

LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY

Financial Statements

Year Ended June 30, 2015

(Unaudited)

LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY

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Year Ended June 30, 2015

(Unaudited)

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Purpose of the Society

The Lower North Thompson Community Forest Society (the "Society") is incorporated under the Society's Act of British Columbia as a not-for-profit organization. The purpose of the Society is to:

- a) Create a long term sustainable plan for the forest resources that benefits the people of the Lower North Thompson;
- b) Preserve ownership of local natural resources for the people of our area, promoting self determination for the people of this valley;
- c) Create sustainable employment, new business opportunities and investment;
- d) Provide a new opportunity for community management of local crown land;
- e) Provide long term opportunities for achieving a range of community objectives including:
 - i) employment;
 - ii) skills training;
 - iii) forest related education; and
 - iv) social, environment and economic benefits
- f) Meet objectives of the government in respect of environmental stewardship including the management of timber, cultural and heritage resources.



REVIEW ENGAGEMENT REPORT

To the Members of Lower North Thompson Community Forest Society

We have reviewed the statement of financial position of Lower North Thompson Community Forest Society as at June 30, 2015 and the statements of revenues and expenditures, changes in net assets and cash flow for the year then ended. Our review was made in accordance with Canadian generally accepted standards for review engagements and, accordingly, consisted primarily of inquiry, analytical procedures and discussion related to information supplied to us by the Society.

A review does not constitute an audit and, consequently, we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with Canadian accounting standards for not-for-profit organizations.

Kamloops, British Columbia
October 15, 2015

CAMPBELL & COMPANY
Chartered Professional Accountants

LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY

Statement of Financial Position

June 30, 2015

(Unaudited)

	2015	2014
Assets		
Current		
Cash	\$ 844,575	\$ 408,560
Short term investments <i>(Note 2)</i>	300,000	467,252
Accounts receivable	33,680	105,286
Inventory	30,395	12,413
Income taxes recoverable	25	23
Prepaid expenses	26,754	45,144
	1,235,429	1,038,678
Property and equipment <i>(Note 3)</i>	107,442	47,976
Long term investments <i>(Note 2)</i>	900,417	800,000
	\$ 2,243,288	\$ 1,886,654
Liabilities and Net Assets		
Current		
Accounts payable	\$ 35,476	\$ 96,527
Goods and services tax payable	24,862	4,338
Wages payable	533	2,929
Employee deductions payable	3,894	1,223
Current portion of silviculture liability <i>(Note 4)</i>	252,000	186,400
	316,765	291,417
Long term silviculture liability <i>(Note 4)</i>	1,025,807	786,136
	1,342,572	1,077,553
Net Assets		
Unrestricted	428,416	733,101
Restricted for donations <i>(Note 5)</i>	322,300	16,000
Restricted for forest stewardship <i>(Note 6)</i>	-	60,000
Restricted for splash pad <i>(Note 7)</i>	150,000	-
	900,716	809,101
	\$ 2,243,288	\$ 1,886,654

On behalf of the Board

_____ Director

_____ Director

See notes to unaudited financial statements

LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY

Statement of Revenues and Expenditures

Year Ended June 30, 2015

(Unaudited)

	2015	2014
Revenue		
Timber	\$ 1,712,593	\$ 1,118,088
Land based investment funding	57,159	-
Interest	33,241	29,559
Other	23,561	21,311
	<u>1,826,554</u>	<u>1,168,958</u>
Expenses		
Amortization	27,185	9,292
Community input meetings	-	10,990
Contracting	887,264	700,107
Forest development	17,120	7,916
Interest and bank charges	532	497
Land based investment expenses	49,746	-
Office	40,994	31,400
Professional fees	4,936	1,552
Repairs and maintenance	6,011	3,317
Salaries and wages	99,924	99,094
Silviculture	461,701	232,791
Stumpage and annual rent	59,501	33,056
	<u>1,654,914</u>	<u>1,130,012</u>
Excess of revenue over expenses from operations	<u>171,640</u>	<u>38,946</u>
Other expenses		
Donations	77,750	30,718
Unrealized loss on marketable securities	2,275	-
	<u>80,025</u>	<u>30,718</u>
Excess of revenue over expenses	<u>\$ 91,615</u>	<u>\$ 8,228</u>

See notes to unaudited financial statements

LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY

Statement of Changes in Net Assets

Year Ended June 30, 2015

(Unaudited)

	Unrestricted	Restricted for donations	Restricted for forest stewardship	Restricted for splash pad	2015	2014
Net assets - beginning of year	\$ 583,101	\$ 16,000	\$ 60,000	\$ 150,000	\$ 809,101	\$ 800,873
Excess of trade sales over expenses	226,315	(74,700)	(60,000)	-	91,615	8,228
Internally imposed restrictions	(381,000)	381,000	-	-	-	-
Net assets - end of year	\$ 428,416	\$ 322,300	\$ -	\$ 150,000	\$ 900,716	\$ 809,101

See notes to unaudited financial statements

LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY

**Statement of Cash Flow
Year Ended June 30, 2015**

(Unaudited)

	2015	2014
Operating activities		
Excess of revenue over expenses	\$ 91,615	\$ 8,228
Item not affecting cash:		
Amortization	<u>27,185</u>	9,292
	<u>118,800</u>	<u>17,520</u>
Changes in non-cash working capital:		
Accounts receivable	71,606	101,491
Inventory	(17,982)	11,036
Accounts payable	(61,051)	(72,811)
Income taxes payable	(2)	59
Prepaid expenses	18,390	(26,927)
Goods and services tax payable	20,524	4,745
Wages payable	(2,396)	(315)
Employee deductions payable	2,671	(2,295)
Current portion of silviculture liability	<u>65,600</u>	<u>28,000</u>
	<u>97,360</u>	<u>42,983</u>
Cash flow from operating activities	<u>216,160</u>	<u>60,503</u>
Investing activities		
Purchase of equipment	(86,651)	(54,891)
Long term investments	<u>(100,417)</u>	<u>(36,108)</u>
Cash flow used by investing activities	<u>(187,068)</u>	<u>(90,999)</u>
Financing activity		
Long term silviculture liability	<u>239,671</u>	<u>61,969</u>
Increase in cash	<u>268,763</u>	<u>31,473</u>
Cash - beginning of year	<u>875,812</u>	<u>844,339</u>
Cash - end of year	<u>\$ 1,144,575</u>	<u>\$ 875,812</u>
Cash consists of:		
Cash	\$ 844,575	\$ 408,560
Short term investments	<u>300,000</u>	<u>467,252</u>
	<u>\$ 1,144,575</u>	<u>\$ 875,812</u>

See notes to unaudited financial statements

LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY

Notes to Financial Statements

Year Ended June 30, 2015

(Unaudited)

1. Summary of significant accounting policies

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPPO).

Revenue recognition

Lower North Thompson Community Forest Society follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Cash and short term investments

Short-term debt securities purchased with maturity of three months or less to are classified as cash equivalents.

Investments

Short term investments, which consist primarily of guaranteed investment certificates with original maturities at date of purchase beyond three months and less than twelve month, are carried at amortized cost. Marketable securities investments are carried at fair market value.

Inventory

Inventory is valued at the lower of cost and net realizable value with the cost being determined on a first-in, first-out basis.

Property and equipment

Property and equipment is stated at cost or deemed cost less accumulated amortization. Property and equipment is amortized over its estimated useful life on a declining balance basis at the following rates:

Automotive	30%
Computer equipment	30%
Equipment	20%

The Society regularly reviews its property and equipment to eliminate obsolete items. Government grants are treated as a reduction of property and equipment cost. To date, no Government grants have been received nor are any anticipated.

Property and equipment acquired during the year but not placed into use are not amortized until they are placed into use.

(continues)

LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY

Notes to Financial Statements

Year Ended June 30, 2015

(Unaudited)

1. Summary of significant accounting policies (continued)

Measurement uncertainty

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 amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

2. Investments

	2015	2014
Concentra guaranteed investment certificate bearing interest at 2.15%, maturing October 23, 2015	\$ 100,000	\$ 100,000
Home Trust guaranteed investment certificate bearing interest at 2.20%, maturing October 26, 2015	100,000	100,000
General Bank of Canada guaranteed investment certificate bearing interest at 2.51%, maturing May 18, 2016	100,000	100,000
Bank of Montreal guaranteed investment certificate bearing interest at 2.20%, maturing October 24, 2016	100,000	100,000
Manulife guaranteed investment certificate bearing interest at 2.65%, maturing May 18, 2017	100,000	100,000
Equitable Bank guaranteed investment certificate bearing interest at 2.60%, maturing October 24, 2017	100,000	100,000
Canadian Western Bank guaranteed investment certificate bearing interest at 2.20%, maturing May 22, 2018	100,000	100,000
Steinbach Credit Union guaranteed investment certificate, bearing interest at 2.20%, maturing October 24, 2018	100,000	-
Pacific & Western Bank guaranteed investment certificate bearing interest at 2.20, maturing May 22, 2019	100,000	100,000
Steinbach Credit Union guaranteed investment certificate, bearing interest at 2.35%, maturing October 24, 2019	100,000	-
Equity Financial Trust guaranteed investment certificate bearing interest at 2.33%, maturing May 20, 2020	100,000	100,000
Credential Securities self-directed investments of cash equivalents and equities	100,417	-
Interior Savings Credit Union term deposit, redeemed during the year	-	167,252
Royal Bank of Canada guaranteed investment certificate, redeemed during the year	-	100,000
Equity Financial Trust guaranteed investment certificate, redeemed during the year	-	100,000
	1,200,417	1,267,252
Subtotal	(300,000)	(467,252)
Current portion	\$ 900,417	\$ 800,000

LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY

Notes to Financial Statements

Year Ended June 30, 2015

(Unaudited)

3. Property and equipment

	Cost	Accumulated amortization	2015 Net book value	2014 Net book value
Automotive	\$ 136,752	\$ 33,437	\$ 103,315	\$ 43,082
Computer equipment	7,666	5,476	2,190	3,129
Equipment	3,576	1,639	1,937	1,765
	<u>\$ 147,994</u>	<u>\$ 40,552</u>	<u>\$ 107,442</u>	<u>\$ 47,976</u>

4. Silviculture liability

	2015	2014
Timbermark BB7001	\$ 19,923	\$ 19,923
Timbermark BB7002	14,526	14,526
Timbermark BB7003	27,990	27,990
Timbermark BB7004	37,442	37,442
Timbermark BB7005	92,201	99,764
Timbermark BB7006	38,911	38,911
Timbermark BB7007	20,542	20,542
Timbermark BB7008	34,483	34,938
Timbermark BB7009	31,532	31,532
Timbermark BB7010	13,769	13,770
Timbermark BB7997	35,209	35,209
Timbermark BB7998	6,924	6,924
Timbermark BB7999	2,500	2,500
Timbermark K1Z001	36,298	36,298
Timbermark K1Z002	39,023	39,024
Timbermark K1Z003	15,480	15,481
Timbermark K1Z004	29,508	32,278
Timbermark K1Z005	31,418	31,418
Timbermark K1Z006	51,308	51,308
Timbermark K1Z007	28,207	27,605
Timbermark K1Z008	497,591	185,433
Timbermark A83263	1,000	1,000
Non-obligated	22,022	18,720
Silviculture Contingency Fund	150,000	150,000
Subtotal	1,277,807	972,536
Current portion of silviculture liability	(252,000)	(186,400)
	<u>\$ 1,025,807</u>	<u>\$ 786,136</u>

The silviculture liability is incurred as timber is harvested. The liability represents the estimated cost to establish timber as free growing as determined by the Ministry of Forests, Lands and Natural Resource Operations. The estimated costs include site preparation, seed, planting, brushing and surveying. As changes in the silviculture liability are determined, they are recognized in the statement of revenues and expenditures.

LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY

Notes to Financial Statements

Year Ended June 30, 2015

(Unaudited)

5. Restricted for donations

	2015	2014
Restricted for donations - beginning balance	\$ 16,000	\$ 8,000
Plus: internally imposed restrictions	381,000	33,250
Plus: donated wages	5,050	6,468
Less: donations paid	(72,700)	(24,250)
Less: donated wages	(5,050)	(6,468)
Less: expirations	(2,000)	(1,000)
	\$ 322,300	\$ 16,000

The Society has granted scholarship and bursary amounts that have not yet been paid out. These are contingent on the students registering at a post secondary educational institute before receiving the funds. There is one \$2,000 bursary awarded in 2012 that has expired in January 2015. There are two \$2,000 scholarships and three \$1,000 bursaries totaling \$7,000 that are committed and not yet paid. These expire in January 2016. There are four \$2,000 scholarships and two \$1,000 bursaries awarded in 2014 totaling \$10,000 that are committed and not yet paid. These expire in January 2017.

6. Restricted for forest stewardship

The board of directors have decided by way of motion to set aside \$30,000 each year for a Forest Stewardship program with the amount to be reviewed by the board annually. The \$60,000 balance forward was used during the fiscal year to enhance the Community Forest. In 2015, no further allocation was made to the forest stewardship fund.

7. Restricted for Splash Pad

On July 8th, 2013, the Board of Directors voted in favour of donating up to \$150,000 to the Barriere 100th Anniversary Committee, a group associated with the District of Barriere. This donation was made specifically to help build the Committee's Splash in the Past water park, which is estimated to cost about \$400,000 to complete. It is contingent on other significant funding being committed to the project. The committee is waiting to hear if they will receive the funds from the federal government through Canada 150 Funding. The provincial government has contributed \$40,000 and the Barriere 100th Anniversary Committee has raised \$62,500 toward the project.

8. Job creation program

In the 2015 fiscal year, the Society sponsored two Job Creation Programs through the Ministry of Social Development. These programs were funded by the Provincial Government with the Society acting as a trustee for the programs by holding their funds and for administering and bookkeeping along with bank charges. The provincial grant funds received for 2015 were \$187,608 (2014 - \$147,622) and \$157,119 (2014 - \$180,887) has been expensed up to June 30, 2015. The current project is ongoing and expected to go to March 21, 2016. Wages donated in-kind to Job Creation Programs for the 2015 fiscal year were \$5,050 (2014 - \$6,468). Bank charges donated to the Job Creation programs for the 2015 fiscal year were \$25 (2014 - nil). Funds held in trust for the Job Creation program at June 30, 2015 were \$38,508 (2014 - \$14,340).

LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY

Notes to Financial Statements

Year Ended June 30, 2015

(Unaudited)

9. Land based investment program

In the 2015 fiscal year, the Society is continuing participation in the Land Based Investment Program through the Ministry of Forests, Lands and Natural Resource Operations. Funding received during the 2015 fiscal year was \$57,159 (2014 - nil) and \$49,746 has been expensed up to June 30, 2015.

10. Related party transactions

The Society received monthly revenue from the Ministry of Social Development, Job Creation program for the use of various equipment belonging to the Society. In the 2015 fiscal year the Society received \$19,551 (2014 - \$6,000).

11. Financial instruments

The Society is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Society's risk exposure and concentration as of June 30, 2015.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Society is exposed to credit risk from customers. In order to reduce its credit risk, the Society reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information.

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 rate risk, interest rate risk and other price risk. The Society is mainly exposed to interest rate risk.

12. Comparative figures

Some of the comparative figures have been reclassified to conform to the current year's presentation.
