

**LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY**

**FINANCIAL STATEMENTS**

**June 30, 2018**

REVIEW ENGAGEMENT REPORT

STATEMENT OF FINANCIAL POSITION

STATEMENT OF OPERATIONS

STATEMENT OF CHANGES IN NET ASSETS

STATEMENT OF CASH FLOWS

NOTES TO FINANCIAL STATEMENTS

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## **INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT**

To the Directors of LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY

We have reviewed the accompanying financial statements of LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY that comprise the statement of financial position as at June 30, 2018 and the statements of operations, changes in net assets and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility 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 controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Practitioner's Responsibility**

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that these financial statements do not present fairly, in all material respects, the financial position of LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY at June 30, 2018, and the results of its operations and its cash flows for the year then ended in accordance with the Canadian accounting standards for not-for-profit organizations in conjunction with accounting standards for private enterprises.

*Finnie Hunka Devick LLP*  
Chartered Professional Accountants

Kamloops, BC  
October 11, 2018

### **Disclaimer of Liability**

These financial statements were reviewed and this Review Engagement Report is issued solely for the use of LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY. Finnie Hunka Devick LLP 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 Finnie Hunka Devick LLP.

**LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2018**  
(unaudited)

<b>ASSETS</b>	<b>2018</b>	<b>2017</b>
<b>CURRENT ASSETS:</b>		
Cash	\$ 968,440	\$ 1,250,785
Accounts receivable	29,527	19,611
Goods and services tax recoverable	7,403	8,061
Refundable taxes withheld	48	18
Inventory	24,416	32,549
Prepaid expenses and deposits	28,841	20,926
Current portion of Guaranteed Investment Certificates (Note 2)	<u>313,190</u>	<u>208,853</u>
	<b>1,371,865</b>	<b>1,540,803</b>
LONG TERM GUARANTEED INVESTMENT CERTIFICATES (Note 2)	<b>1,523,442</b>	<b>1,216,762</b>
LONG TERM INVESTMENTS - CREDENTIAL SECURITIES (Note 3)	<b>255,837</b>	<b>354,553</b>
PROPERTY AND EQUIPMENT (Note 4)	<u><b>1,347,220</b></u>	<u><b>605,932</b></u>
	<b>\$ 4,498,364</b>	<b>\$ 3,718,050</b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES:</b>		
Accounts payable and accruals	\$ 27,365	\$ 20,077
Payroll remittances payable	11,035	7,564
Provincial sales tax payable	539	336
Deferred grant revenue (Note 5)	102,246	100,000
Current portion of silviculture liability (Note 6)	<u>250,176</u>	<u>231,043</u>
	<b>391,361</b>	<b>359,020</b>
LONG TERM SILVICULTURE LIABILITY (Note 6)	<u><b>1,199,707</b></u>	<u><b>1,186,733</b></u>
	<u><b>1,591,068</b></u>	<u><b>1,545,753</b></u>
NET ASSETS - INTERNALLY RESTRICTED FOR OPERATIONS	<b>2,464,631</b>	<b>1,779,078</b>
<b>NET ASSETS - INTERNALLY RESTRICTED TO PROVIDE FOR:</b>		
Expansion and Job Creation (Note 7)	250,000	250,000
Environment (Note 9)	50,000	50,000
Education (Note 10)	30,000	23,125
Forest Stewardship (Note 11)	74,784	52,094
Scholarships and Bursaries (Note 12)	33,250	18,000
Community grants (Note 13)	<u>4,631</u>	<u>-</u>
	<u><b>2,907,296</b></u>	<u><b>2,172,297</b></u>
Commitments (Note 14)	<b>\$ 4,498,364</b>	<b>\$ 3,718,050</b>

APPROVED BY THE DIRECTORS:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

**LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY**  
**STATEMENT OF OPERATIONS**  
Year ended June 30, 2018  
(unaudited)

	2018	2017
<b>REVENUE:</b>		
Timber	\$ 2,062,463	\$ 2,670,146
Forest Enhancement Society of BC (Note 15)	213,466	-
Land based investment funding (Note 15)	34,520	23,995
Lumber, product and milling	22,301	11,001
Equipment rental and other	80,567	52,337
Grants	<u>108,973</u>	<u>9,777</u>
	<u>2,522,290</u>	<u>2,767,256</u>
<b>EXPENSES:</b>		
Advertising and promotion	4,092	4,724
Bank charges	111	467
Bad debts	302	-
Contracting	773,815	943,726
Equipment rental	2,731	2,757
Forest development	18,943	7,784
Forest Enhancement Society of BC (Note 15)	213,466	-
Fuel	9,377	2,801
Insurance	18,972	16,888
Land based investment expenses (Note 15)	19,691	21,059
Licenses, dues and fees	9,540	6,913
Log purchases and hauling (Note 16)	17,460	11,643
Meals and entertainment	1,394	1,541
Office	4,967	4,055
Office rent	4,200	4,200
Professional fees	6,264	6,134
Repairs and maintenance	86,959	4,362
Silviculture	219,943	322,073
Stumpage and annual rent	57,814	71,914
Supplies	11,921	5,125
Telephone	2,711	2,580
Travel	1,923	3,735
Utilities	383	-
Wages and benefits	<u>175,853</u>	<u>147,651</u>
	<u>1,662,832</u>	<u>1,592,132</u>
<b>EXCESS REVENUE OVER EXPENSES FROM OPERATIONS</b>	<b>859,458</b>	<b>1,175,124</b>
<b>OTHER REVENUE AND (EXPENSES):</b>		
Interest income	42,285	34,979
Gain on disposal of investments	257	4,053
Unrealized gain on investments	1,053	7,764
Dividend income	3,690	3,611
Gain (loss) on disposal of property and equipment	-	(117)
Amortization	(68,021)	(37,658)
Donations - In kind wages	<u>(9,295)</u>	<u>(8,780)</u>
<b>EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR</b>	<b>\$ 829,427</b>	<b>\$ 1,178,976</b>

**LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**Year ended June 30, 2018**  
(unaudited)

	Internally Restricted to provide for specified funds	Internally Restricted for operations	<b>Total</b>  <b>2018</b>	Total  2017
Balance, beginning of year	\$ 393,219	\$ 1,779,078	<b>\$ 2,172,297</b>	\$ 1,302,211
Excess of revenues over expenses	-	829,427	<b>829,427</b>	1,178,976
Net expired fund allocations	(4,000)	4,000	-	-
New fund allocations:				
Education	6,875	(6,875)	-	-
Forest Stewardship	30,000	(30,000)	-	-
Scholarships and bursaries	31,000	(31,000)	-	-
Community grants	80,000	(80,000)	-	-
Expansion/Job Creation	-	-	-	-
Leveraging	-	-	-	-
Fund expended:				
Splash pad	-	-	-	(150,000)
Forest Stewardship	(7,310)	-	<b>(7,310)</b>	(7,906)
Scholarships and bursaries	(11,750)	-	<b>(11,750)</b>	(22,000)
Education	-	-	-	(12,125)
Community grants	(75,368)	-	<b>(75,368)</b>	(66,859)
Leveraging	-	-	-	(50,000)
Balance, end of year	<u>\$ 442,666</u>	<u>\$ 2,464,630</u>	<u><b>\$ 2,907,296</b></u>	<u>\$ 2,172,297</u>

**LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY**  
**STATEMENT OF CASH FLOWS**  
Year ended June 30, 2018  
(unaudited)

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash receipts from customers	\$ 2,514,589	\$ 2,891,465
Cash paid to suppliers and employees	(1,660,175)	(1,603,468)
Bank charges paid	(111)	(467)
Interest and dividends	<u>45,975</u>	<u>38,589</u>
Cash flows from operations	<u>900,278</u>	<u>1,326,119</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Silviculture liability	32,107	143,050
Funds expended from restricted net assets	<u>(94,429)</u>	<u>(308,890)</u>
Cash flows used in financing	<u>(62,322)</u>	<u>(165,840)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(809,810)	(530,888)
Proceeds on disposal of property and equipment	500	-
Long-term investments	<u>(206,654)</u>	<u>(141,410)</u>
Cash flows used in investing	<u>(1,015,964)</u>	<u>(672,298)</u>
<b>INCREASE (DECREASE) IN CASH RESOURCES</b>	<b>(178,008)</b>	<b>487,981</b>
CASH RESOURCES, beginning of year	<u>1,459,638</u>	<u>971,657</u>
CASH RESOURCES, end of year	<b>\$ 1,281,630</b>	<b>\$ 1,459,638</b>
<b>CASH RESOURCES CONSISTS OF:</b>		
Cash	\$ 968,440	\$ 1,250,785
Current portion of long term investments	<u>313,190</u>	<u>208,853</u>
	<b>\$ 1,281,630</b>	<b>\$ 1,459,638</b>

See accompanying notes to financial statements.

**LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**  
(unaudited)

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**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; they are exempt from income tax under section 149(1)(l). The purpose of the Society is to:

- a) Create a long term sustainable plan for the forest resources that benefit 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, 2018**  
(unaudited)

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**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. Inventory consists of culverts, cattleguards and logs.

**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
Fencing	10% declining balance
Machinery - Sawmill	Straight line over 15 years

The Society regularly reviews its equipment to eliminate obsolete items.

Government Grants are shown as revenue and the related asset is valued at cost.

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

**Measurement uncertainty:**

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles 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 dates of the financial statements and the reported revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the carrying amount of property, plant and equipment and silviculture liabilities. Actual results could differ from those estimates.



**LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**  
(unaudited)

**NOTE 2. GUARANTEED INVESTMENT CERTIFICATES:**

	2018	2017
Equitable Bank GIC, interest at 2.6%, matured October 24, 2017	\$ -	\$ 100,000
Canadian Western GIC, interest at 2.2%, matured May 22, 2018	-	100,000
Steinbach Credit Union GIC, interest at 1.65%, maturing October 1, 2018	<b>100,000</b>	100,000
Steinbach Credit Union GIC, interest at 2.2%, maturing October 24, 2018	<b>100,000</b>	100,000
Pacific Western Bank GIC, interest at 2.2%, maturing May 22, 2019	<b>100,000</b>	100,000
Manulife GIC, interest at 2%, maturing September 30, 2019	<b>100,000</b>	100,000
Steinbach Credit Union GIC, interest at 2.35%, maturing Oct 24, 2019	<b>100,000</b>	100,000
Equity Financial Trust GIC, interest at 2.33%, maturing May 20, 2020	<b>100,000</b>	100,000
RBC GIC, interest at 2.1%, maturing September 29, 2020	<b>100,000</b>	100,000
BMO Trust Co. GIC, interest at 2.15%, maturing October 23, 2020	<b>100,000</b>	100,000
Home Trust GIC, interest at 2.25%, maturing October 26, 2020	<b>100,000</b>	100,000
Innovation Credit Union, interest at 2.7%, maturing March 15, 2021	<b>100,000</b>	-
Steinbach Credit Union, interest at 2.15%, maturing March 15, 2021	<b>100,000</b>	-
General Bank of Canada GIC, interest at 2.33%, maturing May 18, 2021	<b>100,000</b>	100,000
Interior Savings term deposit, interest at 1.75%, maturing Oct 25, 2021	<b>101,750</b>	100,000
Steinbach Credit Union, interest at 2.35%, maturing March 15, 2022	<b>100,000</b>	-
Manulife GIC, interest at 1.85%, maturing May 19, 2022	<b>100,000</b>	100,000
Steinbach C.U. GIC, interest at 2.3%, maturing November 2, 2022	<b>100,000</b>	-
Vancity GIC, interest at 2.8%, maturing March 15, 2023	<b>100,000</b>	-
Canadian Western GIC, interest at 3.1%, maturing May 29, 2023	<b>100,000</b>	-
Accrued GIC Interest to June 30, 2018	<u><b>34,882</b></u>	<u>25,615</u>
Sub total	<b>\$ 1,836,632</b>	<b>\$ 1,425,615</b>
Less: current portion	<u><b>(313,190)</b></u>	<u>(208,853)</u>
	<u><b>\$ 1,523,442</b></u>	<u>1,216,762</u>

All investments are valued at fair market value.

**NOTE 3. CREDENTIAL SECURITIES:**

	2018	2017
Cash, appropriated for long term use	\$ 23,700	\$ 132,227
Self-directed equities	<b>107,653</b>	90,099
Mutual Funds - Money market fund	<u><b>100,784</b></u>	<u>-</u>
Sub total	<b>\$ 232,137</b>	<b>\$ 222,326</b>
Less: current portion	<u>-</u>	<u>-</u>
	<u><b>\$ 232,137</b></u>	<u>222,326</u>

All investments are valued at fair market value.

**LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
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(unaudited)

**NOTE 4. PROPERTY AND EQUIPMENT:**

	Cost	Accumulated Amortization	<b>2018 Net</b>	2017 Net
Land	\$ 494,048	\$ -	\$ 494,048	\$ 371,076
Buildings	416,062	8,364	<b>407,698</b>	5,768
Field and radio equipment	192,718	53,671	<b>139,047</b>	80,926
Sawmill equipment	258,064	6,602	<b>251,462</b>	98,140
Automotive	147,214	95,508	<b>51,706</b>	47,724
Computer equipment	6,202	5,165	<b>1,037</b>	1,481
Fencing	<u>2,339</u>	<u>117</u>	<u><b>2,222</b></u>	<u>817</u>
	<u>\$ 1,516,647</u>	<u>\$ 169,427</u>	<u><b>\$ 1,347,220</b></u>	<u>\$ 605,932</u>

The amount of amortization charged to income for this period is \$68,021.

The kiln, used sawmill equipment, and the firewood processor have not been amortized in fiscal 2018 because they have not yet been put into use. The carrying amount of these assets is \$204,036.

**NOTE 5. DEFERRED GRANT REVENUE:**

The Society received a \$100,000 grant from the Provincial Government for a value added fibre utilization project in the current year. The total project is projected to cost \$134,210 and is anticipated to take 18 months to complete, finishing October 1, 2018. As at June 30, 2018 \$64,759 has been spent, therefore \$35,241 of the grant is deferred and will be recognized as revenue when the funds are expended.

The society recieved a \$100,000 Rural Dividend Fund grant in the current year. \$32,995 of this grant was attributable to the firewood processor, the remaining \$67,005 was unspent at year end and is to cover costs related to the rural dividend project.

**LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
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(unaudited)

**NOTE 6. SILVICULTURE LIABILITY:**

	2018	2017
Timbermark BB7001	\$ 14,874	\$ 17,464
Timbermark BB7002	14,526	14,526
Timbermark BB7003	27,607	27,607
Timbermark BB7004	33,206	33,927
Timbermark BB7005	75,778	80,475
Timbermark BB7006	24,665	31,857
Timbermark BB7007	10,271	10,271
Timbermark BB7008	34,483	34,483
Timbermark BB7009	31,531	31,531
Timbermark BB7010	7,513	7,513
Timbermark BB7997	37,121	37,121
Timbermark BB7998	6,924	6,924
Timbermark BB7999	-	2,421
Timbermark K1Z001	36,298	36,298
Timbermark K1Z002	39,023	39,023
Timbermark K1Z003	20,121	15,480
Timbermark K1Z004	29,508	29,508
Timbermark K1Z005	31,418	31,418
Timbermark K1Z006	51,309	51,309
Timbermark K1Z007	28,207	28,207
Timbermark K1Z008	303,614	303,614
Timbermark K1Z008 - 2015W+	100,720	100,720
Timbermark K1Z008 - 2016W+	95,009	273,057
Timbermark K1Z009 - 2017W+	223,135	-
Timbermark A83263	1,000	1,000
Non-obligated	22,022	22,022
Silviculture Contingency Funds	<u>150,000</u>	<u>150,000</u>
	<b>1,449,883</b>	<b>\$ 1,417,776</b>
Less: current portion	<u>(250,176)</u>	<u>(231,043)</u>
	<b><u>\$ 1,199,707</u></b>	<b><u>\$ 1,186,733</u></b>

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. The estimated liability is reviewed for accuracy every six months.

**LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**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.

	<b>2018</b>	2017
Opening Balance, beginning of the year	\$ 250,000	\$ 221,300
Additions	-	28,700
Expended	<u>-</u>	<u>-</u>
Closing Balance, end of the year	<u><u>\$ 250,000</u></u>	<u><u>\$ 250,000</u></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.

	<b>2018</b>	2017
Opening Balance, beginning of the year	\$ -	\$ 150,000
Additions	-	-
Expended	<u>-</u>	<u>(150,000)</u>
Closing Balance, end of the year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
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(unaudited)

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**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.

	2018	2017
Opening Balance, beginning of the year	\$ 50,000	\$ 50,000
Additions	-	-
Expended	<u>-</u>	<u>-</u>
Closing Balance, end of the year	<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.

	2018	2017
Opening Balance, beginning of the year	\$ 23,125	\$ 35,625
Additions (transfers)	6,875	(375)
Expended	<u>-</u>	<u>(12,125)</u>
Closing Balance, end of the year	<u>\$ 30,000</u>	<u>\$ 23,125</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.

	2018	2017
Opening Balance, beginning of the year	\$ 52,094	\$ 30,000
Additions	30,000	30,000
Expended	<u>(7,310)</u>	<u>(7,906)</u>
Closing Balance, end of the year	<u>\$ 74,784</u>	<u>\$ 52,094</u>

**LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**  
(unaudited)

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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. In 2018, \$31,000 new funds were awarded to the 2018 grad class. During the 2018 fiscal year \$11,750 of scholarships and bursaries have been paid out. Bursaries and scholarships expired during the year and were not reallocated leaving \$33,250 awarded and not yet paid at year end.

	2018	2017
Opening Balance, beginning of the year	\$ 18,000	\$ 23,000
Additions	31,000	18,000
Expended	(11,750)	(22,000)
Expired	<u>(4,000)</u>	<u>(1,000)</u>
Closing Balance, end of the year	<u>\$ 33,250</u>	<u>\$ 18,000</u>

Note 13. **RESTRICTED FOR COMMUNITY GRANTS:**

This fund has been established to fund various local community not-for-profit organizations through an annual grant application process. There is an amount remaining in this fund at year end because of a grant awarded to the Barriere Skate Park, the grant is contingent on the group raising matching funds. Once the Barriere Skate Park has shown the society they have raised the matching funds this grant will be released.

	2018	2017
Opening Balance, beginning of the year	\$ -	\$ -
Additions	80,000	66,859
Expended	<u>(75,369)</u>	<u>(66,859)</u>
Closing Balance, end of the year	<u>\$ 4,631</u>	<u>\$ -</u>

NOTE 14. **LEASE COMMITMENTS:**

The Society leases a facility under a lease agreement with no expiry date. Under the terms of the lease the Society is required to pay \$350 per month. The annual minimum payments are \$4,200.

**LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY**  
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**NOTE 15. LAND BASED INVESTMENT PROGRAM and FOREST ENHANCEMENT SOCIETY OF BC:**

In the 2018 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 \$34,520 (2017 - \$23,995) and \$19,691 (2017 - \$21,059) has been expensed during the year.

Starting in fiscal 2018, the Society received funding for two projects from The Forest Enhancement Society of BC (FESBC). The FESBC is an organization formed by the provincial government to provide funding to support investments in the forest landbase. The two projects in fiscal 2018 were an aerial fertilization of young stands and a legacy roads rehabilitation project.

NOTE 16. LOG PURCHASES:	2018	2017
Log inventory, beginning of the year	\$ 6,440	\$ -
Log purchases	-	16,609
Log hauling	17,946	1,474
Less log inventory, end of year	<u>(6,926)</u>	<u>(6,440)</u>
Net log cost	<u>\$ 17,460</u>	<u>\$ 11,643</u>

**NOTE 17. JOB CREATION PROGRAM:**

In the 2018 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 grants funds invoiced for 2018 were \$224,448 (2017 - \$255,410) and \$224,448 (2017 - \$255,437) has been expensed up to June 30, 2018. The current project is ongoing and expected to go to March 31, 2019. Wages donated in-kind to Job Creation Programs for the current year were \$9,295 (2017 - \$8,780). Bank charges donated to the Job Creation Program for the current year were \$0 (2017 - \$155).

**LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
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(unaudited)

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**Note 18. 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 2017.

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 2017.

**NOTE 19. 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.