

Financial Statements

North Shore Forest Products Marketing Board

March 31, 2021

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Independent auditor's report

To the Board Members of
North Shore Forest Products Marketing Board

Opinion

We have audited the financial statements of North Shore Forest Products Marketing Board ("the Organization"), which comprise the statement of financial position as at March 31, 2021, 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 North Shore Forest Products Marketing Board as at March 31, 2021, 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization 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 these 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization'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 the Organization'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 Organization'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 the Organization 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.

Grant Thornton LLP

Bathurst, New Brunswick
June 23, 2021

Chartered Professional Accountants

North Shore Forest Products Marketing Board Statement of Operations and Change in Net Assets

Year Ended March 31	2021	2020
Wood sales (Note 11)	\$ 8,946,419	\$ 10,077,194
Cost of wood purchased (Note 11)	<u>8,946,419</u>	<u>10,077,194</u>
Gross profit	<u>-</u>	<u>-</u>
Other revenues (losses)		
Check-off fees (Note 11)	231,767	295,146
Grant revenue (Note 14)	34,754	4,621
Forest management levies (Note 7)	128,761	165,803
Silviculture (Note 9)	828,446	875,491
Interest	3,122	5,002
Transfer to deferred forest management levies (Note 7)	(5,188)	(43,600)
Gain on sale of assets	<u>6,875</u>	<u>-</u>
	<u>1,228,537</u>	<u>1,302,463</u>
	<u>1,228,537</u>	<u>1,302,463</u>
Expenditures		
Advertising and promotion	545	3,082
Amortization	2,455	2,434
Dues and fees	7,247	7,412
Electricity and heating	3,323	3,568
Insurance (Note 13)	4,055	3,990
Interest and bank charges	2,096	2,081
Office supplies and postage	4,256	1,710
Professional fees	11,972	10,250
Property taxes	4,475	4,743
Repairs and maintenance	2,953	2,643
Salaries	89,770	98,565
Telephone	4,851	5,884
Travel	<u>7,940</u>	<u>13,690</u>
	<u>145,938</u>	<u>160,052</u>
Forest management activities		
Silviculture activities (Note 9)	828,446	875,491
Forest management expenses (Note 7)	<u>123,572</u>	<u>122,203</u>
	<u>952,018</u>	<u>997,694</u>
Excess of revenues over expenditures	<u>\$ 130,581</u>	<u>\$ 144,717</u>
Net assets, beginning of year	\$ 928,037	\$ 783,320
Excess of revenues over expenditures	<u>130,581</u>	<u>144,717</u>
Net assets, end of year	<u>\$ 1,058,618</u>	<u>\$ 928,037</u>

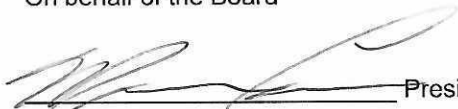
See accompanying notes and schedules to the financial statements.

North Shore Forest Products Marketing Board

Statement of Financial Position

March 31	2021	2020
Assets		
Current		
Cash	\$ 709,005	\$ 555,380
Investments (Note 3)	186,265	104,719
Receivables (Note 4)	70,108	196,846
Prepaid expenses	42,750	15,474
Current portion of note receivable (Note 5)	-	49,918
	1,008,128	922,337
Property and equipment (Note 6)	199,046	214,020
	\$ 1,207,174	\$ 1,136,357
Liabilities		
Current		
Payables and accruals	\$ 30,768	\$ 67,506
Harmonized sales tax payable	-	4,214
Current portion of long term debt	24,000	24,000
	54,768	95,720
Deferred forest management levies (Note 7)	48,788	43,600
Long term debt (Note 8)	45,000	69,000
	148,556	208,320
Net assets		
Net assets	1,058,618	928,037
	\$ 1,207,174	\$ 1,136,357

On behalf of the Board

 President

 Board member

See accompanying notes and schedules to the financial statements.

North Shore Forest Products Marketing Board Statement of Cash Flows

Year Ended March 31	2021	2020
Cash and cash equivalents derived from (applied to)		
Operating		
Excess of revenue over expenditures	\$ 130,581	\$ 144,717
Amortization	7,672	7,091
Gain on sale of assets	<u>(6,875)</u>	<u>-</u>
	131,378	151,809
Change in non-cash operating working capital		
Receivables	126,738	29,347
Prepaid expenses	(27,276)	(1,472)
Payables and accruals	(40,952)	(83,835)
Deferred forest management levies	<u>5,188</u>	<u>43,600</u>
	<u>195,076</u>	<u>139,448</u>
Financing		
Repayment of long-term debt	<u>(24,000)</u>	<u>(13,000)</u>
Investing		
Increase in investments	(81,546)	(51,051)
Note receivables	49,918	49,918
Proceeds from sale of property and equipment	20,000	-
Purchases of equipment	<u>(5,823)</u>	<u>(9,961)</u>
	<u>(17,451)</u>	<u>(11,094)</u>
Net increase in cash and cash equivalents	153,625	115,354
Cash and cash equivalents		
Beginning of year	<u>555,380</u>	<u>440,026</u>
End of year	<u>\$ 709,005</u>	<u>\$ 555,380</u>

See accompanying notes and schedules to the financial statements.

North Shore Forest Products Marketing Board

Notes to the Financial Statements

March 31, 2021

1. Nature of operations

The Board operates under Regulations 2005-141 and 2005-142 of the Natural Products Act for woodlot owners and producers in the Province of New Brunswick. The members of the Board resigned on January 27, 2010. Regulation 2005-142 was held in abeyance by Regulation 2010-59 effective April 15, 2010. The New Brunswick Forest Products Commission exercised the powers of the Board under Order 2010-510 effective February 3, 2010 to May 27, 2014, at which time the Board resumed operations under regulations 2005-141 and 2013-81.

The Board is responsible for administering sales of wood from woodlot owners to various pulp mills and sawmills. In addition to the revenues resulting from these operations, the Board receives check-off fees from the mills for wood purchased directly by them. The Board is also responsible for administering Silviculture operations for wood lot owners. The Board is a not-for-profit organization and is exempt from taxes under the Income Tax Act.

2. Summary of significant accounting policies

The Board's financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The following are the accounting policies selected by the Board and applied to these financial statements.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks.

Revenues recognition

The Organization follows the deferral method of accounting for contributions which includes grants and forest management levies. Restricted contributions such as forest management levies are accumulated as deferred funding in the statement of financial position and recognized as revenue in the year in which the related expenses are made. Contributions of property and equipment are included as deferred contributions and are amortized to revenue at the same rate and on the same basis as amortization of the related property and equipment.

Wood sales and check-off revenues are recognized when delivery is made to the mills. Silviculture revenue is recognized when the corresponding expense has been incurred.

Use of estimates

Under Canadian accounting standards for not-for-profit organizations, management is required to make estimates and assumptions to prepare financial statements. These estimates are based on management's best knowledge of current events and actions that the Board may undertake in the future. These estimates and assumptions affect the amount of assets and liabilities presented as at the reporting date and the reported amount of revenue and expenditures during the fiscal period. Actual results may be different from the estimates and assumptions used.

The main estimates relate to the allowance for doubtful accounts and useful life of property and equipment.

North Shore Forest Products Marketing Board

Notes to the Financial Statements

March 31, 2021

2. Summary of significant accounting policies (continued)

Amortization

Amortization is calculated using the declining balance method based on the following rates:

Buildings	5%
Equipment	20%
Heating system	5%
Leasehold improvements	5%
Paving	7%
Vehicles	30%

Only half of the rate is applied in the year of acquisition.

Government assistance

The Board recognizes government assistance toward current expenses in the statement of operations as grant revenues. When government assistance received relates to future period expenses, the Board defers the assistance and recognizes it in the statement of operations as the related expenses are incurred. When government assistance relates to the acquisition of property and equipment, the Board deducts the assistance from the cost of the related property and equipment.

3. Investments

Included in investments is \$20,000 held in a guaranteed investment certificate at 1.40% that is restricted in use. The third-party payroll service requires this deposit to be maintained to secure weekly payroll payments. The remainder of the funds are one-year cashable GIC's bearing interest at 0.25% per annum.

4. Receivables	<u>2021</u>	<u>2020</u>
Trade receivables	\$ 68,320	\$ 196,846
HST receivable	<u>1,788</u>	<u>-</u>
	<u>\$ 70,108</u>	<u>\$ 196,846</u>

5. Note receivable

In the 2019 fiscal year, the Board sold the Nursery and all related property and equipment for total proceeds of \$125,000 of which \$99,836 was in the form of a promissory note receivable. The note was repaid in instalments of \$24,959 semi-annually with the final instalment paid on February 4, 2021.

North Shore Forest Products Marketing Board

Notes to the Financial Statements

March 31, 2021

6. Property and equipment

			<u>2021</u>	<u>2020</u>
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land	\$ 125,464	\$ -	\$ 125,464	\$ 138,590
Buildings	153,948	103,525	50,423	53,077
Equipment	344,289	321,381	22,908	22,083
Paving	1,595	1,344	251	270
	<u>\$ 625,296</u>	<u>\$ 426,250</u>	<u>\$ 199,046</u>	<u>\$ 214,020</u>

7. Deferred forest management levies

	<u>2021</u>	<u>2020</u>
Deferred forest management levies opening balance	\$ 43,600	\$ -
Forest management levy income	128,761	165,803
Less: forest management expenses	<u>(123,573)</u>	<u>(122,203)</u>
	<u>\$ 48,788</u>	<u>\$ 43,600</u>

Forest management levies collected are to be used for forest management expenditures only. The balance remaining at year end is available to use for future forest management expenditures.

8. Long term debt

Opportunities New Brunswick loan, non-interest bearing, secured by a first floating charge on all assets. Loan requires monthly payments of \$2,000 per month.

9. Silviculture Program

The following is a summary of the silviculture program funding received and the costs associated with the program.

	<u>Revenue</u>	<u>Expenditures</u>
Silviculture funding – M.N.R	\$ 807,704	\$ -
Woodlot owners' contribution - seedlings	20,742	-
Forest management levies	123,572	-
Pre-commercial thinning	-	314,416
Plantation cleaning	-	133,218
Site prep	-	69,514
Planting	-	90,604
Seedlings	-	64,028
Management plans	-	18,939
Alternative harvesting activities	-	83,429
General and administration expenses (19%)	-	177,870
	<u>\$ 952,018</u>	<u>\$ 952,018</u>

North Shore Forest Products Marketing Board

Notes to the Financial Statements

March 31, 2021

10. Financial Instruments

The financial instruments of the Board and the nature of the risks to which it may be subject are as follows:

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market price. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Board is not exposed to significant currency and interest rate risk.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Board is exposed to other price risk through its investments quoted in an active market.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Board's financial instruments that are exposed to credit risk include accounts receivable. The Board mitigates credit risk associated with its receivables by actively monitoring outstanding balances.

Concentrations of credit risk exist if a number of customers are engaged in similar economic activities or are located in the same geographic region, and indicate the relative sensitivity of the Board's performance to developments affecting a particular segment of customers or geographic region. Geographic credit risk exists for the Board due to most of its activities being primarily provided in the North Shore region. The exposure to credit risk associated with the activities of these customers can be directly impacted by a decline in economic conditions in the area.

Liquidity risk

Liquidity risk is the risk that the Board may not have cash available to satisfy financial liabilities as they come due. To mitigate this risk, the Board is internally monitoring this level of liquidity on a regular basis.

11. Wood sales and purchases

Gross wood sales and purchases relating to activities with certain sawmills are not included in the statement of operations. A verbal agreement is in place between parties requiring the payment of check-off fees only, which represent the net sale. The amount of these direct check-off fees are included in check-off fees reported under other revenue in the statement of operations and were \$76,085 for the year (2020 - \$111,244).

North Shore Forest Products Marketing Board

Notes to the Financial Statements

March 31, 2021

12. COVID-19 impact

The spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses and organizations worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Government and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The Organization has not experienced any significant impact on operations as a result of the pandemic and management has assessed that there were no adjusting events for the statement of financial position and results of operations for the year ended March 31, 2021.

13. Insurance policies

Insurance policy coverages are as follows:

	Deductible	Limit
Commercial property	\$ 1,000	\$ 432,000
Equipment	\$ 1,000	\$ 100,000
Commercial general liability	\$ 2,500	\$ 5,000,000
Management liability	-	\$ 2,000,000

14. Government subsidies

Canada Emergency Business Account (CEBA)

The Organization applied for and received a \$40,000 revolving loan under the Government of Canada COVID response programs. Under the CEBA program, 25% of the loan will be eligible for loan forgiveness, up to \$10,000, if the loan is fully repaid on or before December 31, 2022. As at year end, \$30,000 of the loan, which represents the unforgivable portion, was full repaid and therefore \$10,000 has been included in grant revenues on the statement of operations.

Canada Emergency Wage Subsidy (CEWS)

The Organization qualified for funding from the Federal government under the Canada Emergency Wage Subsidy ("CEWS"). Under the CEWS program, the Organization is entitled to receive a subsidy equal to 75% of an employee's wages – up to set amount per week. During the year ended March 31, 2021, the Organization received payroll subsidies under CEWS totaling \$24,727. These subsidies were included in grant revenues on the statement of operations.
