

LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY

FINANCIAL STATEMENTS

June 30, 2019

REVIEW ENGAGEMENT REPORT

STATEMENT OF FINANCIAL POSITION

STATEMENT OF OPERATIONS

STATEMENT OF CHANGES IN NET ASSETS

STATEMENT OF CASH FLOWS

NOTES TO FINANCIAL STATEMENTS



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, 2019 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, 2019, 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
September 23, 2019

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, 2019
(unaudited)

ASSETS	2019	2018
CURRENT ASSETS:		
Cash	\$ 1,085,036	\$ 992,140
Accounts receivable	128,716	29,527
Goods and services tax recoverable	-	7,403
Refundable taxes withheld	47	48
Inventory	51,520	24,416
Prepaid expenses and deposits	47,822	28,841
Current portion of Guaranteed Investment Certificates (Note 2)	<u>313,258</u>	<u>313,190</u>
	1,626,399	1,395,565
LONG TERM GUARANTEED INVESTMENT CERTIFICATES (Note 2)	1,531,629	1,523,442
LONG TERM INVESTMENTS - QTRADE INVESTOR (Note 3)	540,798	232,137
PROPERTY AND EQUIPMENT (Note 4)	<u>1,544,133</u>	<u>1,347,220</u>
	\$ 5,242,959	\$ 4,498,364

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable and accruals	\$ 85,777	\$ 27,365
Payroll remittances payable	4,930	11,035
Provincial sales tax payable	863	539
Good and services tax payable	708	-
Deferred grant revenue (Note 5)	48,761	102,246
Current portion of silviculture liability (Note 6)	<u>232,561</u>	<u>250,176</u>
	373,600	391,361
LONG TERM SILVICULTURE LIABILITY (Note 6)	<u>1,362,259</u>	<u>1,199,707</u>
	<u>1,735,859</u>	<u>1,591,068</u>
NET ASSETS - INTERNALLY RESTRICTED FOR OPERATIONS	3,075,433	2,464,631
NET ASSETS - INTERNALLY RESTRICTED TO PROVIDE FOR:		
Expansion and Job Creation (Note 7)	250,000	250,000
Environment (Note 8)	50,000	50,000
Education (Note 9)	30,000	30,000
Forest Stewardship (Note 10)	65,917	74,784
Scholarships and Bursaries (Note 11)	35,750	33,250
Community grants (Note 12)	<u>-</u>	<u>4,631</u>
	<u>3,507,100</u>	<u>2,907,296</u>
Commitments (Note 13)	\$ 5,242,959	\$ 4,498,364

APPROVED BY THE DIRECTORS:

_____ Director

_____ Director

LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY
STATEMENT OF OPERATIONS
Year ended June 30, 2019
(unaudited)

	2019	2018
REVENUE:		
Timber	\$ 2,190,398	\$ 2,062,463
Grants	131,235	108,973
Equipment rental and other	90,364	80,567
Firewood and delivery	69,399	395
Lumber, product and milling	43,771	21,905
Forest Enhancement Society of BC (Note 14)	-	213,466
Land based investment funding (Note 14)	-	34,520
	<u>2,525,167</u>	<u>2,522,289</u>
EXPENSES:		
Advertising and promotion	5,188	4,092
Bank charges	58	111
Bad debts	-	302
Community meetings	4,125	-
Contracting	774,023	773,815
Equipment rental	3,220	2,731
Forest development	14,913	18,943
Forest Enhancement Society of BC (Note 14)	-	213,466
Fuel	15,561	9,377
Insurance	29,155	18,972
Land based investment expenses (Note 14)	-	19,691
Licenses, dues and fees	8,053	9,540
Log purchases, hauling and direct costs (Note 15)	81,221	17,460
Meals	385	1,394
Office	4,064	4,966
Office rent	4,200	4,200
Professional fees	8,105	6,264
Repairs and maintenance	58,969	86,959
Silviculture	373,869	219,943
Stumpage and annual rent	61,393	57,814
Supplies	24,844	11,921
Telephone	2,829	2,711
Travel	4,013	1,923
Utilities	3,568	383
Wages and benefits	241,907	175,853
	<u>1,723,663</u>	<u>1,662,831</u>
EXCESS REVENUE OVER EXPENSES FROM OPERATIONS	801,504	859,458
OTHER REVENUE AND (EXPENSES):		
Interest income	48,788	42,285
Gain (loss) on disposal of investments	(33)	257
Unrealized gain on investments	2,406	1,053
Dividend income - Ordinary	515	523
Dividend income - Eligible	4,004	3,167
Gain on disposal of property and equipment	4,593	-
Amortization	(98,579)	(68,021)
Donations - In kind wages	(7,395)	(9,295)
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR	<u>\$ 755,803</u>	<u>\$ 829,427</u>

See accompanying notes to financial statements.

LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY
STATEMENT OF CHANGES IN NET ASSETS
Year ended June 30, 2019
(unaudited)

	Internally Restricted to provide for specified funds	Internally Restricted for operations	Total 2019	Total 2018
Balance, beginning of year	\$ 442,666	\$ 2,464,630	\$ 2,907,296	\$ 2,172,297
Excess of revenues over expenses	-	755,803	755,803	829,427
Net expired fund allocations	-	-	-	-
New fund allocations:				
Education	-	-	-	-
Forest Stewardship	30,000	(30,000)	-	-
Scholarships and bursaries	35,000	(35,000)	-	-
Community grants	80,000	(80,000)	-	-
Expansion/Job Creation	-	-	-	-
Leveraging	-	-	-	-
Fund expended:				
Splash pad	-	-	-	-
Forest Stewardship	(38,869)	-	(38,869)	(7,310)
Scholarships and bursaries	(32,500)	-	(32,500)	(11,750)
Education	-	-	-	-
Community grants	(84,630)	-	(84,630)	(75,368)
Leveraging	-	-	-	-
Balance, end of year	<u>\$ 431,667</u>	<u>\$ 3,075,433</u>	<u>\$ 3,507,100</u>	<u>\$ 2,907,296</u>

LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY
STATEMENT OF CASH FLOWS
Year ended June 30, 2019
(unaudited)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash receipts from customers	\$ 2,372,494	\$ 2,514,589
Cash paid to suppliers and employees	(1,716,344)	(1,660,175)
Bank charges paid	(58)	(111)
Interest and dividends	<u>53,308</u>	<u>45,975</u>
Cash flows from operations	<u>709,400</u>	<u>900,278</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Silviculture liability	144,937	32,107
Funds expended from restricted net assets	<u>(155,999)</u>	<u>(94,429)</u>
Cash flows used in financing	<u>(11,062)</u>	<u>(62,322)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(360,899)	(809,810)
Proceeds on disposal of property and equipment	70,000	500
Long-term investments	<u>(314,475)</u>	<u>(315,182)</u>
Cash flows used in investing	<u>(605,374)</u>	<u>(1,124,492)</u>
INCREASE (DECREASE) IN CASH RESOURCES	92,964	(286,536)
CASH RESOURCES, beginning of year	<u>1,305,330</u>	<u>1,591,866</u>
CASH RESOURCES, end of year	\$ 1,398,294	\$ 1,305,330
CASH RESOURCES CONSISTS OF:		
Cash	\$ 1,085,036	\$ 992,140
Current portion of long term investments	<u>313,258</u>	<u>313,190</u>
	\$ 1,398,294	\$ 1,305,330

See accompanying notes to financial statements.

LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019
(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; 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, 2019
(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. 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.

LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019
(unaudited)

NOTE 1. ACCOUNTING POLICIES (continued):

Financial instruments policy:

Financial instruments originating in an arm's length transaction are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. Changes in fair value are recognized as income in the period. All other financial instruments are subsequently measured at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Society has elected not to carry these financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs. These costs are amortized using the straight-line method.

In the case of financial instruments that originate as a result of a related party transaction, initial measurement will be at the exchange amount or carrying value in accordance with Section 3840, Related Party Transactions, rather than fair value. If the sole relationship is in the capacity of management, the parties involved are deemed to be unrelated for purposes of Section 3856, Financial Instruments and as such, transactions will be initially measured at fair value.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the company determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial assets. This significant adverse change could arise from either the future use of the asset, the amount that could be realized from selling the financial asset or the amount the company expects to realize by exercising the right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial impairment change.

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, 2019
(unaudited)

NOTE 2. GUARANTEED INVESTMENT CERTIFICATES:

	2019	2018
Steinbach Credit Union GIC, interest at 1.65%, matured October 1, 2018	\$ -	\$ 100,000
Steinbach Credit Union GIC, interest at 2.2%, matured October 24, 2018	-	100,000
Pacific Western Bank GIC, interest at 2.2%, matured May 22, 2019	-	100,000
Manulife GIC, interest at 2%, maturing September 30, 2019	100,000	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	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
Innovation Credit Union, interest at 2.7%, maturing March 15, 2021	100,000	100,000
Steinbach Credit Union, interest at 2.15%, maturing March 15, 2021	100,000	100,000
General Bank of Canada GIC, interest at 2.33%, maturing May 18, 2021	100,000	100,000
Interior Savings term deposit, interest at 1.75%, maturing Oct 25, 2021	103,531	101,750
Steinbach Credit Union, interest at 2.35%, maturing March 15, 2022	100,000	100,000
Manulife GIC, interest at 1.85%, maturing May 19, 2022	100,000	100,000
Steinbach C.U. GIC, interest at 2.3%, maturing November 2, 2022	100,000	100,000
Vancity GIC, interest at 2.8%, maturing March 15, 2023	100,000	100,000
Canadian Western GIC, interest at 3.1%, maturing May 29, 2023	100,000	100,000
Steinbach Credit Union GIC, interest at 3%, maturing October 5, 2023	100,000	-
Steinbach Credit Union GIC, interest at 3%, maturing October 24, 2023	100,000	-
MCan GIC, interest at 2.7%, maturing May 24, 2024	100,000	-
Accrued GIC Interest to June 30, 2019	<u>41,356</u>	<u>34,882</u>
Sub total	\$ 1,844,887	\$ 1,836,632
Less: current portion	<u>(313,258)</u>	<u>(313,190)</u>
	<u>\$ 1,531,629</u>	<u>1,523,442</u>

All investments are valued at fair market value.

NOTE 3. QTRADE INVESTOR:

	2019	2018
Cash, appropriated for long term use	\$ 321,546	\$ 23,700
Self-directed equities	116,770	107,653
Mutual Funds - Money market fund	<u>102,482</u>	<u>100,784</u>
Sub total	\$ 540,798	\$ 232,137
Less: current portion	<u>-</u>	<u>-</u>
	<u>\$ 540,798</u>	<u>\$ 232,137</u>

All investments are valued at fair market value.

LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019
(unaudited)

NOTE 4. PROPERTY AND EQUIPMENT:

	Cost	Accumulated Amortization	2019 Net	2018 Net
Land	\$ 506,098	\$ -	\$ 506,098	\$ 494,048
Buildings	448,944	25,330	423,614	407,698
Field and radio equipment	251,675	80,829	170,846	139,047
Sawmill equipment	384,709	25,457	359,252	251,462
Automotive	200,039	118,943	81,096	51,706
Computer equipment	6,792	5,565	1,227	1,037
Fencing	<u>2,339</u>	<u>339</u>	<u>2,000</u>	<u>2,222</u>
	<u>\$ 1,800,596</u>	<u>\$ 256,463</u>	<u>\$ 1,544,133</u>	<u>\$ 1,347,220</u>

Some used sawmill equipment have not been amortized in fiscal 2019 because they have not yet been put into use. The carrying amount of these assets is \$101,879.

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 prior year. The total project cost \$134,210 and was completed November 2018; \$64,759 was spent in fiscal 2018 and \$35,241 was spent in fiscal 2019.

The society recieved a \$100,000 Rural Dividend Fund grant in the prior year. \$32,995 of this grant was attributable to the firewood processor in fiscal 2018, the remaining \$67,005 was spent in fiscal 2019.

The society received \$64,621 from the Provincial Government and \$7,500 from the Back Country Horseman Society for the Skull Mountain Trails Project. \$23,363 was spent in fiscal 2019 and the remaining \$48,761 is deferred at June 30, 2019 and expected to be spent in fiscal 2020.

LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019
(unaudited)

NOTE 6. SILVICULTURE LIABILITY:

	2019	2018
Timbermark BB7001	\$ 14,874	\$ 14,874
Timbermark BB7002	12,843	14,526
Timbermark BB7003	27,607	27,607
Timbermark BB7004	33,206	33,206
Timbermark BB7005	75,778	75,778
Timbermark BB7006	24,665	24,665
Timbermark BB7007	10,271	10,271
Timbermark BB7008	29,435	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 K1Z001	34,210	36,298
Timbermark K1Z002	80,316	39,023
Timbermark K1Z003	20,121	20,121
Timbermark K1Z004	29,508	29,508
Timbermark K1Z005	31,347	31,418
Timbermark K1Z006	51,309	51,309
Timbermark K1Z007	28,207	28,207
Timbermark K1Z008	303,614	303,614
Timbermark K1Z008 - 2015W+	100,721	100,720
Timbermark K1Z008 - 2016W+	94,994	95,009
Timbermark K1Z009 - 2017W+	64,960	223,135
Timbermark K1Z009 - 2018W+	270,723	-
Timbermark A83263	1,000	1,000
Non-obligated	22,022	22,022
Silviculture Contingency Funds	<u>150,000</u>	<u>150,000</u>
	1,594,820	\$ 1,449,883
Less: current portion	<u>(232,561)</u>	<u>(250,176)</u>
	<u>\$ 1,362,259</u>	<u>\$ 1,199,707</u>

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
June 30, 2019
(unaudited)

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.

	2019	2018
Opening Balance, beginning of the year	\$ 250,000	\$ 250,000
Additions	-	-
Expended	<u>-</u>	<u>-</u>
Closing Balance, end of the year	<u>\$ 250,000</u>	<u>\$ 250,000</u>

NOTE 8. RESTRICTED FOR ENVIRONMENT:

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

	2019	2018
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 9. RESTRICTED FOR EDUCATION:

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

	2019	2018
Opening Balance, beginning of the year	\$ 30,000	\$ 23,125
Additions	-	6,875
Expended	<u>-</u>	<u>-</u>
Closing Balance, end of the year	<u>\$ 30,000</u>	<u>\$ 30,000</u>

LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019
(unaudited)

NOTE 10. 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.

	2019	2018
Opening Balance, beginning of the year	\$ 74,784	\$ 52,094
Additions	30,000	30,000
Expended	<u>(38,868)</u>	<u>(7,310)</u>
Closing Balance, end of the year	<u>\$ 65,916</u>	<u>\$ 74,784</u>

Note 11. 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 2019, \$35,000 new funds were awarded to the 2019 grad class. During the 2019 fiscal year \$32,500 of scholarships and bursaries have been paid out.

	2019	2018
Opening Balance, beginning of the year	\$ 33,250	\$ 18,000
Additions	35,000	31,000
Expended	(32,500)	(11,750)
Expired	<u>-</u>	<u>(4,000)</u>
Closing Balance, end of the year	<u>\$ 35,750</u>	<u>\$ 33,250</u>

Note 12. 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 was an amount remaining in this fund at the previous year end because of a grant awarded to the Barriere Skate Park, the grant was contingent on the group raising matching funds. Once the Barriere Skate Park raised the matching funds the grant was released.

	2019	2018
Opening Balance, beginning of the year	\$ 4,631	\$ -
Additions	80,000	80,000
Expended	<u>(84,631)</u>	<u>(75,369)</u>
Closing Balance, end of the year	<u>\$ -</u>	<u>\$ 4,631</u>

NOTE 13. 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
NOTES TO FINANCIAL STATEMENTS
June 30, 2019
(unaudited)

NOTE 14. LAND BASED INVESTMENT PROGRAM and FOREST ENHANCEMENT SOCIETY OF BC:

The Society regularly participates in the Land Based Investment Program through the Ministry of Forests, Lands and Natural Resource Operations. There was no funding received in fiscal 2019 (2018- \$34,520) and there were no expenses in fiscal 2019 (2018 - \$19,691). The society has applied for and expects to receive funding for projects in fiscal 2020.

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. There was no funding received for fiscal 2019.

NOTE 15. LOG PURCHASES AND DIRECT COSTS:

	2019	2018
Log inventory, beginning of the year	\$ 6,926	\$ 6,440
Log purchases	11,292	-
Purchases for product sales	1,557	-
Packaging for product sales	2,971	-
Logging and hauling	97,257	17,946
Less log inventory, end of year	<u>(38,782)</u>	<u>(6,926)</u>
Net direct costs	<u>\$ 81,221</u>	<u>\$ 17,460</u>

NOTE 16. JOB CREATION PROGRAM:

In the 2019 fiscal year, the Society sponsored 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 2019 were \$253,243 (2018 - \$224,448) and \$253,243 (2018 - \$224,448) has been expensed up to June 30, 2019. Wages donated in-kind to Job Creation Programs for the current year were \$7,395 (2018 - \$9,295).

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Note 17. 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 2018.

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 2018.

NOTE 18. 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.