

LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY

FINANCIAL STATEMENTS

June 30, 2016

REVIEW ENGAGEMENT REPORT

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REVIEW ENGAGEMENT REPORT

To the Directors,
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, 2016 and the statements of operations, changes in net assets and cash flows for the year then ended. Our review was made in accordance with Canadian generally accepted standards for review engagements and accordingly consisted primarily of enquiry, 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.

Unaudited comparative figures were reported on by another firm of public accountants.

Ken J. Finnie Inc.

Chartered Professional Accountant

These financial statements were reviewed and this Review Engagement Report issued solely for the use of LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY. Ken J. Finnie Inc. Chartered Professional Accountant makes no representations of any kind to any other person in respect of these financial statements and accepts no responsibility for their use by any other person in the absence of the written consent of Ken J. Finnie Inc..


Kamloops, BC
October 12, 2016

LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY
STATEMENT OF FINANCIAL POSITION
June 30, 2016
(unaudited)

ASSETS	2016	2015
CURRENT ASSETS:		
Cash	\$ 813,201	\$ 844,575
Accounts receivable	43,823	22,991
Damage deposit	150	150
Refundable taxes withheld	15	25
Inventory	26,409	30,395
Prepaid expenses	31,637	26,604
Current portion of long-term Guaranteed Investment Certificate's (Note 2)	<u>210,677</u>	<u>307,584</u>
	1,125,912	1,232,324
LONG TERM INVESTMENTS - CREDENTIAL SECURITIES (Note 3)	156,898	100,417
LONG-TERM GUARANTEED INVESTMENT CERTIFICATES (Note 2)	1,208,968	803,104
EQUIPMENT (Note 4)	<u>112,819</u>	<u>107,442</u>
	<u>\$ 2,604,597</u>	<u>\$ 2,243,287</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accruals	\$ 19,600	\$ 39,610
Amounts owing to government agencies	8,059	25,154
Current portion of silviculture liability (Note 5)	<u>185,438</u>	<u>252,000</u>
	213,097	316,764
LONG-TERM SILVICULTURE LIABILITY (Note 5)	<u>1,089,289</u>	<u>1,025,807</u>
	<u>1,302,386</u>	<u>1,342,571</u>
NET ASSETS - INTERNALLY RESTRICTED FOR OPERATIONS	792,286	428,416
NET ASSETS - INTERNALLY RESTRICTED TO PROVIDE FOR:		
Expansion and Job Creation (Note 7)	221,300	221,300
Splash Pad (Note 8)	150,000	150,000
Environment (Note 9)	50,000	50,000
Education (Note 10)	35,625	30,000
Forest Stewardship (Note 11)	30,000	-
Scholarships and Bursaries (Note 12)	<u>23,000</u>	<u>21,000</u>
	<u>1,302,211</u>	<u>900,716</u>
	<u>\$ 2,604,597</u>	<u>\$ 2,243,287</u>

APPROVED BY THE DIRECTORS:

 Director

 Director

LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY
STATEMENT OF OPERATIONS
Year ended June 30, 2016
(unaudited)

	2016	2015
REVENUE:		
Timber	\$ 1,838,148	\$ 1,712,593
Land based investment funding (Note 13)	64,697	57,159
Equipment rental and other	41,718	23,561
Grants	<u>44,651</u>	<u>-</u>
	<u>1,989,214</u>	<u>1,793,313</u>
EXPENSES:		
Advertising and promotion	9,728	6,842
Bank charges	620	531
Community input meetings	3,660	-
Contracting	885,933	887,264
Forest development	6,327	17,120
Fuel	2,394	2,573
Insurance	11,753	9,205
Land based investment expenses (Note 13)	22,030	49,746
Licenses, dues and fees	5,889	5,217
Meals and entertainment	909	862
Office	3,949	3,097
Office rent	4,200	4,200
Professional fees	5,853	4,936
Repairs and maintenance	4,858	6,011
Silviculture	296,278	461,701
Stumpage and annual rent	67,798	59,501
Supplies	4,790	4,342
Telephone	2,517	2,624
Travel	2,149	2,033
Wages and benefits	<u>128,707</u>	<u>99,924</u>
	<u>1,470,342</u>	<u>1,627,729</u>
EXCESS REVENUE OVER EXPENSES FROM OPERATIONS	518,872	165,584
OTHER REVENUE AND (EXPENSES):		
Interest income	33,656	33,241
Unrealized gain (loss) on investments	1,988	(2,275)
Dividend income	3,731	-
Gain on disposal of equipment	275	-
Amortization	(30,282)	(27,185)
Donations	-	(72,700)
Donations - In kind wages	<u>(7,370)</u>	<u>(5,050)</u>
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR	\$ 520,870	\$ 91,615

LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY
STATEMENT OF CHANGES IN NET ASSETS
Year ended June 30, 2016
(unaudited)

	Internally Restricted to provide for specified funds	Internally Restricted for operations	Total 2016	Total 2015
Balance, beginning of year	\$ 472,300	\$ 428,416	\$ 900,716	\$ 809,101
Excess of revenues over expenses	-	520,870	520,870	91,615
Net expired fund allocations	(3,000)	3,000	-	-
New fund allocations:				
Education	19,625	(19,625)	-	-
Forest Stewardship	30,000	(30,000)	-	-
Scholarships and bursaries	20,000	(20,000)	-	-
Community grants	90,375	(90,375)	-	-
Fund expended	<u>(119,375)</u>	<u>-</u>	<u>(119,375)</u>	<u>-</u>
Balance, end of year	<u>\$ 509,925</u>	<u>\$ 792,286</u>	<u>\$ 1,302,211</u>	<u>\$ 900,716</u>

See accompanying notes to financial statements.

LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY
STATEMENT OF CASH FLOWS
Year ended June 30, 2016
(unaudited)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash receipts from customers	\$ 2,002,049	\$ 1,907,957
Cash paid to suppliers and employees	(1,515,243)	(1,754,791)
Bank charges paid	(620)	(531)
Cash flows from operations	<u>486,186</u>	<u>152,635</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Silviculture liability	(3,081)	305,271
Funds expended from restricted net assets	(119,375)	-
Cash flows from (used in) financing	<u>(122,456)</u>	<u>305,271</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment	(42,884)	(86,651)
Proceeds on disposal of equipment	7,500	-
Long-term investments	(460,358)	(94,908)
Dividends from self directed investment	3,731	-
Cash flows used in investing	<u>(492,011)</u>	<u>(181,559)</u>
INCREASE (DECREASE) IN CASH RESOURCES	(128,281)	276,347
CASH RESOURCES, beginning of year	<u>1,152,159</u>	<u>875,812</u>
CASH RESOURCES, end of year	\$ 1,023,878	\$ 1,152,159
CASH RESOURCES CONSISTS OF:		
Cash	\$ 813,201	\$ 844,575
Current portion of long term investments	<u>210,677</u>	<u>307,584</u>
	\$ 1,023,878	\$ 1,152,159

See accompanying notes to financial statements.

LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
(unaudited)

NOTE 1. ACCOUNTING POLICIES:

Nature of operations:

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 the 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.

Basis of presentation:

These financial statements of the Society have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO) in conjunction with accounting standards for private enterprises (ASPE) on a going-concern basis, which assumes that the society will be able to realize its assets and discharge its liabilities in the normal course of business.

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.

The Society recognizes revenue when goods are shipped and the customer takes ownership and assumes risk of loss, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable.

LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
(unaudited)

NOTE 1. ACCOUNTING POLICIES (continued):

Cash and cash equivalents:

Cash is defined as cash on hand and cash on deposit, net of cheques issued and outstanding at the reporting date. Short-term debt securities purchased with a maturity date of twelve months or less are classified as cash equivalents. Cash appropriated for other than current purposes is shown as a long term asset.

Investments:

Investments, which consist primarily of guaranteed investment certificates and marketable securities are measured at fair market value. Any investment with a maturity date under twelve months is classified as short term.

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.

Equipment:

Equipment is stated at cost. Amortization is based on the estimated useful life of the assets and is recorded using the following annual rates (1/2 in year of acquisition):

Equipment	20% declining balance
Automotive	30% declining balance
Computer Equipment	30% declining balance
Machinery - Sawmill	Straight line over 15 years

The Society regularly reviews its equipment to eliminate obsolete items. Government Grants are treated as a reduction of property and equipment cost.

Equipment acquired during the year but not placed into use is not amortized until placed into use.

LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
(unaudited)

NOTE 2. GUARANTEED INVESTMENT CERTIFICATES:

	2016	2015
BMO ADV TR GIC, interest at 2.2% maturing October 24, 2016	\$ 100,000	\$ 100,000
Manulife GIC, interest at 2.65%, maturing May 18, 2017	100,000	100,000
Equitable Bank GIC, interest at 2.6%, maturing October 24, 2017	100,000	100,000
Cdn Western GIC, interest at 2.2%, maturing May 22, 2018	100,000	100,000
Steinbach Credit Union GIC, interest at 1.65%, maturing October 1, 2018	100,000	-
Steinbach Credit Union GIC, interest at 2.2%, maturing October 24, 2018	100,000	100,000
Pacific Western Bank GIC, interest at 2.2%, maturing May 22, 2019	100,000	100,000
Manulife GIC, interest at 2%, maturing September 30, 2019	100,000	-
Steinbach Credit Union GIC, interest at 2.35%, maturing Oct 24, 2019	100,000	100,000
Equity Financial Trust GIC, interest at 2.33%, maturing May 20, 2020	100,000	100,000
RBC GIC, interest at 2.1%, maturing September 29, 2020	100,000	-
BMO Trust Co. GIC, interest at 2.15%, maturing October 23, 2020	100,000	100,000
Home Trust GIC, interest at 2.25%, maturing October 26, 2020	100,000	100,000
General Bank of Canada GIC, interest at 2.33%, maturing May 18, 2021	100,000	100,000
Accrued GIC Interest to June 30, 2016	<u>19,645</u>	<u>10,688</u>
Sub total	\$ 1,419,645	\$ 1,110,688
Less: current portion	<u>(210,677)</u>	<u>(307,584)</u>
	<u>\$ 1,208,968</u>	<u>803,104</u>

All investments are valued at fair market value.

NOTE 3. CREDENTIAL SECURITIES:

	2016	2015
Cash, appropriated for long term use	\$ 52,221	\$ 3,081
Credential Securities self-directed investments	<u>104,677</u>	<u>97,336</u>
Sub total	\$ 156,898	\$ 100,417
Less: current portion	<u>-</u>	<u>-</u>
	<u>\$ 156,898</u>	<u>\$ 100,417</u>

All investments are valued at fair market value.

LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
(unaudited)

NOTE 4. EQUIPMENT:

	Cost	Accumulated Amortization	2016 Net	2015 Net
Field and radio equipment	\$ 4,839	\$ 2,153	\$ 2,686	\$ 1,937
Sawmill equipment	39,723	-	39,723	-
Automotive	125,685	57,508	68,177	103,315
Computer equipment	<u>8,489</u>	<u>6,256</u>	<u>2,233</u>	<u>2,190</u>
	<u>\$ 178,736</u>	<u>\$ 65,917</u>	<u>\$ 112,819</u>	<u>\$ 107,442</u>

The amount of amortization charged to income for this period is \$30,282. The sawmill equipment has not been amortized in fiscal 2016 because it was not put into use until October 2016.

NOTE 5. SILVICULTURE LIABILITY:

	2016	2015
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	92,201
Timbermark BB7006	38,911	38,911
Timbermark BB7007	20,542	20,542
Timbermark BB7008	34,483	34,483
Timbermark BB7009	31,532	31,532
Timbermark BB7010	13,769	13,769
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	39,023
Timbermark K1Z003	15,480	15,480
Timbermark K1Z004	29,508	29,508
Timbermark K1Z005	31,418	31,418
Timbermark K1Z006	51,309	51,308
Timbermark K1Z007	28,207	28,207
Timbermark K1Z008	303,614	497,591
Timbermark K1Z008 - 2015W+	190,896	-
Timbermark A83263	1,000	1,000
Non-obligated	22,022	22,022
Silviculture Contingency Funds	<u>150,000</u>	<u>150,000</u>
	1,274,727	\$ 1,277,807
Less: current portion	<u>(185,438)</u>	<u>(252,000)</u>
	<u>\$ 1,089,289</u>	<u>\$ 1,025,807</u>

The silviculture liability is incurred as timber is harvested, refer to Note 6 for more detail.

LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
(unaudited)

NOTE 6. MEASUREMENT UNCERTAINTY:

Lower North Thompson Community Forest Society has an obligation to restore logged areas to the free growing stage as determined by the Ministry of Forests, Lands and Natural Resource Operations. When these areas are logged a silviculture liability is set up to estimate the cost of this reforestation. Reforestation involves site preparation, seed, tree planting, brushing and surveying and takes approximately 10 to 20 years to complete. The estimated liability could vary from the actual cost resulting in a gain or loss in the financial statements when the free growing stage is reached.

NOTE 7. RESTRICTED FOR EXPANSION AND JOB CREATION:

This fund has been established to help fund activities that enhance the long-term viability of the local economy and add to sustainable employment.

	2016	2015
Opening Balance, July 1, 2015	\$ 221,300	\$ 221,300
Additions	-	-
Expended	<u>-</u>	<u>-</u>
Closing Balance, June 30, 2016	<u>\$ 221,300</u>	<u>\$ 221,300</u>

NOTE 8. RESTRICTED FOR SPLASH PAD:

On July 8, 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. It is contingent on other significant funding being committed to the project. The provincial government contributed \$40,000 and the Barriere 100th Anniversary Committee raised \$62,500 toward the project. The Society disbursed funds in the amount of \$150,000 on July 22, 2016.

	2016	2015
Opening Balance, July 1, 2015	\$ 150,000	\$ 150,000
Additions	-	-
Expended	<u>-</u>	<u>-</u>
Closing Balance, June 30, 2016	<u>\$ 150,000</u>	<u>\$ 150,000</u>

LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
(unaudited)

NOTE 9. RESTRICTED FOR ENVIRONMENT:

This fund has been established to help fund activities that enhance the long-term health and sustainability of our natural environment.

	2016	2015
Opening Balance, July 1, 2015	\$ 50,000	\$ 50,000
Additions	-	-
Expended	<u>-</u>	<u>-</u>
Closing Balance, June 30, 2016	<u>\$ 50,000</u>	<u>\$ 50,000</u>

NOTE 10. RESTRICTED FOR EDUCATION:

This fund has been established to assist with any worthy educational endeavours in the Lower North Thompson.

	2016	2015
Opening Balance, July 1, 2015	\$ 30,000	\$ 50,000
Additions	19,625	-
Expended	<u>(14,000)</u>	<u>(20,000)</u>
Closing Balance, June 30, 2016	<u>\$ 35,625</u>	<u>\$ 30,000</u>

NOTE 11. RESTRICTED FOR FOREST STEWARDSHIP:

The Board of Directors 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 \$30,000 allocated in the 2016 fiscal year has not been used.

	2016	2015
Opening Balance, July 1, 2015	\$ -	\$ 60,000
Additions	30,000	-
Expended	<u>-</u>	<u>(60,000)</u>
Closing Balance, June 30, 2016	<u>\$ 30,000</u>	<u>\$ -</u>

LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
(unaudited)

Note 12. **RESTRICTED FOR SCHOLARSHIPS:**

The Society has granted scholarships and bursaries that have not yet been paid out. These are contingent on the students registering at a post-secondary educational institution before receiving the funds. There is one \$2,000 scholarship issued in 2015, four \$2,000 scholarships issued in 2016 and two \$1,000 bursaries issued in 2016 that were paid after the year end. There is one \$1,000 bursary issued in 2015 not yet used that expires in January 2017. There is one \$2,000 scholarship issued in 2016 not yet used that will expire in January 2018. There are five \$1,000 bursaries issued in 2016 not yet used that will expire in January 2018. There are two \$500 bursaries issued in 2016, not yet used that will expire in January 2018. There are also \$2,000 of previously expired awards that have not yet been reallocated.

	2016	2015
Opening Balance, July 1, 2015	\$ 21,000	\$ 16,000
Additions	20,000	16,000
Expended	(15,000)	(9,000)
Expired	<u>(3,000)</u>	<u>(2,000)</u>
Closing Balance, June 30, 2016	<u>\$ 23,000</u>	<u>\$ 21,000</u>

NOTE 13. **LAND BASED INVESTMENT PROGRAM:**

In the 2016 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 year was \$64,697 (2015 - \$57,159) and \$22,030 (2015 - \$49,746) has been expensed during the year.

NOTE 14. **JOB CREATION PROGRAM:**

In the 2016 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 Government grant funds invoiced for 2016 were \$113,872 (2015 - \$187,603) and \$140,270 (2015 - \$154,212) has been expensed up to June 30, 2016. The current project is ongoing and expected to go to March 31, 2017. Wages donated in-kind to Job Creation Programs for the current year were \$7,030 (2015 - \$5,050). Bank charges donated to the Job Creation Program for the current year were \$121 (2015 - \$25).

LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
(unaudited)

Note 15. **FINANCIAL RISKS AND CONCENTRATION OF RISK:**

The Society is exposed to various risks through its financial instruments without being exposed to concentrations of risk. The main risks are detailed below.

Credit risk

Credit risk is the risk that one party to a financial asset will cause a financial loss for the Society by failing to discharge an obligation. The Society's credit risk is mainly related to accounts receivable. In order to reduce its credit risk, the Society reviews a new customers' credit history before extending credit and conducts regular reviews of its existing customers' credit performance. Management is of the opinion that credit risk is not a significant risk and there has been no change to the risk exposure from 2015.

Market risk

Market risk is the risk that the fair value or future cash flows of the Society's financial instruments will fluctuate because of changes in market prices. The Society's investments expose it to this risk, which comprises currency risk, interest rate risk and other price risk. The Society is mainly exposed to interest rate risk and there has been no change to the risk exposure from 2015.

NOTE 16. **COMPARATIVE FIGURES:**

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.