

INDEPENDENT ENVIRONMENTAL MONITORING AGENCY

Financial Statements

March 31, 2023

INDEPENDENT ENVIRONMENTAL MONITORING AGENCY
Financial Statements

Year ended March 31, 2023

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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. The Agency's management recognizes its responsibility for conducting the Agency'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 the Agency.

A handwritten signature in black ink, appearing to read "Kim Poole". The signature is written in a cursive, flowing style.

Kim Poole
Secretary Treasurer
September 14, 2023



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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, 2023, and the statement of operations, statement of changes in fund balances 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, 2023, 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
September 14, 2023

INDEPENDENT ENVIRONMENTAL MONITORING AGENCY
Statement of Financial Position
As at March 31, 2023

Statement I

| | 2023 | 2022 |
|--|-------------------|-------------------|
| Assets | | |
| Current assets | | |
| Cash | \$ 113,014 | \$ 63,880 |
| Restricted cash (<i>Note 4</i>) | 603,397 | 519,867 |
| Prepaid expenses | 1,196 | 1,829 |
| | 717,607 | 585,576 |
| Non-Current assets | | |
| Tangible capital assets (<i>Note 5</i>) | 11,924 | 15,735 |
| Total Assets | 729,531 | 601,311 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities (<i>Note 6</i>) | 103,302 | 54,802 |
| Deferred revenue (<i>Note 7</i>) | 404,000 | 378,650 |
| Contributions payable (<i>Note 8</i>) | 199,397 | 141,217 |
| | 706,699 | 574,669 |
| Non-Current liabilities | | |
| Deferred Capital Contribution | 10,746 | 14,556 |
| Total Liabilities | 717,445 | 589,225 |
| Fund Balances | | |
| Unrestricted Fund | 162 | (3,649) |
| Tangible Capital Asset Fund | 11,924 | 15,735 |
| Total Fund Balances | 12,086 | 12,086 |
| Total Liabilities & Fund Balances | \$ 729,531 | \$ 601,311 |

Approved by:



, Director



, Director

Statement of Operations

For the Year Ended March 31, 2023

| | 2023 | 2022 |
|--|-------------------|-------------------|
| Revenues | | |
| Core fund-Arctic Canadian Diamond Company | \$ 717,302 | \$ 692,401 |
| Separate fund-Arctic Canadian Diamond Company | 40,000 | 40,000 |
| Interest income | 10,188 | 1,110 |
| Transfer to deferred capital contribution | - | (4,541) |
| Amortization of deferred capital contributions | 3,811 | 5,075 |
| Total Revenues | 771,301 | 734,045 |
| Expenses | | |
| Board meetings, Conference Calls, Follow-up | | |
| Honoraria | 62,544 | 33,227 |
| IEEMA Participation in Document Review | | |
| Honoraria | 51,364 | 79,725 |
| Separate Fund | | |
| Honoraria | 28,989 | 51,865 |
| Others-professional fees | 263 | 16,360 |
| Community Consultation and Communications | | |
| Community visits | 999 | 399 |
| Annual report | 41,526 | 34,085 |
| AGM | 14,652 | 4,858 |
| Other meetings including workshops | 393 | 14,763 |
| Outside Contracts | | |
| Other Professional fees | 5,569 | 64,728 |
| Management and Administrations | | |
| Amortization | 3,811 | 5,184 |
| Auditing and bookkeeping | 18,973 | 19,482 |
| Professional fees | - | 3,094 |
| Office rental | 32,251 | 31,650 |
| Insurance | 6,595 | 4,988 |
| Telephone, Internet and email | 8,706 | 7,692 |
| Office supplies, printing, postage | 3,753 | 2,431 |
| Interest and bank charges | 2,528 | 1,003 |
| Cleaning, repairs and maintenance | 6,310 | 7,051 |
| Other | 397 | - |
| Wages and benefits | 282,281 | 210,245 |
| Total Expenses | 571,904 | 592,830 |
| Excess of revenues over expenses for the year | \$ 199,397 | \$ 141,215 |
| Other Items | | |
| Unspent funding-Core | (188,649) | (141,215) |
| Unspent funding-Separate Fund | (10,748) | - |
| Excess of revenues over expenses for the year | \$ - | \$ - |

INDEPENDENT ENVIRONMENTAL MONITORING AGENCY
Statement of Changes in Fund Balances
For the Year Ended March 31, 2023

Statement III

2023

| | Total | Unrestricted fund | Tangible capital asset fund |
|-----------------------------------|------------------|------------------------------|--|
| Balance, Beginning of Year | \$ 12,086 | \$ (3,649) | \$ 15,735 |
| Excess of revenues over expenses | - | - | - |
| Amortization | - | 3,811 | (3,811) |
| Balance, End of Year | \$ 12,086 | \$ 162 | \$ 11,924 |

2022

| | Total | Unrestricted fund | Tangible capital asset fund |
|-----------------------------------|------------------|------------------------------|--|
| Balance, Beginning of Year | \$ 12,086 | \$ (4,292) | \$ 16,378 |
| Excess of revenues over Expenses | - | - | - |
| Amortization | - | 5,184 | (5,184) |
| Additions | - | (4,541) | 4,541 |
| Balance, End of Year | \$ 12,086 | \$ (3,649) | \$ 15,735 |

INDEPENDENT ENVIRONMENTAL MONITORING AGENCY
Statement of Cashflows
For the Year Ended March 31, 2023

Statement IV

| | 2023 | 2022 |
|--|-------------------|-------------------|
| Cash provided by (used in) | | |
| Operating activities | | |
| Excess of revenue over expenses | \$ - | \$ - |
| Items not affecting cash | | |
| Amortization | 3,811 | 5,184 |
| | 3,811 | 5,184 |
| Changes in non-cash working capital balances | | |
| Increase in accounts receivable | - | 1,133 |
| Increase in prepaid expenses | 633 | 1,145 |
| Increase in accounts payable and accrued liabilities | 48,500 | (54,251) |
| Increase (Decrease) in deferred revenue | 25,350 | 12,449 |
| Increase (Decrease) in contributions repayable | 58,180 | 24,081 |
| Increase in deferred capital contribution | (3,810) | (535) |
| Net change in non-cash working capital balances | 128,853 | (15,978) |
| Net cash provided by (used in) operating activities | 132,664 | (10,794) |
| Investing activity | | |
| Purchase of capital assets | - | (4,541) |
| Net cash provided by (used in) investing activity | - | (4,541) |
| Increase (decrease) in cash and cash equivalents | 132,664 | (15,335) |
| Cash, Beginning of Year | 583,747 | 599,082 |
| Cash, End of Year | \$ 716,411 | \$ 583,747 |
| Cash consists of : | | |
| Operating cash | 113,014 | 63,880 |
| Restricted cash | 603,397 | 519,867 |
| | \$ 716,411 | \$ 583,747 |

INDEPENDENT ENVIRONMENTAL MONITORING AGENCY
Notes to Financial Statements
For The Year Ended March 31, 2023

1. ORGANIZATION AND JURISDICTION

Independent Environmental Monitoring Agency ("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.

Investment in Equipment - 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% |

INDEPENDENT ENVIRONMENTAL MONITORING AGENCY

Notes to Financial Statements

For The Year Ended March 31, 2023

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD...)

Tangible capital assets (Contd...)

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.

c) Financial instruments - recognition and measurement

Independent Environmental Monitoring Agency 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.

INDEPENDENT ENVIRONMENTAL MONITORING AGENCY

Notes to Financial Statements

For The Year Ended March 31, 2023

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.

4. 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.

| | 2023 | 2022 |
|---|-------------------|-------------------|
| Cash received in advance for the next fiscal year (<i>Note 8</i>) | 404,000 | 378,650 |
| Cash repayable from annual surplus (<i>Note 9</i>) | 199,397 | 141,217 |
| | \$ 603,397 | \$ 519,867 |

INDEPENDENT ENVIRONMENTAL MONITORING AGENCY**Notes to Financial Statements****For The Year Ended March 31, 2023****5. TANGIBLE CAPITAL ASSETS**

| | Cost | Accumulated Amortization | 2023 Net Book Value | 2022 Net Book Value |
|--------------------|-----------------|-------------------------------------|------------------------------------|------------------------------------|
| Equipment | \$29,941 | \$19,015 | \$10,925 | \$13,656 |
| Computer equipment | 14,023 | 13,201 | 820 | 1,823 |
| Website | 15,120 | 14,941 | 179 | 256 |
| | \$59,084 | \$47,157 | \$11,924 | \$15,735 |

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | 2023 | | 2022 | |
|---|-------------|----------------|-------------|---------------|
| Accounts payable and accrued liabilities | \$ | 23,315 | \$ | 17,558 |
| Payroll remittances-Canada Revenue Agency | | 16,399 | | 17,587 |
| GNWT-Payroll taxes | | 1,849 | | 1,623 |
| Salaries, honoraria and benefits payable | | 61,739 | | 18,034 |
| | \$ | 103,302 | \$ | 54,802 |

7. DEFERRED REVENUE

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

| | 2023 | | 2022 | |
|--|-------------|----------------|-------------|----------------|
| Opening balance | \$ | 378,650 | \$ | 366,201 |
| Plus amount received related to the following year | | 404,000 | | 378,650 |
| Less amount recognized as revenue in the year | | (378,650) | | (366,201) |
| | \$ | 404,000 | \$ | 378,650 |

INDEPENDENT ENVIRONMENTAL MONITORING AGENCY
Notes to Financial Statements
For The Year Ended March 31, 2023

8. CONTRIBUTIONS REPAYABLE

| | 2023 | 2022 |
|--|-------------------|-------------------|
| Arctic Canadian Diamond Company Core Funding | \$ 188,649 | \$ 141,217 |
| Arctic Canadian Diamond Company Separate Funding | 10,748 | - |
| | \$ 199,397 | \$ 141,217 |

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 \$199,397 which is to be deducted from the 2023/2024 contributions.

9. CONTRACTUAL OBLIGATIONS

IEMA leases the office building under a lease expiring on December 31, 2023. Future minimum lease payments total \$ 30,523.50 for next fiscal year.

10. 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.

11. 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:

(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 \$ 706,699 (2022 - \$574,669). 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.

12. COMPARATIVE FIGURES

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

