

Financial Statements
(Expressed in Canadian dollars)

**YUKON RIVER SALMON RESTORATION
AND ENHANCEMENT FUND
(ADMINISTERED BY PACIFIC SALMON
COMMISSION)**

Year ended March 31, 2016



KPMG LLP
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada
Telephone (604) 691-3000
Fax (604) 691-3031

INDEPENDENT AUDITORS' REPORT

To the Members of the Yukon River Panel

We have audited the accompanying financial statements of Yukon River Salmon Restoration and Enhancement Fund (Administered by Pacific Salmon Commission), which comprise the statement of financial position as at March 31, 2016, the statements of operations and fund balance and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management in accordance with the financial reporting provisions of Appendix A of the Collaborative Agreement between the Yukon River Salmon Restoration and Enhancement Fund and the Pacific Salmon Commission effective from April 1, 2011.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of the financial statements in accordance with the financial reporting provisions of Appendix A of the Collaborative Agreement between the Yukon River Salmon Restoration and Enhancement Fund and the Pacific Salmon Commission effective from April 1, 2011; this includes determining that the basis of accounting is an acceptable basis for the preparation of these financial statements in the circumstances, 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.

Auditors' Responsibility

Our responsibility is to express an 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 the audit to obtain reasonable assurance about whether the financial statements are free from 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 our 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, we consider internal control relevant to the entity's preparation 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, the financial statements as at and for the year ended March 31, 2016 are prepared, in all material respects, in accordance with the financial reporting provisions of Appendix A of the Collaborative Agreement between the Yukon River Salmon Restoration and Enhancement Fund and the Pacific Salmon Commission effective from April 1, 2011.

Basis of Accounting

Without modifying our opinion, we draw attention to note 2(a) of the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Yukon River Salmon Restoration and Enhancement Fund to meet the requirements of the Collaborative Agreement between the Yukon River Salmon Restoration and Enhancement Fund and the Pacific Salmon Commission effective from April 1, 2011. As a result, the financial statements may not be suitable for other purposes.

Restriction on Use

Our report is intended solely for the Yukon River Panel, Pacific Salmon Commission, the Government of Canada, and the Government of the United States of America and should not be used by parties other than the Yukon River Panel, Pacific Salmon Commission, the Government of Canada, and the Government of the United States of America.



Chartered Professional Accountants

September 13, 2016
Vancouver, Canada

**YUKON RIVER SALMON RESTORATION AND ENHANCEMENT FUND
(ADMINISTERED BY PACIFIC SALMON COMMISSION)**

Statement of Financial Position
(Expressed in Canadian dollars)

March 31, 2016, with comparative information for 2015

	2016	2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 860,989	\$ 2,420,154
Accounts receivable	2,078	-
	\$ 863,067	\$ 2,420,154

Liabilities and Fund Balance

Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,484	\$ 7,956
Due to Pacific Salmon Commission (note 4)	13,781	6,706
Deferred revenue (note 5)	-	1,496,004
	15,265	1,510,666
Fund balance	847,802	909,488
	\$ 863,067	\$ 2,420,154

Contractual obligations (note 3)

See accompanying notes to financial statements.

Approved on behalf of the Yukon River Panel:



Co-Chair



Co-Chair

**YUKON RIVER SALMON RESTORATION AND ENHANCEMENT FUND
(ADMINISTERED BY PACIFIC SALMON COMMISSION)**

Statement of Operations and Fund Balance
(Expressed in Canadian dollars)

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Contributions from contracting party (note 6)	\$ 1,496,004	\$ 1,308,360
Interest income	1,055	842
	<u>1,497,059</u>	<u>1,309,202</u>
Expenses:		
Administrative services (note 4)	73,865	71,186
Travel and accommodation	9,077	7,823
Rents and communications	666	1,068
Contract services	13,927	21,065
Project grants	1,530,617	1,091,981
Materials and supplies	710	541
	<u>1,628,862</u>	<u>1,193,664</u>
Excess (deficiency) of revenue over expenses before undernoted	(131,803)	115,538
Foreign exchange gain	70,117	144,284
Excess (deficiency) of revenue over expenses	(61,686)	259,822
Fund balance, beginning of year	909,488	649,666
Fund balance, end of year	<u>\$ 847,802</u>	<u>\$ 909,488</u>

See accompanying notes to financial statements.

**YUKON RIVER SALMON RESTORATION AND ENHANCEMENT FUND
(ADMINISTERED BY PACIFIC SALMON COMMISSION)**

Statement of Cash Flows
(Expressed in Canadian dollars)

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	\$ (61,686)	\$ 259,822
Changes in non-cash operating working capital:		
Accounts receivable	(2,078)	25,080
Accounts payable and accrued liabilities	(6,472)	3,802
Deferred revenue	(1,496,004)	1,496,004
Due to Pacific Salmon Commission	7,075	(515,756)
Increase (decrease) in cash and cash equivalents	(1,559,165)	1,268,952
Cash and cash equivalents, beginning of year	2,420,154	1,151,202
Cash and cash equivalents, end of year	\$ 860,989	\$ 2,420,154

See accompanying notes to financial statements.

YUKON RIVER SALMON RESTORATION AND ENHANCEMENT FUND (ADMINISTERED BY PACIFIC SALMON COMMISSION)

Notes to Financial Statements

(Tabular amounts expressed in Canadian dollars, unless otherwise noted)

Year ended March 31, 2016

1. Nature of organization:

The Yukon River Salmon Restoration and Enhancement Fund (the "Fund") was established by the Yukon River Salmon Agreement of 2001 by the Government of the United States of America and the Government of Canada (the "Contracting Parties") to support efforts to increase understanding of the factors that affect Yukon River salmon health and abundance.

The Fund is governed by the Yukon River Panel (the "Panel") made up equally of six representatives from each of the Contracting Parties.

On April 1, 2011, the Panel entered into an agreement with the Pacific Salmon Commission (the "Commission") for the Commission to administer the Fund. As part of the agreement, the net assets as at March 31, 2011 are to be administered by the Department of Fisheries and Oceans ("DFO") to discharge future obligations related to project grants approved prior to the transfer of Fund administration to the Commission. Accordingly, the net assets as at March 31, 2011 are not included in these financial statements.

2. Significant accounting policies:

(a) Basis of presentation and accounting:

These financial statements have been prepared in accordance with the financial reporting provisions of Appendix A of the Collaborative Agreement between the Yukon River Salmon Restoration and Enhancement Fund and the Pacific Salmon Commission effective from April 1, 2011. The financial reporting provisions of the Collaborative Agreement between the Yukon River Salmon Restoration and Enhancement Fund and the Pacific Salmon Commission effective from April 1, 2011 require the financial statements to be prepared in a manner consistent with generally accepted accounting principles ("GAAP") except that the statements only report the operating assets and liabilities of the Fund from April 1, 2011 in accordance to the timeframe when the fund has been administered by the Commission as determined in the Collaborative Agreement between the Fund and the Commission effective from April 1, 2011 through March 31, 2014, and subsequently extended to March 31, 2017.

Canadian GAAP has been interpreted to mean Canadian Accounting Standards for Not-for-Profit Organizations in Part III of the CPA Canada Handbook ("Not-for-Profit Standards").

(b) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Fund has not elected to carry any such financial instruments at fair value.

YUKON RIVER SALMON RESTORATION AND ENHANCEMENT FUND (ADMINISTERED BY PACIFIC SALMON COMMISSION)

Notes to Financial Statements (continued)

(Tabular amounts expressed in Canadian dollars, unless otherwise noted)

Year ended March 31, 2016

2. Significant accounting policies (continued):

(b) Financial instruments (continued):

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Fund determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Fund expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(c) Cash and cash equivalents:

Cash and cash equivalents consist of cash and highly liquid investments with a term to maturity of three months or less at the date of purchase.

(d) Revenue recognition:

The Fund follows the deferral method of accounting for contributions. Unrestricted revenue is recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Funding received for specific purposes is deferred and recognized in the period in which the related expenses are incurred.

(e) Income taxes:

The Fund is a non-taxable organization under the Foreign Missions and International Organizations Act (1991).

(f) Foreign exchange translation:

Transactions originating in foreign currencies are translated at the exchange rate in effect at the transaction dates. Assets and liabilities denominated in foreign currency at the year-end date are translated to equivalent Canadian amounts at the exchange rate in effect at the year-end date. Foreign exchange gains and losses resulting from translation are included in the determination of excess or deficiency of revenue over expenses.

YUKON RIVER SALMON RESTORATION AND ENHANCEMENT FUND (ADMINISTERED BY PACIFIC SALMON COMMISSION)

Notes to Financial Statements (continued)

(Tabular amounts expressed in Canadian dollars, unless otherwise noted)

Year ended March 31, 2016

2. Significant accounting policies (continued):

(g) Use of estimates:

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

(h) Contractual obligations:

Contractual obligations are funded in installments and payments are due based on conditions included in the contract being satisfied. Expenses and liabilities are recognized in the financial statements as these conditions are met.

3. Contractual obligations:

The Fund has entered into a number of project grant contracts as at March 31, 2016 for the future funding of research projects to be completed subsequent to the year-end.

These contractual obligations are funded in installments and payments are due based on conditions included in the contract being satisfied. As such, no liability has been accrued in the financial statements as the Fund is not liable for these expenses until these conditions have been met.

The research project contractual obligation is \$305,856 as at March 31, 2016 (2015 - \$382,562).

4. Administrative services:

The Commission charges fees for administrative services to the Fund representing an allocation of Commission salaries and benefits expenses incurred on behalf of the Fund.

During the year, the Fund paid \$73,865 (2015 - \$71,186) to the Commission for administrative services. As at March 31, 2016, the Fund had a payable to the Commission of \$13,781 (2015 - \$6,706) which represents March 2016 administration fees of \$12,311 plus \$1,470 for postage, web site service and travel costs to be a reimbursement for expenses paid by the Commission on behalf of the Fund.

YUKON RIVER SALMON RESTORATION AND ENHANCEMENT FUND (ADMINISTERED BY PACIFIC SALMON COMMISSION)

Notes to Financial Statements (continued)

(Tabular amounts expressed in Canadian dollars, unless otherwise noted)

Year ended March 31, 2016

5. Deferred revenue:

Deferred revenue consists of unspent funds provided by the Government of the United States of America that are reserved for future operating and capital expenditures of the Fund.

	2016	2015
Balance, beginning of year	\$ 1,496,004	\$ -
Operating contributions received	(1,496,004)	1,496,004
Balance, end of year	\$ -	\$ 1,496,004

6. Related party:

The Fund is related to the Contracting Party due to the Contracting Party's ability to appoint representatives to the Panel. During the year, the Fund recognized operating contributions from the Government of the United States of America totaling \$1,496,004 (2015 - \$1,308,360).

7. Financial instruments:

(a) Credit risk:

Credit risk is the risk that a third party to a financial instrument might fail to meet its obligations under the terms of the financial instrument. For cash and cash equivalents and accounts receivable, the Fund's credit risk is limited to the carrying value on the statement of financial position. Management does not believe that the Fund is subject to any significant concentration of credit risk.

(b) Liquidity risk:

Liquidity risk is the risk that an entity will not be able to meet its obligations associated with financial liabilities.

The Fund manages liquidity risk by maintaining adequate cash balances. The Fund monitors the cash flows to ensure that the fund balances are maintained at a sufficient level in line with the operational requirements.

8. Economic dependence:

The Fund is dependent on the annual operating contribution provided by the Government of the United States of America.