includes the revenue and expenditures pertaining to Public Hearings.

Mackenzie Valley Resource Management Act and Administrative Monetary Penalties - workshops: included the revenue and expenses pertaining to Mackenzie Value Resource Management Act and Administrative Monetary Penalties - workshops.

Industrial discharge: Includes the revenue and expenditures pertaining to Industrial discharge analysis.

GNWT - Legislative amendments: Includes the revenue and expenditures pertaining to GNWT Legislative amendments.

Government of Canada- Northern Legislative Initiatives: Includes the revenue and expenditures pertaining to Government of Canada Northern Legislative Initiatives.

(f) 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 revenue and expenditures during the period. Actual results could differ from those estimates.

(g) 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 fulfil that contribution agreement.

Mackenzie Valley Land and Water Board

Notes to Financial Statements

March 31, 2019

3. Significant Accounting Policies (continued)

(h) 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. The Pension Plan is a contributory multi-employer defined benefit plan covering employees eligible to participate.

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.

3. Accounts Receivable

	2019	2018
Government of Canada - Department of Crown-Indigenous Relations and Northern Affairs Canada - contribution receivable	\$ 18,648	\$ 2,651
Government of Canada - Department of Crown-Indigenous Relations and Northern Affairs Canada - payroll receivable	134,843	26,817
Government of the Northwest Territories - Department of Environment and Natural Resources	11,041	27,500
Goods and services tax	19,002	\$ 33,589
Trade	19,916	33,002
	\$ 203,450	\$ 123,559

Allowance for doubtful accounts for the year ended March 31, 2019 is nil (2018 - nil).

4. Capital Assets

			2019	2018	
	Rate	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture and fixtures	20%	\$ 218,319	\$ 192,196	\$ 26,123	\$ 21,923
Computer equipment	30%	59,388	52,929	6,459	6,100
Computer software	100%	211,612	211,612	-	746
Leasehold improvements	SL/2yr	397,884	394,144	3,740	7,480
		\$ 887,203	\$ 850,881	\$ 36,322	\$ 36,249

5. 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%. As at year end, the Board had not utilized the line of credit. (2018 - nil)

Mackenzie Valley Land and Water Board

Notes to Financial Statements

March 31, 2019

6. Accounts Payable and Accrued Liabilities

	2019	2018
Accounts payable and accrued liabilities	\$ 58,650	\$ 108,812
Wages and benefits payable	97,061	83,954
Vacation and time-in-lieu payable	78,744	62,897
Government remittances payable	39,075	37,113
	\$ 273,530	\$ 292,776

7. Deferred Contributions

	2019	2018
Government of Canada - Department of Crown-Indigenous Relations And Northern Affairs Canada	\$ 466,726	\$ 606,439

Deferred revenue consists of amounts received for which project completion dates extending beyond the fiscal year end, or conditions attached to the use of the funds have not yet been met, or an operating advance received from a funding agency for the upcoming fiscal year. These amounts will be recognized in revenue as expenditures are incurred or conditions of funding are satisfied.

8. Interfund Transfer

The amount of \$14,685 (2018 - \$21,227) consists of the transfers from the unrestricted net assets (deficit) fund to the investment in tangible capital assets fund for the acquisition of capital assets.

9. Contractual Rights

The Board has signed a multi-year contribution agreement with the Government of Canada - Department of Indigenous and Northern Affairs Canada for \$3,000,000 annually from April 1, 2017 to March 31, 2022.

Mackenzie Valley Land and Water Board

Notes to Financial Statements

March 31, 2019

10. Pension Plan

Participating employers in the Plan, including the Board are required to make contributions to the plan of 8% (2018 - 8%) of pensionable earnings, and to remit employee contributions of 8% (2018 - 8%). These contributions cover current service costs and a provision for adverse deviation.

The Plan is governed by the *Northern Employee Benefits Services Pension Plan Act* (in force October 1, 2015) (the Act) and a Plan text document maintained by the administrator of the Plan. Both the Act and the Plan text document provide that participating employers are liable for their share of any funding shortfalls in the Plan as determined on a going concern basis, and on Plan windup. The Act and the Plan text document provide any going concern shortfalls, should they arise, are to be paid down over no more than 15 years and that contribution rates may be increased if necessary to do so.

Pursuant to the Act, the Plan is exempt from compliance with the Pension Benefits Standards Act, 1985 (PBSA) and is not required to be funded on a solvency basis.

As at January 1, 2019, the NEBS Pension Plan had a going concern surplus of \$25,300,000 (2018 - \$24,000,000) and a funded ratio of 112% (2018 - 113%). The Plan serves 3,033 employee members and 107 participating employers.

During the year contributions made by the Board to the NEBS pension plan totaled \$132,605 (2018 - \$107,725).

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
2020	\$ 17,694	\$ 239,313	\$ 257,007
2021	17,694	59,828	77,522
2022	17,694	-	17,694
2023	17,694	-	17,694
2024 and subsequent years	4,423	-	4,423
	\$ 75,199	\$ 299,141	\$ 374,340

12. Comparative Figures

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

13. Budget

The budget figures presented are unaudited, and are those approved by the Board on April 3, 2018.

Mackenzie Valley Land and Water Board

Notes to Financial Statements

March 31, 2019

14. Economic Dependence

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

15. Related Party Transactions

During the year, honoraria and 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.

16. 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 from government agencies.

The Board has funds in excess of federally insured limits in one Canadian federally regulated chartered bank.

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.

The Board's maximum exposure to credit risk is represented by the financial assets for a total of \$203,450 (2018 - \$123,559).

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 \$273,530 (2018 - \$292,776). 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.

Mackenzie Valley Land and Water Board

Schedule 1 - Public Hearings

For the year ended March 31,

	2019 Budget (Unaudited)	2019 Actual	2018 Actual
Revenue			
Government of Canada - Department of Crown-Indigenous Relations and Northern Affairs Canada	\$ 128,500	\$ 135,900	\$ 573,763
Transferred from deferred revenues	-	124,410	-
	128,500	260,310	573,763
Expenditures			
Board travel	10,725	17,056	42,167
Honoraria	16,075	28,833	86,186
Legal	43,200	22,806	135,000
Meeting costs	35,500	37,942	74,107
Office services and supplies	-	12,949	11,282
Salaries	-	69,722	87,574
Technical fees	23,000	58,021	13,037
	128,500	247,329	449,353
Excess revenue	-	12,981	124,410
Transfer to deferred contributions	-	(12,981)	(124,410)
Excess of revenue	\$ -	\$ -	\$ -

Mackenzie Valley Land and Water Board

Schedule 2 - Mackenzie Valley Resource Management Act and Administrative Monetary Penalties Workshops

For the year ended March 31,	2019 Budget (Unaudited)	2019 Actual	2018 Actual
Revenue			
Government of Canada - Department of Crown-Indigenous Relations and Northern Affairs Canada	\$ -	\$ -	\$ 35,260
Transferred from deferred revenues	-	-	4,528
	-	-	39,788
Expenditures			
Board travel	-	-	2,329
Board training	-	-	20,346
Honoraria	-	-	3,327
Legal	-	-	2,952
Office services and supplies	-	-	6,195
Salaries	-	-	4,639
	-	-	39,788
Excess revenue	\$ -	\$ -	\$ -

Mackenzie Valley Land and Water Board

Schedule 3 - Industrial Discharge

For the year ended March 31,

	2019 Budget (Unaudited)	2019 Actual	2018 Actual
Revenue			
Government of Northwest Territories - Department of Environment and Natural Resources	\$ -	\$ -	\$ 25,000
Expenditures			
Salaries	-	-	505
Technical advisory	-	-	24,495
	-	-	25,000
Excess revenue	\$ -	\$ -	\$ -

Mackenzie Valley Land and Water Board

Schedule 4 - GNWT - Legislative Amendments

For the year ended March 31,	2019 Budget (Unaudited)	2019 Actual	2018 Actual
Revenue			
Government of the Northwest Territories - Department of Environment and Natural Resources	\$ 24,300	\$ 24,300	\$ 22,500
Expenditures			
Legal	24,300	25,151	22,500
Excess expenditures	-	\$ (851)	\$ -

Mackenzie Valley Land and Water Board**Schedule 5 - Northern Legislative Initiatives**

For the year ended March 31,

	2019 Budget (Unaudited)	2019 Actual	2018 Actual
Revenue			
Government of Canada - Department of Crown-Indigenous Relations and Northern Affairs Canada	\$ 17,000	\$ 17,000	\$ -
Expenditures			
Legal fees	17,000	17,084	-
Excess expenditures	\$ -	\$ (84)	\$ -
