

NORTH SHORE FOREST PRODUCTS MARKETING BOARD

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
MARCH 31, 2023**



Allen, Paquet & Arseneau LLP
CHARTERED PROFESSIONAL ACCOUNTANTS • COMPTABLES PROFESSIONNELS AGRÉÉS

NORTH SHORE FOREST PRODUCTS MARKETING BOARD

Index

To the Financial Statements

For the year ended March 31, 2023

	<u>Page</u>
Independent Auditors' Report	1 - 2.
Statement of Financial Position	3.
Statement of Operations	4.
Statement of Change in Net Assets	5.
Statement of Cash Flows	6.
Notes to the Financial Statements	7 - 11.





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1.

INDEPENDENT AUDITORS' REPORT

To the board of directors of
North Shore Forest Products Marketing Board

Opinion

We have audited the financial statements of North Shore Forest Products Marketing Board, which comprise the statement of financial position as at March 31, 2023, and the statements of operations, change 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 the organization as at March 31, 2023, 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 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.

Other Matter

The statements of financial position, operations, change in net assets, cash flows and related schedule for the year ended March 31, 2022 were reported on by another firm of chartered accountants who issued an unqualified opinion in their report dated June 15, 2022.

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 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.

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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 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 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 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.

Bathurst, NB



June 14, 2023

Allen, Paquet & Arseneau LLP
Chartered Professional Accountants

NORTH SHORE FOREST PRODUCTS MARKETING BOARD
Statement of Financial Position
As at March 31

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash	\$ 784,558	\$ 759,056
Short term investment (Note 3)	24,457	24,245
Accounts receivable (Note 4)	135,170	257,357
Prepaid expenses	47,335	47,023
	<u>991,520</u>	<u>1,087,681</u>
INVESTMENTS (Note 5)	368,125	262,890
PROPERTY AND EQUIPMENT (Note 6)	<u>197,215</u>	<u>193,048</u>
	\$ 1,556,860	\$ 1,543,619
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 75,556	\$ 110,374
Government remittances payable	919	-
Long-term debt due within one year	21,000	24,000
	<u>97,475</u>	<u>134,374</u>
LONG-TERM DEBT (Note 7)	-	21,000
DEFERRED FOREST MANAGEMENT LEVIES (Note 8)	<u>65,547</u>	<u>78,295</u>
	163,022	233,669
NET ASSETS		
NET ASSETS - Page 5	<u>1,393,838</u>	<u>1,309,950</u>
	\$ 1,556,860	\$ 1,543,619

Approved by the Board

 President
 Board member

NORTH SHORE FOREST PRODUCTS MARKETING BOARD**Statement of Operations****For the year ended March 31**

	2023	2022
REVENUES		
Wood sales		
Silviculture (Note 9)	\$ 5,594,591	\$ 10,943,906
Check-off fees (Note 10)	1,050,740	1,012,824
	242,013	301,935
	6,887,344	12,258,665
COST OF GOODS SOLD		
Cost of wood purchased	5,594,591	10,943,906
Silviculture (Note 9)	1,050,740	1,012,824
	6,645,331	11,956,730
GROSS PROFIT	242,013	301,935
EXPENDITURES		
Advertising and promotion	7,904	6,916
Amortization	2,373	2,384
Insurance (Note 11)	3,291	2,684
Interest and bank charges	1,876	2,305
Office	2,191	2,162
Professional fees	7,808	10,005
Property taxes	4,795	4,494
Repairs and maintenance	4,094	6,533
Subscriptions, permits and licenses	7,814	7,247
Telephone	1,788	1,783
Travel	15,153	10,892
Utilities	3,458	3,387
Wages and benefits	105,907	92,504
	168,452	153,296
EXCESS OF REVENUES OVER EXPENDITURES BEFORE OTHER INCOME	73,561	148,639
OTHER INCOME		
Interest	10,327	2,693
Recovery of misappropriation of assets	-	100,000
	10,327	102,693
EXCESS OF REVENUES OVER EXPENDITURES FOR THE YEAR		
- to Page 5	\$ 83,888	\$ 251,332

NORTH SHORE FOREST PRODUCTS MARKETING BOARD**Statement of Change in Net Assets****For the year ended March 31**

	2023	2022
BALANCE, beginning of year	\$ 1,309,950	\$ 1,058,618
Excess of revenues over expenditures for the year - Page 4	83,888	251,332
BALANCE, end of year	\$ 1,393,838	\$ 1,309,950

NORTH SHORE FOREST PRODUCTS MARKETING BOARD**Statement of Cash Flows****For the year ended March 31**

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 7,009,531	\$ 12,071,416
Cash receipts from other revenue	10,325	102,695
Cash paid to suppliers and employees	(6,840,527)	(12,027,449)
	<u>179,329</u>	<u>146,662</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term debt	(24,000)	(24,000)
Deferred forest management levies	(12,748)	29,506
	<u>(36,748)</u>	<u>5,506</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in investments	(105,235)	(100,857)
Purchase of property and equipment	(11,632)	(1,248)
	<u>(116,867)</u>	<u>(102,105)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	25,714	50,063
CASH AND CASH EQUIVALENTS, beginning of year	783,301	733,238
CASH AND CASH EQUIVALENTS, end of year	\$ 809,015	\$ 783,301
CASH AND CASH EQUIVALENTS CONSISTS OF:		
Cash	\$ 784,558	\$ 759,056
Short term investment	24,457	24,245
	<u>\$ 809,015</u>	<u>\$ 783,301</u>

NORTH SHORE FOREST PRODUCTS MARKETING BOARD**Notes to the Financial Statements****March 31, 2023**

1. STATUS AND NATURE OF ACTIVITIES

North Shore Forest Products Marketing 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. BASIS OF ACCOUNTING AND SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared in accordance with III of the CPA Canada handbook; Accounting standards for not-for-profit organizations.

(a) Cash and cash equivalents

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

(b) Revenue recognition

The Office 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.

(c) 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.

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

(d) Property and equipment

Property and equipment are recorded at cost. The Office provides for amortization using the following methods at rates designed to amortize the cost of the property and equipment over their estimated useful lives. The annual amortization rates and methods are as follows:

NORTH SHORE FOREST PRODUCTS MARKETING BOARD
Notes to the Financial Statements
March 31, 2023

2. BASIS OF ACCOUNTING AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property and equipment (continued)

Buildings	5% Diminishing balance
Equipment	20% Diminishing balance
Paving	7% Diminishing balance

(e) Government assistance

Government and other grants related to property and equipment are accounted for as deferred government assistance and amortized on the same basis as the related property and equipment. Operating grants are accounted for as a reduction of operating expenses.

3. SHORT TERM INVESTMENT

Included in investments is \$20,000 held in a guaranteed investment certificate at 1.25% that is restricted in use. The third-party payroll service requires this deposit to be maintained to secure weekly payroll payments.

4. ACCOUNTS RECEIVABLE

	2023	2022
Accounts receivable - customer	\$ 135,170	\$ 254,222
HST receivable	-	3,135
	<u>\$ 135,170</u>	<u>\$ 257,357</u>

5. INVESTMENTS

	2023	2022
One-year cashable guaranteed investment certificate bearing interest at 1.20% per annum.	\$ 368,125	\$ 262,890

6. PROPERTY AND EQUIPMENT

	2023		2022	
	Cost	Accumulated amortization	Net	Net
Land	\$ 125,462	\$ -	\$ 125,462	\$ 125,462
Buildings	153,948	108,441	45,507	47,902
Equipment	355,224	330,946	24,278	19,450
Paving	1,595	1,378	217	234
Signs	1,945	194	1,751	-
	<u>\$ 638,174</u>	<u>\$ 440,959</u>	<u>\$ 197,215</u>	<u>\$ 193,048</u>

NORTH SHORE FOREST PRODUCTS MARKETING BOARD

Notes to the Financial Statements

March 31, 2023

7. LONG-TERM DEBT

	2023	2022
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.	\$ 21,000	\$ 45,000
Less: Amount due within one year	21,000	24,000
	\$ -	\$ 21,000

Principal repayments of long term debt are due as follows:

2024	\$ 21,000
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8. DEFERRED FOREST MANAGEMENT LEVIES

	2023	2022
Deferred forest management levies opening balance	\$ 78,295	\$ 48,788
Forest management levy income	134,417	167,785
Less: forest management expenses	(145,516)	(122,926)
Silviculture operation plan	(1,649)	(15,352)
	\$ 65,547	\$ 78,295

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.

NORTH SHORE FOREST PRODUCTS MARKETING BOARD

Notes to the Financial Statements

March 31, 2023

9. SILVICULTURE PROGRAM

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

	2023	2022
<u>Revenues:</u>		
Silviculture funding - M.N.R.	\$ 781,334	\$ 838,604
Woodlot owners' contribution - seedlings	33,436	35,941
2BT Federal program	88,805	-
Forest management levies	145,516	122,927
Deferred forest management levies	1,649	15,352
	1,050,740	1,012,824
<u>Expenditures:</u>		
Pre-commercial thinning	187,863	298,564
Plantation cleaning	93,553	86,122
Site prep	140,489	125,925
Planting	126,644	139,864
2BT Federal plantation	29,192	-
Seedlings	63,264	57,120
Management plans	82,078	25,611
Alternative harvesting activities	106,563	46,854
General and administration expenses	190,346	186,164
Kingsclear trees cost	29,100	31,248
Forest management	1,648	15,352
	1,050,740	1,012,824
	\$ -	\$ -

10. CHECK-OFF FEES

	2023	2022
Check off fees indirect - Administration	\$ 90,505	\$ 194,215
Check off fees direct - Administration	149,679	107,076
Check off fees indirect - Biomass	1,595	552
Check off fees direct - Biomass	168	163
Other	66	(71)
	\$ 242,013	\$ 301,935

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 \$149,679 for the year (2022 - \$107,076).

NORTH SHORE FOREST PRODUCTS MARKETING BOARD**Notes to the Financial Statements****March 31, 2023**

11. INSURANCE POLICIES

Insurance policy coverages are as follows:

	Deductible	Limit
Commercial property	\$ 1,000	\$444,960
Equipment	\$ 1,000	\$ 100,000
Commercial general liability	\$ 2,500	\$ 5,000,000
Management liability	-	\$ 2,000,000

12. FINANCIAL INSTRUMENTS**(a) Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. 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.

(b) 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.

(c) 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 Northern New Brunswick 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.

(d) 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.

13. COMPARATIVE AMOUNTS

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.