

**INDEPENDENT ENVIRONMENTAL MONITORING AGENCY**

**Financial Statements**

**March 31, 2022**

**INDEPENDENT ENVIRONMENTAL MONITORING AGENCY**  
**Financial Statements**

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**Year ended March 31, 2022**

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## Independent Environmental Monitoring Agency

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### **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

The accompanying financial statements have been prepared by management, which is responsible for the reliability, integrity and objectivity of the information provided. They have been prepared in accordance with Canadian accounting standard for Not-for-Profit Organizations. Where necessary the statements include amounts that are based on informed judgments and estimates by management, giving appropriate consideration to reasonable limits of materiality.

In discharging its responsibility for the integrity and fairness of the financial statements and for the accounting systems from which they are derived, management maintains the necessary system of internal controls designed to provide assurance that transactions are authorized, assets are safeguarded and proper records are maintained. These controls include quality standards in hiring and training employees, written policies and procedures manuals, and accountability for performance within appropriate and well-defined areas of responsibility. IEMA's management recognizes its responsibility for conducting the IEMA's affairs in accordance with the requirements of applicable laws and sound business principles, and for maintaining standards of conduct that are appropriate to IEMA.

The Auditor annually provides an independent, objective audit for the purpose of expressing an opinion on the financial statements in accordance with generally accepted auditing standards. The Auditor also considers whether the transactions that come to his notice in the course of this audit are, in all significant respects, in accordance with specified legislation and directives from IEMA.

Kim Poole  
Secretary Treasurer  
July 26, 2022



YELLOWKNIFE  
ACCOUNTING  
PROFESSIONAL CORPORATION

CHARTERED PROFESSIONAL  
ACCOUNTANTS

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## Independent Auditor's Report

To the directors of **Independent Environmental Monitoring Agency**:

### **Opinion**

We have audited the accompanying financial statements of **Independent Environmental Monitoring Agency (IEMA)**, which comprise the statement of financial position as at March 31, 2022, statement of operations, statement of changes in net assets and statement of 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 **IEMA** as at March 31, 2022, and the results of its 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of **IEMA** 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 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 **IEMA'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 **IEMA** or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing **IEMA's** financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material 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 **IEMA'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 **IEMA's** ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause **IEMA** 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.

*EPR Yellowknife Accounting Prof. Corp.*

EPR Yellowknife Accounting Professional Corporation  
Chartered Professional Accountants  
Yellowknife, NWT  
July 26, 2022

**INDEPENDENT ENVIRONMENTAL MONITORING AGENCY**  
**Statement of Financial Position**  
**As at March 31, 2022**

**Statement I**

	<b>2022</b>	<b>2021</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 63,880	\$ 115,744
Account receivables	-	1,133
Restricted cash (Note 5)	519,867	483,338
Prepaid expenses	1,829	2,974
	<b>585,576</b>	<b>603,189</b>
<b>Non-current assets</b>		
Tangible capital assets (Note 6)	15,735	16,378
<b>TOTAL ASSETS</b>	<b>601,311</b>	<b>619,567</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 7)	54,802	109,052
Deferred revenue (Note 8)	378,650	366,201
Contributions payable (Note 9)	141,217	117,137
	<b>574,669</b>	<b>592,390</b>
<b>Non-current liabilities</b>		
Deferred capital contributions	14,556	15,091
	<b>589,225</b>	<b>607,481</b>
<b>NET ASSETS</b>		
Unrestricted Fund	(3,649)	(4,292)
Tangible Capital Assets Fund	15,735	16,378
	<b>12,086</b>	<b>12,086</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 601,311</b>	<b>\$ 619,567</b>

APPROVED BY:



, Director



, Director

**INDEPENDENT ENVIRONMENTAL MONITORING AGENCY**  
**Statement of Operations**  
**For the Year Ended March 31, 2022**

**Statement II**

	2022	2021
<b>REVENUES</b>		
Core fund-Arctic Canadian Diamond Company	\$ 692,401	\$ 687,310
Separate fund-Arctic Canadian Diamond Company	40,000	40,000
Interest income	1,110	1,604
Wages subsidy	-	1,219
Transfer to deferred capital contributions	(4,541)	(17,837)
Amortization of deferred capital contributions	5,075	2,746
<b>TOTAL REVENUES</b>	<b>734,045</b>	<b>715,042</b>
<b>EXPENSES</b>		
<b>Board meetings, Conference Calls, Follow-up</b>		
Honoraria	30,232	39,809
<b>IEMA Participation in Document Review</b>		
Honoraria	79,725	78,825
<b>Separate Fund PT LK</b>		
Honoraria	51,865	-
Others-professional fees	16,360	-
<b>Community Consultation and Communications</b>		
Community visits	399	-
Annual report	34,085	63,653
AGM	4,858	8,871
Other meetings including workshops	14,756	161
<b>Outside Contracts</b>		
Other Professional fees	64,728	67,044
<b>Management and Administrations</b>		
Amortization	5,184	3,194
Auditing and bookkeeping	19,482	20,182
Professional fees	3,094	12,039
Office rental	31,650	31,500
Insurance	4,988	4,449
Telephone, Internet and email	7,692	8,594
Office supplies, printing, postage	2,431	3,233
Interest and bank charges	1,003	920
Cleaning, repairs and maintenance	7,051	5,441
Wages and benefits	213,247	249,990
<b>TOTAL EXPENSES</b>	<b>592,830</b>	<b>597,905</b>
<b>Excess of revenues over expenses for the year</b>	<b>\$ 141,215</b>	<b>\$ 117,137</b>
<b>Other Items</b>		
Unspent funding-Core	(141,217)	(77,137)
Unspent funding-Separate Fund	-	(40,000)
	(141,217)	(117,137)
<b>Excess of revenues over expenses for the year</b>	<b>\$ -</b>	<b>\$ -</b>

The accompanying notes and schedules form an integral part of the financial statements.

**INDEPENDENT ENVIRONMENTAL MONITORING AGENCY**  
**Statement of Changes in Net Assets**  
**For the Year Ended March 31, 2022**

**Statement III**

**2022**

	<b>Total</b>	<b>Unrestricted fund</b>	<b>Tangible capital assets fund</b>
<b>Balance, Beginning of Year</b>	\$ 12,086	\$ (4,292)	\$ 16,378
Excess of revenues over Expenditure	-	-	-
Amortization	-	5,184	(5,184)
Additions	-	(4,541)	4,541
<b>Balance, End of Year</b>	<b>\$ 12,086</b>	<b>\$ (3,649)</b>	<b>\$ 15,735</b>

**2021**

	<b>Total</b>	<b>Unrestricted fund</b>	<b>Tangible capital assets fund</b>
<b>Balance, Beginning of Year</b>	\$ 12,086	\$ 10,350	\$ 1,736
Excess of revenues over Expenditure	-	-	-
Amortization	-	3,194	(3,194)
Additions	-	(17,836)	17,836
<b>Balance, End of Year</b>	<b>\$ 12,086</b>	<b>\$ (4,292)</b>	<b>\$ 16,378</b>

The accompanying notes and schedules form an integral part of the financial statements.



**INDEPENDENT ENVIRONMENTAL MONITORING AGENCY**  
**Statement of Cashflows**  
**For the Year Ended March 31, 2022**

**Statement IV**

	<b>2022</b>	<b>2021</b>
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess of revenue over expenses	\$ -	\$ -
<b>Items not affecting cash</b>		
Amortization	5,184	3,194
	5,184	3,194
<b>Changes in non-cash working capital balances</b>		
Increase in accounts receivable	1,133	(1,133)
Increase in prepaid expenses	1,145	(1,258)
Increase in accounts payable and accrued liabilities	(54,251)	45,326
Increase (decrease) in deferred revenue	12,449	366,201
Increase (decrease) in contributions repayable	24,081	9,523
Increase (decrease) in deferred capital contribution	(535)	15,091
Net change in non-cash working capital balances	(15,978)	433,750
Net cash provided by (used in) operating activities	(10,794)	436,944
<b>Investing activity</b>		
Purchase of capital assets	(4,541)	(17,837)
Net cash provided by (used in) investing activities	(4,541)	(17,837)
Increase (decrease) in cash and cash equivalents	(15,335)	419,107
CASH, BEGINNING OF YEAR	599,082	179,975
<b>CASH, END OF YEAR</b>	<b>\$ 583,747</b>	<b>\$ 599,082</b>
Cash consists of :		
Operating cash	63,880	115,744
Restricted cash	519,867	483,338
	<b>\$ 583,747</b>	<b>\$ 599,082</b>

The accompanying notes and schedules form an integral part of the financial statements

# INDEPENDENT ENVIRONMENTAL MONITORING AGENCY

## Notes to Financial Statements

### For The Year Ended March 31, 2022

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#### 1. ORGANIZATION AND JURISDICTION

Independent Environmental Monitoring IEMA ("IEMA") is a not-for-profit organization incorporated under the Societies Act of the Northwest Territories. It is exempt from income tax under Section 149(1)(i) of the Income Tax Act.

The mission of IEMA is to oversee environmental management of the Ekati Diamond site in the Northwest Territories.

#### 2. BASIS OF ACCOUNTING

These financial statements have been prepared in accordance with the significant accounting policies set out below. These financial statements are prepared in accordance with Canadian Accounting Standards for not-for-profit organizations.

#### 3. SIGNIFICANT ACCOUNTING POLICIES

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

##### a) Fund accounting

The accounts of IEMA are maintained in accordance with the principle of fund accounting. A fund is a set of accounts established to classify resources according to specific activities. The following funds are maintained and are internally restricted by IEMA.

Unrestricted Fund - to record the general activities of IEMA.

Tangible capital assets fund - to record the historical cost of equipment acquired less accumulated amortization and disposal.

##### b) Tangible capital assets

Capital Assets are recorded at cost. Amortization is applied as a reduction to both the asset and net assets invested in Equipment. Amortization is calculated by the declining balance method over their estimated useful lives at the following rates:

Equipment	20%
Computer Equipment	30%
Computer Equipment-New	55%
Website	30%

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. No amortization is recorded in the year of disposal.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTD...)**

**c) Financial instruments - recognition and measurement**

IEMA measures its financial assets and financial liabilities at fair value. IEMA subsequently measures all of its financial assets and financial liabilities at amortized cost, except for investment in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statement of operations.

Financial assets measured at cost include cash and cash equivalents, term deposits and restricted cash.

Financial liabilities that are measured at cost include accounts payable and accrued liabilities and contributions repayable.

**d) Impairment**

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. 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. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in net income. The write down reflects the difference between the carrying amount and the higher of:

- the present value of the cash flows expected to be generated by the asset or group of assets;
- the amount that could be realized by selling the assets or group of assets;
- the net realizable value of any collateral held to secure repayment of the assets or group of assets.

When the events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in net income to a maximum of the accumulated impairment loss recorded in respect of the particular financial asset.

**e) Deferred revenue**

Deferred revenue is the unspent contribution amounts received during the fiscal year. It is reported as a current liability as it is expected that the program will be completed or funds be repaid within the next fiscal year.

**f) Revenue recognition**

IEMA follows the deferred method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which related expenses occur. Unrestricted contributions are recognized as revenue when they are received or receivable or if the amount can be reasonably estimated and its collection is reasonably assured.

Interest income is recognised when earned.

**g) Use of Estimates**

The preparation of financial statements in conformity with Canadian 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 balance sheet date and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

**INDEPENDENT ENVIRONMENTAL MONITORING AGENCY**  
**Notes to Financial Statements**  
**For The Year Ended March 31, 2022**

**5. RESTRICTED CASH**

Restricted cash represents cash received from Arctic Canadian Diamond Company that is intended for a specific purpose or represents the amount to repay.

	2022	2021
Cash received in advance for the next fiscal year <i>(Note 8)</i>	378,650	366,201
Cash repayable from annual surplus <i>(Note 9)</i>	141,217	117,137
	<b>\$ 519,867</b>	<b>\$ 483,338</b>

**6. TANGIBLE CAPITAL ASSETS**

	Cost	Accumulated Amortization	2022 Net Book Value	2021 Net Book Value
Equipment	\$ 29,941	\$ 16,284	\$ 13,656	\$ 11,962
Computer equipment	14,023	12,199	1,823	4,052
Website	15,120	14,864	256	364
	<b>\$ 59,084</b>	<b>\$ 43,347</b>	<b>\$ 15,735</b>	<b>\$ 16,378</b>

**7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	2022	2021
Accounts payable and accrued liabilities	\$ 17,558	\$ 62,720
Payroll remittances-Canada Revenue Agency	17,587	24,874
GNWT-Payroll taxes	1,623	1,451
Salaries, benefits and vacation payable	18,034	20,007
	<b>\$ 54,802</b>	<b>\$ 109,052</b>

**8. DEFERRED REVENUE**

Deferred revenue consists of payments received in advance from Arctic Canadian Diamond Company and is intended for the upcoming fiscal year expenditures.

	2022	2021
Opening balance	\$ 366,201	\$ -
Plus amount received related to the following year	378,650	366,201
Less amount recognized as revenue in the year	(366,201)	-
	<b>\$ 378,650</b>	<b>\$ 366,201</b>

**INDEPENDENT ENVIRONMENTAL MONITORING AGENCY**  
**Notes to Financial Statements**  
**For The Year Ended March 31, 2022**

**9. CONTRIBUTIONS REPAYABLE**

	<b>2022</b>	<b>2021</b>
Arctic Canadian Diamond Company Core Funding	\$ 141,217	\$ 77,137
Arctic Canadian Diamond Company Separate Funding	-	40,000
	<b>\$ 141,217</b>	<b>\$ 117,137</b>

Contributions repayable arising from one fiscal year are normally deducted from contributions provided by Arctic Canadian Diamond Company in the following fiscal year. In the year, IEMA had excess contributions of \$141,217 which is to be deducted from the 2022/2023 contributions.

**12. CONTRACTUAL OBLIGATIONS**

IEMA leases the office building under a lease expiring on December 31, 2023. Future minimum lease payments total \$61,047 and include the following payments over the next two years: 2022 - \$30,523.50 and 2023 - \$ 30,523.50.

**13. ECONOMIC DEPENDENCE**

IEMA receives all of its contribution funding from Arctic Canadian Diamond Company. Management is of the opinion that operations would be significantly affected if the funding was substantially curtailed or ceased. The funding arrangement is governed by legislation.

**14. FINANCIAL INSTRUMENTS**

Financial instruments consist of recorded amounts of cash and cash equivalents, term deposits and restricted cash as well as accounts payable and accrued liabilities, deferred revenue, and contributions repayable which will result in future cash outlays.

IEMA is exposed to the following risks in respect of certain of the financial instruments held:

**(a) Credit risk**

Credit risk arises from the potential that a counter party will fail to perform its obligations. IEMA does have credit risk in cash, cash equivalents, term deposits, and restricted cash of \$ 585,576 (2021 - \$603,189) as a result of having funds with one chartered bank in excess of the insurable limit. Furthermore, IEMA has a concentration of credit risk as full balance of cash is held at one financial institution. This risk has not changed from the prior year.

**(b) Liquidity risk**

Liquidity risk arises from the potential that an entity will have difficulty in meeting its obligation associated with the financial liabilities. IEMA does have a liquidity risk in the accounts payable and accrued liabilities and contributions repayable of \$ 589,226 (2021 - \$607,481). Liquidity risk is the risk that IEMA cannot repay its obligations when they become due to its creditors. This risk has not changed from the prior year. IEMA manages liquidity risk by continually monitoring actual and forecasted cash flows from operations to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to IEMA's reputation. IEMA has determined that the risk is not significant.

**15. COMPARATIVE FIGURES**

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



