

Mackenzie Valley Land and Water Board

Financial Statements

March 31, 2011

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**Mackenzie Valley Land
and Water Board
Yellowknife, NT.**

Mackenzie Valley Land and Water Board

Financial Statements

March 31, 2011

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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 which comprises the statement of financial position as at March 31, 2011 and the statements of operations - operating fund, changes in equipment fund, 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 Generally Accepted Accounting Principles, 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 to express an on 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, 2011 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

**Yellowknife, Northwest Territories
July 22, 2011**

Mackay LLP

Chartered Accountants

Mackenzie Valley Land and Water Board

Statement of Operating Fund

For the year ended March 31,

	2011 Budget (Unaudited)	2011 Actual	2010 Actual
Revenue			
Department of Indian Affairs and Northern Development			
Core	\$ 2,400,000	\$ 2,400,000	\$ 2,470,000
Oil and Gas Capacity Building (Schedule 1)	-	-	845,000
Communication/Consultation Liason Officer (Schedule 2)	100,000	100,000	100,000
Training Initiative (Schedule 3)	320,000	320,000	200,000
Working Groups (Schedule 4)	135,000	141,125	45,000
Hearings (Schedule 5)	202,275	202,275	-
Deh Cho Panel (Schedule 6)	200,000	200,000	200,000
Other	-	-	1,543
	3,357,275	3,363,400	3,861,543
Core expenditures			
Advertising	17,580	8,468	24,722
Bad debts	-	2,378	-
Board	96,400	-	-
Capital assets	9,780	-	-
Communications	13,000	10,732	-
Computer support	17,580	22,910	18,962
Honoraria	114,000	227,679	226,705
Hospitality	7,800	9,893	6,329
Insurance	5,100	7,108	6,408
Licenses and dues	360	6,628	1,041
Meeting room rentals	-	427	5,815
Office rent	119,460	204,446	136,088
Office services and supplies	50,700	152,665	100,264
Postage, shipping and courier	20,160	6,303	10,288
Printed material	1,980	-	-
Professional	50,000	185	15,272
Professional fees	113,700	26,295	143,240
Repairs and maintenance	-	13,662	-
Technical advisory	-	30,000	277,463
Translation	-	-	16,883
Travel - board	84,280	83,413	111,494
Travel - charters	16,920	-	12,733
Travel - staff	57,615	9,169	7,424
Wages and benefits	1,610,096	1,555,503	1,221,633
	2,406,511	2,377,864	2,342,764
Program expenditures			
Oil and Gas Capacity Building (Schedule 1)	-	-	782,624
Communication/Consultation Liason Officer (Schedule 2)	95,724	100,000	75,420
Training Initiative (Schedule 3)	300,000	320,000	200,000
Working Groups (Schedule 4)	135,000	141,125	45,000
Hearings (Schedule 5)	202,275	194,149	-
Deh Cho Panel (Schedule 6)	198,883	199,280	200,000
	3,338,393	3,332,418	3,645,808
Excess revenue (expenditures)			
- operating fund	18,882	30,982	215,735
Transfer to equipment fund	(18,882)	(7,677)	(58,401)
Contribution repayable	-	(23,305)	-
	-	-	157,334
Excess revenue (expenditures)			
	-	-	157,334
Balance Operating Fund, beginning of year	-	(155,098)	(312,432)
Balance Operating Fund, end of year	\$ -	\$ (155,098)	\$ (155,098)

Mackenzie Valley Land and Water Board

Statement of Changes in Equipment Fund

<u>For the year ended March 31,</u>	<u>2011</u>	<u>2010</u>
Equipment Fund, beginning of year	\$ 111,446	\$ 171,450
Transfer from operating fund (Note 6)	7,677	58,401
Amortization	(71,424)	(118,405)
<u>Equipment Fund, end of year</u>	<u>\$ 47,699</u>	<u>\$ 111,446</u>

Mackenzie Valley Land and Water Board

Statement of Financial Position

As at March 31, 2011 2010

Assets

Current

Cash	\$ 173,585	\$ 213,524
Accounts receivable (Note 4)	154,337	213,960
Prepaid expenses	6,005	857

333,927 428,341

Equipment (Note 5) 47,699 111,446

\$ 381,626 \$ 539,787

Liabilities

Current

Accounts payable and accrued liabilities	465,719	583,439
Refundable contributions	23,306	-

489,025 583,439

Net Assets

Equipment fund 47,699 111,446

Operating fund (155,098) (155,098)

(107,399) (43,652)

\$ 381,626 \$ 539,787

Approved on behalf of the Board

 Director

 Director

Mackenzie Valley Land and Water Board

Statement of Cash Flows

For the year ended March 31,	2011	2010
Cash provided by (used in)		
Operating activities		
Excess revenue (expenditures) - operating fund	\$ 30,982	\$ 215,735
Items not affecting cash		
Change in non-cash operating working capital		
Accounts receivable	59,623	78,218
Prepaid expenses	(5,147)	16,170
Accounts payable and accrued liabilities	(117,720)	(6,746)
Refundable contributions	-	(72,732)
	(32,262)	230,645
Investing activity		
Purchase of equipment	(7,677)	(58,401)
Change in cash position	(39,939)	172,244
Cash position, beginning of year	213,524	41,280
Cash position, end of year	\$ 173,585	\$ 213,524

Mackenzie Valley Land and Water Board

Notes to Financial Statements

March 31, 2011

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

The following is a summary of the significant accounting policies used by management in the preparation of these financial statements.

(a) Financial Instruments – Recognition and Measurement

Section 3855 requires that all financial assets and financial liabilities be measured at fair value on initial recognition except for certain related party transactions. Measurement in subsequent periods depends on whether the financial asset or liability has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables or other liabilities.

Financial instruments classified as held-for-trading are subsequently measured at fair value and unrealized gains and losses are included in net income in the period in which they arise. Cash has been classified as held-for-trading.

Available-for-sale assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as held-for-trading, held-to-maturity, or loans and receivables. Available-for-sale assets are subsequently measured at fair value with unrealized gains and losses recorded in other comprehensive income until realized, at which time they will be recognized in net income. No assets have been classified as available-for-sale.

Held to maturity assets are those non-derivative financial assets with fixed or determinable payments and fixed maturity that the Board has an intention and ability to hold until maturity, excluding those assets that have been classified as held-for-trading, available-for-sale, or loans and receivables. They are subsequently measured at amortized cost using the effective interest method. No assets have been classified as held to maturity.

Financial instruments classified as loans and receivables are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand, usually with interest. These assets do not include debt securities or assets classified as held-for-trading. They are subsequently measured at amortized cost using the effective interest method. Accounts receivable have been classified as loans and receivables.

Accounts payable and accrued liabilities and refundable contributions are classified as other financial instruments and are measured at cost or amortized cost.

Mackenzie Valley Land and Water Board

Notes to Financial Statements

March 31, 2011

(b) Fund Accounting

The Board uses fund accounting to segregate transactions between its Operating Fund and Equipment Fund. The Operating Fund accounts for the Board's operating and administrative activities. The Equipment Fund reports the assets, liabilities, revenues and expenses related to capital assets.

(c) Equipment

Purchased equipment is recorded in the Equipment Fund at cost. Amortization is recorded in the Equipment Fund using the declining balance method, except for leasehold improvements which use the straight line method, at the annual rates set out in Note 5.

(d) Recognition of Contributions

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.

(e) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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.

(f) Allocation of Expenses

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 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.

Mackenzie Valley Land and Water Board

Notes to Financial Statements

March 31, 2011

3. Future Accounting Changes

Accounting Standards for Government Not-For-Profit Organizations.

In October 2010 the Public Sector Accounting Board ("PSAB") decided that, effective for fiscal years beginning on or after January 1, 2012, government not-for-profit organizations ("GNPO's") that have been preparing their financial statements in accordance with accounting standards for not-for-profit organizations contained in Section 4400 of the CICA Handbook, must report in accordance with the CICA's Public Sector Accounting Handbook into which Section 4400 will be incorporated. Early adoption of either framework is permitted, however, the Board has decided against early adoption. The impact of the transition to these accounting standards has not been determined.

4. Accounts Receivable

	2011	2010
Government of Canada - Dept. of Indian Affairs and Northern Development	\$ 95,500	\$ 139,000
Payroll advance receivable	673	-
Goods and services tax	58,164	32,686
Other	2,805	43,274
	157,142	214,960
Allowance for doubtful accounts	(2,805)	(1,000)
	\$ 154,337	\$ 213,960

5. Equipment

			2011	2010
	Rate	Cost	Accumulated Amortization	Net Book Value
Furniture and fixtures	20%	\$ 188,824	\$ 164,280	\$ 24,544
Computer equipment	30%	197,473	185,872	11,601
Plotter	30%	12,213	11,932	281
Computer software	100%	183,766	183,459	307
Leasehold improvements	SL/3yr	387,911	376,945	10,966
		\$ 970,187	\$ 922,488	\$ 47,699
				\$ 111,446

Mackenzie Valley Land and Water Board

Notes to Financial Statements

March 31, 2011

6. Interfund Transfer

The amount of \$ 7,677 (2010 - \$ 58,401) consists of the transfers from the Operating Fund to the Equipment Fund to fund the acquisition of assets.

7. Line of Credit

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 prime plus 2.50%. At March 31, 2011, no funds have been drawn on the line of credit.

8. Financial Instruments

The following sections describe the Board's financial risk management objectives and policies and the Board's financial risk exposures.

Financial risk management objectives and policies

The Board does not have formal risk management objectives and policies but it operates with the goal of recovering 100% of its expenditures.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. As the majority of the Board's receivables are owing from government entities, collection is likely which mitigates risk.

Mackenzie Valley Land and Water Board

Notes to Financial Statements

March 31, 2011

9. Commitments

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

	Equipment	Office	Total
2012	\$ 33,390	\$ 214,561	\$ 247,951
2013	13,646	214,561	228,207
2014	2,471	214,561	217,032
2015	-	53,640	53,640
	<hr/>	<hr/>	<hr/>
	\$ 49,507	\$ 697,323	\$ 746,830

10. Capital Disclosure

The Board's objectives when managing capital are:

(a) To safeguard the Board's ability to continue to fulfill its mandate under the *Mackenzie Valley Resource Management Act*.

(b) To provide an adequate return on investment of capital by providing services commensurate with the level of risk.

The Board manages the capital structure in light of changes in economic conditions and the risk characteristics of the underlying assets. The Board monitors capital on the basis of the working capital calculation. The is calculated as current assets minus current liabilities as follows:

	2011	2010
Current assets	\$ 333,927	\$ 428,341
Current liabilities	(489,025)	(583,439)
	<hr/>	<hr/>
	\$ (155,098)	\$ (155,098)

11. Comparative Figures

Certain of the prior year figures have been reclassified to conform with the current year's presentation.

12. Economic Dependence

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

Mackenzie Valley Land and Water Board

Schedule 1 - Oil and Gas Capacity Building

For the year ended March 31,

	2011 Budget (Unaudited)	2011 Actual	2010 Actual
Revenue			
Department of Indian Affairs and Northern Development	\$ -	\$ -	\$ 845,000
Expenditures			
Advertising	-	-	1,379
Communications	-	-	7,741
Computer support	-	-	3,000
Honoraria	-	-	28,446
Hospitality	-	-	1,305
Office rent	-	-	76,140
Office services and supplies	-	-	13,335
Postage, shipping and courier	-	-	2,811
Professional fees	-	-	2,126
Technical advisory	-	-	17,457
Training	-	-	14,530
Travel - board	-	-	28,763
Travel - staff	-	-	33,026
Wages and benefits	-	-	552,565
	-	-	782,624
Excess revenue	\$ -	\$ -	\$ 62,376

Mackenzie Valley Land and Water Board

Schedule 2 - Communication/Consultation Liaison Officer

For the year ended March 31,

	2011 Budget (Unaudited)	2011 Actual	2010 Actual
Revenue			
Department of Indian Affairs and Northern Development	\$ 100,000	\$ 100,000	\$ 100,000
Expenditures			
Advertising	-	-	1,356
Communications	-	-	20,143
Computer support	-	-	346
Office rent	21,720	21,720	5,526
Office services and supplies	-	3,180	1,066
Postage, shipping and courier	-	-	110
Training	-	453	-
Travel - staff	13,120	2,834	994
Wages and benefits	60,884	71,813	45,879
	95,724	100,000	75,420
	4,276	-	24,580
Contributions repayable	-	-	-
Excess revenue	\$ 4,276	\$ -	\$ 24,580

Mackenzie Valley Land and Water Board

Schedule 3 - Training Initiative

For the year ended March 31,

	2011 Budget (Unaudited)	2011 Actual	2010 Actual
Revenue			
Department of Indian Affairs and Northern Development	\$ 320,000	\$ 320,000	\$ 200,000
Expenditures			
Advertising	-	783	630
Honoraria	-	4,752	1,196
Hospitality	5,000	5,947	4,128
Meeting room rentals	-	6,104	1,363
Office supplies	-	2,675	-
Professional fees	50,000	13,525	-
Training	125,000	138,925	104,311
Travel - board	45,000	19,214	7,205
Travel - staff	75,000	100,371	81,113
Wages and benefits	-	27,704	54
	300,000	320,000	200,000
Contributions repayable	-	-	-
Excess revenue	\$ 20,000	\$ -	\$ -

Mackenzie Valley Land and Water Board

Schedule 4 - Working Groups

For the year ended March 31,

	2011 Budget (Unaudited)	2011 Actual	2010 Actual
Revenue			
Department of Indian Affairs and Northern Development	\$ 135,000	\$ 141,125	\$ 45,000
Expenditures			
Hospitality	-	5,083	-
Meeting room rentals	-	2,913	-
Office supplies and services	-	3,678	1,948
Teleconference	6,000	-	-
Technical advisory	47,000	32,025	40,010
Travel - board & staff	82,000	90,216	-
Travel - staff	-	-	3,042
Wages and benefits	-	7,210	-
	135,000	141,125	45,000
Contributions repayable	-	-	-
Excess revenue	\$ -	\$ -	\$ -

Mackenzie Valley Land and Water Board

Schedule 5 - Hearings

For the year ended March 31,

	2011 Budget (Unaudited)	2011 Actual	2010 Actual
Revenue			
Department of Indian Affairs and Northern Development	\$ 202,275	\$ 202,275	\$ -
Expenditures			
Advertising	-	1,656	-
Honoraria	11,200	5,264	-
Hospitality	8,000	3,389	-
Legal	59,500	41,512	-
Meeting room rentals	4,200	1,875	-
Miscellaneous	3,965	2,528	-
Salaries	-	74,168	-
Sound system	9,140	7,874	-
Technical fees	62,140	29,769	-
Transcribing	16,900	5,706	-
Translation	14,780	6,009	-
Travel - board & staff	12,450	14,399	-
	202,275	194,149	-
Contributions repayable	-	(8,126)	-
Excess revenue	\$ -	\$ -	\$ -

Mackenzie Valley Land and Water Board

Schedule 6 - Deh Cho Panel

For the year ended March 31,

	2011 Budget (Unaudited)	2011 Actual	2010 Actual
Revenue			
Department of Indian Affairs and Northern Development	\$ 200,000	\$ 200,000	\$ 200,000
Expenditures			
Advertising	-	1,919	3,233
Honoraria	57,000	52,863	65,706
Hospitality	-	1,974	2,015
Meeting room rentals	-	2,173	90
Office services and supplies	-	5,487	36
Postage, shipping and courier	-	23	-
Professional fees	14,100	44,676	17,748
Salaries	100,000	31,801	-
Technical advisory	-	17,305	43,623
Translation	-	9,540	5,498
Travel - board	27,783	22,810	49,204
Travel - charters	-	6,101	12,211
Travel - staff	-	2,608	636
	198,883	199,280	200,000
Contributions repayable	-	(720)	-
Excess revenue	\$ 1,117	\$ -	\$ -

Mackenzie Valley Land and Water Board 2011

Schedule of Salary and Benefits, Honoraria and Travel Expenses

For the year ended March 31, 2011

Positions	Months Employed	Salary & Benefits	Honoraria	Travel
Board Chair	12	\$ -	\$ 150,250	\$ 89,546
Director	12	-	25,996	6,897
Director	12	-	29,770	7,219
Director	12	-	35,603	17,498
Director	12	-	9,655	5,123
Director	12	-	3,819	1,363
Director	12	-	3,822	1,732
Director	12	-	5,230	1,260
Director	12	-	3,419	1,381
Director	12	-	2,011	1,123
Director	12	-	400	96
Director	12	-	3,218	1,309
Director	12	-	2,012	1,095
Director	12	-	2,012	1,345
Director	12	-	4,623	1,502
Director	12	-	3,218	1,633

The remainder of the schedule relates to individual staff members salary and benefits protected by Privacy legislation –salary ranges and benefit information for staff are available by request to the Board.