

Giant Mine Oversight Body Society

Financial Statements

March 31, 2019

Giant Mine Oversight Body Society

Financial Statements

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Independent Auditors' Report

To the Members of Giant Mine Oversight Body Society

Opinion

We have audited the financial statements of Giant Mine Oversight Body Society, which comprise the statement of financial position as at March 31, 2019, and the statements of operations, changes in net assets 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 Society as at March 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian 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 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 for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian 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 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 has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society'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 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 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 Society to cease to continue as a going concern.
- ♦ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, 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.

A handwritten signature in black ink that reads "Crowe Mackay LLP".

Yellowknife, Canada
August 22, 2019

Chartered Professional Accountants

Giant Mine Oversight Body Society

Statement of Operations

For the year ended March 31,	2019	2018
Revenues		
Interest income	\$ 1	\$ 922
Contribution - Government of Canada - Operating	777,076	669,630
Contribution - Government of Canada - Research	388,206	180,285
Transfer from deferred revenue	37,146	37,146
Transfer to deferred capital contributions	(8,073)	(3,251)
Amortization of deferred capital contributions	17,601	22,314
Contribution repayable	-	(99,410)
	1,211,957	807,636
Expenses		
Accounting, audit, and legal	60,499	43,094
Advertising and promotion	20,465	8,003
Amortization	17,601	22,314
Contract and consulting fees	92,301	78,758
Equipment rental	-	235
Honoraria	177,338	189,674
Insurance	8,110	8,634
Interest and bank charges	2,771	3,541
Materials and supplies	6,141	12,022
Meeting expenses	20,417	18,207
Office and general	12,508	15,648
Programming	2,670	26,233
Rent	38,911	38,684
Research and development	12,469	59,805
Telephone and utilities	5,638	5,341
Training	2,818	450
Travel	42,250	43,252
Wages and benefits	194,741	233,741
	717,648	807,636
Excess of revenues over expenses	\$ 494,309	\$ -

Giant Mine Oversight Body Society

Statement of Changes in Net Assets

For the year ended March 31, 2019

	Operating Fund	Research Fund	Total 2019	Total 2018
Balance, beginning of year	\$ -	\$ -	\$ -	\$ -
Excess of revenues over expenses	494,309	-	494,309	-
Transfer to Research Fund (note 3)	(494,309)	494,309	-	-
Balance, end of year	\$ -	\$ 494,309	\$ 494,309	\$ -

Giant Mine Oversight Body Society

Statement of Financial Position

March 31, 2019 2018

Assets

Current

Cash	\$ 536,833	\$ 105,878
Accounts receivable (note 4)	5,205	13,734
Prepaid expenses (note 5)	36,768	73,133

578,806 192,745

Tangible capital assets (note 6) 42,041 51,570

\$ 620,847 \$ 244,315

Liabilities

Current

Accounts payable and accrued liabilities	\$ 24,836	\$ 62,073
Salaries payable (note 7)	30,895	50,341
Deferred revenue (note 8)	28,766	65,912
Contribution repayable (note 9)	-	14,419

84,497 192,745

Deferred capital contributions (note 10) 42,041 51,570

126,538 244,315

Net Assets

Operating Fund


Research Fund	494,309	-
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494,309 -

\$ 620,847 \$ 244,315

Approved on behalf of the board:

 Director

 Director

Giant Mine Oversight Body Society

Statement of Cash Flows

For the year ended March 31,	2019	2018
Cash provided by (used for)		
Operating activities		
Excess of revenues over expenses	\$ 494,309	\$ -
Items not affecting cash		
Amortization	17,601	22,314
Amortization of deferred capital contribution	(17,601)	(22,314)
	494,309	-
Change in non-cash working capital items		
Accounts receivable	8,529	(6,972)
Prepaid expenses	36,365	37,411
Accounts payable and accrued liabilities	(37,237)	49,108
Salaries payable	(19,446)	39,639
Deferred revenue	(37,146)	(37,146)
Contribution repayable	(14,419)	1,679
	430,955	83,719
Financing activity		
Deferred capital contributions	8,072	3,251
Investing activity		
Purchase of tangible capital assets	(8,072)	(3,251)
Increase in cash	430,955	83,719
Cash, beginning of year	105,878	22,159
Cash, end of year	\$ 536,833	\$ 105,878

Giant Mine Oversight Body Society

Notes to the Financial Statements

March 31, 2019

1. Nature of operations

Giant Mine Oversight Body Society is a not-for-profit organization incorporated under the Northwest Territories' *Societies Act*. The Society was formed to fulfil the mandate and carry out the roles and responsibilities of the independent oversight body of the Giant Mine Remediation Project, in accordance with and in furtherance of the Giant Mine Remediation Project Environmental Agreement, as that agreement may be amended from time to time.

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

2. Significant accounting policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies are detailed as follows:

(a) Fund and fund accounting

The Society follows the restricted fund method of accounting. Under this method operations are separated between unrestricted and restricted activities with a set of self-balancing accounts for each fund. The Society uses the following funds:

- (i) The Operating Fund accounts for the Society's program delivery and administrative activities. This fund reports unrestricted resources and restricted operating grants. Surpluses are transferred to the Research Fund in accordance with INAC agreement.
- (ii) The Research Fund reports only internally restricted funds to be used in conjunction with research activities.

Contributions and other revenues are recognized in the fund corresponding to the purpose for which they were contributed or raised. Restricted contributions and other revenues contributed to or raised for the general fund are deferred and recognized in the year in which the related expenses are incurred.

Interest revenue is recognized when it is earned.

(b) Financial instruments

Financial assets originated or acquired or financial liabilities issued or assumed in an arm's length transaction are initially measured at their fair value. In the case of a financial asset or financial liability not subsequently measured at its fair value, the initial fair value is adjusted for financing fees and transaction costs that are directly attributable to its origination, acquisition, issuance or assumption. Such fees and costs in respect of financial assets and liabilities subsequently measured at fair value are expensed.

The Society subsequently measures the following financial assets and financial liabilities at amortized cost:

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, salaries payable, and contribution repayable.

Giant Mine Oversight Body Society

Notes to the Financial Statements

March 31, 2019

2. Significant accounting policies (continued)

The Society subsequently measures no financial assets and financial liabilities at fair value.

At the end of each reporting period, management assesses whether there are any indications that financial assets measured at cost or amortized cost may be impaired. If there is an indication of impairment, management determines whether a significant adverse change has occurred in the expected timing or the amount of future cash flows from the asset, in which case the asset's carrying amount is reduced to the highest expected value that is recoverable by either holding the asset, selling the asset or by exercising the right to any collateral. The carrying amount of the asset is reduced directly or through the use of an allowance account and the amount of the reduction is recognized as an impairment loss in operations. Previously recognized impairment losses may be reversed to the extent of any improvement. The amount of the reversal, to a maximum of the related accumulated impairment charges recorded in respect of the particular asset, is recognized in operations.

(c) Tangible capital assets

Tangible capital assets are recorded at cost. The Society provides for amortization using the declining balance and straight-line methods at rates designed to amortize the cost of the assets over their estimated useful lives, as set out in note 6.

When tangible capital assets are sold or retired, the related cost and accumulated amortization are removed from the accounts and any gain or loss is charged against earnings in the period.

Tangible capital assets acquired or constructed during the year are not amortized until they are put into use.

One half of the year's amortization is recorded in the year of acquisition unless the tangible capital asset was acquired in March, in which case no amortization is recorded. No amortization is recorded in the year of disposal.

(d) Employee future benefits policy

Provision has been made for the Society's liability for employee future benefits arising from services rendered by employees at date of statement of financial position. Accordingly, the Society has provided for obligations related to unused vacation entitlement. The accrued amounts have been classified under salaries payable.

(e) Use of estimates

The preparation of the 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 dates of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Giant Mine Oversight Body Society

Notes to the Financial Statements

March 31, 2019

3. Transfer

In accordance with the contribution agreement with the Government of Canada, any surpluses in the generated in the Operating Fund are transferred to the Research Fund.

4. Accounts receivable

	2019	2018
GST receivable	\$ 5,205	\$ 13,734

5. Prepaid expenses

	2019	2018
Prepaid insurance	\$ 8,229	\$ 6,231
Prepaid rent	28,539	66,042
Workers compensation premium	-	860
	\$ 36,768	\$ 73,133

6. Tangible capital assets

			2019	2018
	Rate	Cost	Accumulated amortization	Net book value
Website	100%	\$ 12,654	\$ 12,654	\$ -
Leasehold improvements	5 years	8,626	5,176	3,450
Office equipment and furniture	5 years	47,170	24,251	22,919
Computer equipment and software	5 years	34,605	18,933	15,672
		\$ 103,055	\$ 61,014	\$ 42,041

Giant Mine Oversight Body Society

Notes to the Financial Statements

March 31, 2019

7. Salaries payable

	2019	2018
Accrued salaries and wages	\$ 15,130	\$ 32,588
Government remittances	7,874	7,855
Vacation and VTA payable	7,891	9,898
	<u>\$ 30,895</u>	<u>\$ 50,341</u>

8. Deferred revenue

	2019	2018
Government of Canada - Indigenous and Northern Affairs	\$ 28,766	\$ 65,912

9. Contribution repayable

	2019	2018
Government of Canada - Indigenous and Northern Affairs	\$ -	\$ 99,410
Less: holdback receivable	-	(84,991)
	<u>\$ -</u>	<u>\$ 14,419</u>

10. Deferred capital contributions

			2019	2018		
			Cost	Accumulated amortization	Net book value	Net book value
Government of Canada - Indigenous and Northern Affairs			\$ 103,055	\$ 61,014	\$ 42,041	\$ 51,570

11. Contractual commitment

The Society's total commitment for a consulting contract related to the Giant Mine water licence review is as follows:

2020	\$ 83,948
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Giant Mine Oversight Body Society

Notes to the Financial Statements

March 31, 2019

12. Financial instruments

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

(a) Credit risk

The Society does have credit risk in accounts receivable of \$5,205 (2018 - \$13,734). Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The Society reduces its exposure to credit risk by reviewing its account receivable listing for balances outstanding for more than 90 days and following up with the funding agency for payment. When it is determined that that collection is doubtful an allowance for bad debts is recognized. There has been no change to this risk from the prior year.

(b) Liquidity risk

The Society does have a liquidity risk in the accounts payable and accrued liabilities and contribution repayable of \$55,731 (2018 - \$126,833). Liquidity risk is the risk that the Society cannot repay its obligations when they become due to its creditors. The Society reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due; maintains an adequate line of credit to repay trade creditors. There has been no change to this risk from the prior year.

13. Economic dependence

The Society receives 100% (2018 - 100%) of its revenue through a funding agreement from the Government of Canada - Indigenous and Northern Affairs. The Society's continued operations are dependent on this funding agreement and on satisfying the terms of the agreement.

Giant Mine Oversight Body Society**SCHEDULE A****Operating Fund**

For the year ended March 31,	2019	2018
Revenue		
Interest income	\$ 1	\$ 922
Contribution - Government of Canada - Operating	777,076	669,630
Transfer from deferred revenue	37,146	37,146
Transfer to deferred capital contributions	(8,073)	(3,250)
Amortization of deferred capital contributions	17,601	22,314
Contribution repayable	-	(31,614)
	823,751	695,148
Expenses		
Accounting, audit, and legal	\$ 60,499	\$ 43,094
Advertising and promotion	20,465	8,003
Amortization	17,601	22,314
Contract and consulting fees	46,149	57,149
Equipment rental	-	235
Honoraria	151,684	164,096
Insurance	8,110	8,634
Interest and bank charges	2,771	3,541
Materials and supplies	6,141	12,022
Meeting expenses	16,090	17,660
Office and general	12,507	15,650
Programming	2,670	26,233
Rent	38,911	38,684
Telephone and utilities	5,638	5,341
Training	2,818	450
Travel	28,442	39,002
Wages and benefits	194,741	233,040
	615,237	695,148
Excess revenue over expenses	\$ 208,514	\$ -

Giant Mine Oversight Body Society**SCHEDULE B****Research Fund**

For the year ended March 31,	2019	2018
Revenue		
Contribution - Government of Canada - Research	\$ 388,206	\$ 180,285
Contribution repayable	-	(67,796)
	388,206	112,489
Expenses		
Professional services	46,153	21,608
Research workshop and other expenses	12,469	59,805
Honoraria	25,654	25,578
Meeting expenses	4,327	-
Office expenses	-	547
Travel and accommodations	13,808	4,250
Wages and benefits	-	701
	102,411	112,489
Excess revenue over expenses	\$ 285,795	\$ -