

LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY

FINANCIAL STATEMENTS

June 30, 2022

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, 2022 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, 2022, 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 LLP
Chartered Professional Accountants

Kamloops, BC
October 13, 2022

LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY
STATEMENT OF FINANCIAL POSITION

June 30, 2022

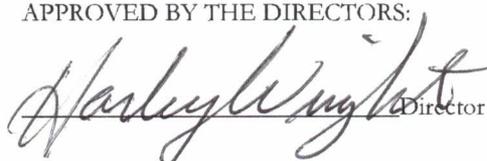
(unaudited)

ASSETS	2022	2021
CURRENT ASSETS:		
Cash	\$ 686,531	\$ 1,822,422
Accounts receivable	660	15,353
Goods and services tax recoverable	12,209	6,592
BCCFA - Wildfire Risk Reduction project	1,720	36,670
Refundable taxes withheld	77	120
Inventory (Note 2)	139,449	154,813
Prepaid expenses and deposits	55,633	55,621
Current portion of Guaranteed Investment Certificates (Note 3)	<u>325,305</u>	<u>929,197</u>
	1,221,584	3,020,788
 LONG TERM GUARANTEED INVESTMENT CERTIFICATES (Note 3)	 1,261,796	 1,360,578
LONG TERM INVESTMENTS - QTRADE INVESTOR (Note 4)	2,532,765	571,423
PROPERTY AND EQUIPMENT (Note 5)	<u>1,568,546</u>	<u>1,628,069</u>
	\$ 6,584,691	\$ 6,580,858

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable and accruals	\$ 70,069	\$ 52,552
Payroll remittances payable	11,443	9,359
Provincial sales tax payable	158	494
Deferred grant revenue (Note 6)	59,850	16,500
Current portion of silviculture liability (Note 7)	263,847	187,081
Current portion of long term debt (Note 8)	<u>-</u>	<u>40,000</u>
	405,367	305,986
 LONG TERM SILVICULTURE LIABILITY (Note 7)	 1,384,519	 1,446,474
CANADA EMERGENCY BUSINESS ACCOUNT (Note 8)	<u>-</u>	<u>20,000</u>
	<u>1,789,886</u>	<u>1,772,460</u>
 NET ASSETS - INTERNALLY RESTRICTED FOR OPERATIONS	 4,283,465	 4,375,618
NET ASSETS - INTERNALLY RESTRICTED TO PROVIDE FOR:		
Expansion and Job Creation (Note 9)	250,000	250,000
Skate Park (Note 10)	55,000	30,000
Environment (Note 11)	50,000	50,000
Education (Note 12)	30,000	30,000
Forest Stewardship (Note 13)	61,964	47,280
Scholarships and Bursaries (Note 14)	50,500	25,500
Community grants (Note 15)	<u>13,876</u>	<u>-</u>
	<u>4,794,805</u>	<u>4,808,398</u>
 Commitments (Note 17)	 \$ 6,584,691	 \$ 6,580,858

APPROVED BY THE DIRECTORS:

 Director

 Director

LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY
STATEMENT OF OPERATIONS
Year ended June 30, 2022
(unaudited)

	2022	2021
REVENUE:		
Timber	\$ 1,513,890	\$ 3,364,232
Lumber, product and milling	86,155	231,965
Firewood and delivery	179,846	141,229
Grants	73,681	76,328
Equipment rental and other	1,280	85,438
Land based investment funding (Note 18)	56,937	-
Wildfire risk reduction (Note 18)	<u>49,526</u>	<u>36,670</u>
	<u>1,961,315</u>	<u>3,935,862</u>
EXPENSES:		
Advertising and promotion	18,486	4,781
Bank charges	73	121
Bad debts	240	-
Contracting	553,376	1,193,184
Equipment rental	221	214
Forest development	29,294	5,028
Fuel	32,606	22,428
Insurance	34,022	30,543
Land based investment expenses (Note 18)	50,527	-
Licenses, dues and fees	5,038	5,229
Log purchases, hauling and direct costs (Note 19)	124,663	158,770
Office	7,643	5,458
Office rent	4,800	4,800
Professional fees	5,666	7,022
Repairs and maintenance	41,217	41,819
Silviculture	270,381	351,284
Stumpage and annual rent	67,509	114,123
Supplies	10,903	11,359
Telephone	3,035	2,774
Utilities	4,806	3,549
Wages and benefits	364,831	328,912
Wildfire risk reduction (Note 18)	<u>65,675</u>	<u>36,670</u>
	<u>1,695,012</u>	<u>2,328,068</u>
EXCESS REVENUE OVER EXPENSES FROM OPERATIONS	266,303	1,607,794
OTHER REVENUE AND (EXPENSES):		
Interest income	44,081	54,191
COVID Subsidies	-	17,210
Gain on disposal of investments	-	6,281
Unrealized gain (loss) on investments	6,941	33,943
Dividend income - Ordinary	557	547
Dividend income - Eligible	5,797	4,703
Capital gains dividends	48	-
Grants disbursed - Trans Mountain Education	(6,650)	-
Loss on disposal of property and equipment	(108)	(4,131)
Amortization	<u>(106,123)</u>	<u>(111,551)</u>
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR	\$ 210,846	\$ 1,608,987

LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY
STATEMENT OF CHANGES IN NET ASSETS
Year ended June 30, 2022
(unaudited)

	Internally Restricted to provide for specified funds	Internally Restricted for operations	Total 2022	Total 2021
Balance, beginning of year	\$ 432,780	\$ 4,375,618	\$ 4,808,398	\$ 3,379,863
Excess of revenues over expenses	-	210,846	210,846	1,608,987
Net expired fund allocations	(2,000)	2,000	-	-
New fund allocations:				
Education	-	-	-	-
Skate Park	25,000	(25,000)	-	-
Forest Stewardship	40,000	(40,000)	-	-
Scholarships and bursaries	40,000	(40,000)	-	-
Community grants	100,000	(100,000)	-	-
Expansion/Job Creation	100,000	(100,000)	-	-
Covid Community Initiative	-	-	-	-
Fund expended:				
Education	-	-	-	-
Skate Park	-	-	-	-
Forest Stewardship	(25,316)	-	(25,316)	(7,952)
Scholarships and bursaries	(13,000)	-	(13,000)	(37,000)
Community grants	(86,124)	-	(86,124)	(50,000)
Expansion/Job Creation	(100,000)	-	(100,000)	-
Covid Community Initiative	-	-	-	(85,500)
Balance, end of year	<u>\$ 486,340</u>	<u>\$ 4,308,464</u>	<u>\$ 4,794,804</u>	<u>\$ 4,808,398</u>

LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY
STATEMENT OF CASH FLOWS
Year ended June 30, 2022
(unaudited)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash receipts from customers	\$ 2,054,348	\$ 3,853,712
Cash paid to suppliers and employees	(1,672,580)	(2,459,102)
Bank charges paid	(73)	(121)
Interest and dividends	<u>50,482</u>	<u>59,441</u>
Cash flows from operations	<u>432,177</u>	<u>1,453,930</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
New borrowings	(60,000)	20,000
Silviculture liability	14,811	189,015
Funds expended from restricted net assets	<u>(224,441)</u>	<u>(180,451)</u>
Cash flows from (used in) financing	<u>(269,630)</u>	<u>28,564</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(46,711)	(134,972)
Proceeds on disposal of property and equipment	-	25,350
Long-term investments	<u>(1,855,619)</u>	<u>284,828</u>
Cash flows from (used in) investing	<u>(1,902,330)</u>	<u>175,206</u>
INCREASE (DECREASE) IN CASH RESOURCES	(1,739,783)	1,657,700
CASH RESOURCES, beginning of year	<u>2,751,619</u>	<u>1,093,919</u>
CASH RESOURCES, end of year	\$ 1,011,836	\$ 2,751,619
CASH RESOURCES CONSISTS OF:		
Cash	\$ 686,531	\$ 1,822,422
Current portion of long term investments	<u>325,305</u>	<u>929,197</u>
	\$ 1,011,836	\$ 2,751,619

LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022
(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, 2022
(unaudited)

NOTE 1. ACCOUNTING POLICIES (continued):

Cash:

Cash is defined as cash on hand and cash on deposit, net of cheques issued and outstanding at the reporting date. 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 current.

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:

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, 2022
(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 other 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, 2022
(unaudited)

NOTE 2. INVENTORY:

	2022	2021
Culverts	\$ 28,613	\$ 7,057
Logs	<u>110,835</u>	<u>147,756</u>
Total inventory	<u>\$ 139,448</u>	<u>\$ 154,813</u>

NOTE 3. GUARANTEED INVESTMENT CERTIFICATES:

	2022	2021
Interior Savings term deposit, interest at 2.3%, matured January 2, 2022	\$ -	\$ 613,838
Steinbach Credit Union, interest at 2.35%, matured March 15, 2022	-	100,000
Manulife GIC, interest at 1.85%, matured May 19, 2022	-	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	100,000
Steinbach Credit Union GIC, interest at 3%, maturing October 24, 2023	100,000	100,000
MCan GIC, interest at 2.7%, maturing May 24, 2024	100,000	100,000
First Ontario CU GIC, interest at 2.4%, maturing October 1, 2024	100,000	100,000
First Ontario CU GIC, interest at 2.4%, maturing October 1, 2024	150,000	150,000
Steinbach Credit Union, interest at 4.1%, maturing June 2, 2025	100,000	-
Meridan CU GIC, interest at 1.55%, maturing October 28, 2025	50,000	50,000
League Savings GIC, interest at 1.45%, maturing March 16, 2026	100,000	100,000
Coast Capital GIC, interest at 1.45%, maturing March 16, 2026	100,000	100,000
General Bank of Canada GIC, interest at 1.72%, maturing May 18, 2026	100,000	100,000
Versa GIC, interest at 1.67%, maturing June 1, 2026	100,000	100,000
Interior Savings term deposit, interest at 1.45%, maturing Oct 25, 2026	109,067	107,191
Accrued GIC Interest	<u>78,034</u>	<u>68,746</u>
Sub total	\$ 1,587,101	\$ 2,289,775
Less: current portion	<u>(325,305)</u>	<u>(929,197)</u>
	<u>\$ 1,261,796</u>	<u>\$ 1,360,578</u>

All investments are valued at fair market value.

LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022
(unaudited)

NOTE 4. QTRADE INVESTOR:

	2022	2021
Cash, appropriated for long term use	\$ 2,047,553	\$ 345,237
Self-directed equities	305,561	121,966
Mutual Funds - Money market fund	104,592	104,220
Fixed income - GIC's	<u>75,060</u>	<u>-</u>
Sub total	\$ 2,532,766	\$ 571,423
Less: current portion	<u>-</u>	<u>-</u>
	<u>\$ 2,532,766</u>	<u>\$ 571,423</u>

All investments are valued at fair market value and appropriated for long term use.

NOTE 5. PROPERTY AND EQUIPMENT:

	Cost	Accumulated Amortization	2022 Net	2021 Net
Land	\$ 506,898	\$ -	\$ 506,898	\$ 506,898
Buildings	477,822	75,582	402,240	400,779
Field and radio equipment	345,687	212,894	132,793	163,508
Sawmill equipment	581,301	100,633	480,668	507,266
Automotive	218,249	176,868	41,381	46,113
Computer equipment	8,768	5,660	3,108	1,885
Fencing	<u>2,339</u>	<u>881</u>	<u>1,458</u>	<u>1,620</u>
	<u>\$ 2,141,064</u>	<u>\$ 572,518</u>	<u>\$ 1,568,546</u>	<u>\$ 1,628,069</u>

Some of the sawmill equipment has not been amortized in fiscal 2022 because this equipment is not yet in use. The carrying amount of these assets are \$90,879 (2021 \$90,879).

NOTE 6. DEFERRED GRANT REVENUE:

The society recognized the Canada Employment Business Account (CEBA) grant of \$20,000 during the year.

During the year, Canada Summer Jobs grant and Project Learning Tree grants totalled \$47,031 (2021 - \$7,356).

The society received \$16,500 from the TNRD and \$50,000 from the District of Barriere for the Trans Mountain LP education fund. The society will track this grant and disburse \$6,650 per year for 10 years.

LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022
(unaudited)

NOTE 7. SILVICULTURE LIABILITY:

	2022	2021
Timbermark BB7004	\$ 23,689	\$ 25,739
Timbermark BB7005	42,350	48,699
Timbermark BB7006	13,717	16,047
Timbermark BB7007	9,484	9,484
Timbermark BB7009	28,864	28,864
Timbermark BB7010	-	6,541
Timbermark BB7997	28,384	35,420
Timbermark BB7998	5,283	5,283
Timbermark K1Z001	29,165	30,012
Timbermark K1Z002	47,322	54,210
Timbermark K1Z003	17,258	19,580
Timbermark K1Z004	20,722	21,602
Timbermark K1Z005	28,931	30,319
Timbermark K1Z006	50,002	50,437
Timbermark K1Z007	19,917	26,427
Timbermark K1Z008	288,919	295,448
Timbermark K1Z008 - 2015W+	100,721	100,721
Timbermark K1Z008 - 2016W+	93,271	93,271
Timbermark K1Z009 - 2017W+	64,841	64,841
Timbermark K1Z009 - 2018W+	114,425	118,432
Timbermark K1Z009 - 2019W+	58,485	59,257
Timbermark K1Z009 - 2020W+	94,846	264,489
Timbermark K1Z010 - 2021W+	239,338	-
Non-obligated	78,432	78,432
Silviculture Contingency Funds	<u>150,000</u>	<u>150,000</u>
	\$ 1,648,366	\$ 1,633,555
Less: current portion	<u>(263,847)</u>	<u>(187,081)</u>
	<u>\$ 1,384,519</u>	<u>\$ 1,446,474</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, 2022
(unaudited)

NOTE 8. LONG TERM DEBT:

As part of the government's plan to support businesses as the result of COVID-19 the Society obtained an interest free \$40,000 loan through the Canada Emergency Business Account (CEBA) in fiscal 2020. A further \$20,000 was received in fiscal 2021 making the total loan \$60,000. \$40,000 of this loan was repaid in August 2021, resulting in loan forgiveness of \$20,000 that was recognized as grant revenue in fiscal 2022.

NOTE 9. 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.

	2022	2021
Opening Balance, beginning of the year	\$ 250,000	\$ 250,000
Additions	(100,000)	-
Expended	<u>100,000</u>	<u>-</u>
Closing Balance, end of the year	<u>\$ 250,000</u>	<u>\$ 250,000</u>

NOTE 10. RESTRICTED FOR SKATE PARK:

On February 13, 2020 the Board of Directors voted in favour of donating up to \$40,000 to the Barriere Skate Park, a group associated with the District of Barriere. It is contingent on other significant funding being committed to the project. The proposed costs for the project are more than the initial estimate of \$124,000, so the Society decided to allocate a further \$25,000 to this project.

	2022	2021
Opening Balance, beginning of the year	\$ (30,000)	\$ (30,000)
Additions	(25,000)	-
Expended	<u>-</u>	<u>-</u>
Closing Balance, end of the year	<u>\$ (55,000)</u>	<u>\$ (30,000)</u>

LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022
(unaudited)

NOTE 11. RESTRICTED FOR ENVIRONMENT:

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

	2022	2021
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 12. RESTRICTED FOR EDUCATION:

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

	2022	2021
Opening Balance, beginning of the year	\$ 30,000	\$ 30,000
Additions	-	-
Expended	<u>-</u>	<u>-</u>
Closing Balance, end of the year	<u>\$ 30,000</u>	<u>\$ 30,000</u>

NOTE 13. 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. In October 2021 the Board approved \$40,000 to this program.

	2022	2021
Opening Balance, beginning of the year	\$ 47,280	\$ 25,231
Additions	40,000	30,000
Expended	<u>(25,316)</u>	<u>(7,951)</u>
Closing Balance, end of the year	<u>\$ 61,964</u>	<u>\$ 47,280</u>

LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022
(unaudited)

Note 14. **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 2022 \$40,000 new funds were awarded to the 2022 grad class. During the 2022 fiscal year \$13,000 of scholarships and bursaries have been paid out.

	2022	2021
Opening Balance, beginning of the year	\$ 25,500	\$ 40,000
Additions	40,000	30,000
Expended	(13,000)	(37,000)
Expired	<u>(2,000)</u>	<u>(7,500)</u>
Closing Balance, end of the year	<u>\$ 50,500</u>	<u>\$ 25,500</u>

Note 15. **RESTRICTED FOR COMMUNITY GRANTS:**

This fund has been established to fund various local community not-for-profit organizations through an annual grant application process. In October 2021 the Board approved \$100,000 to this program.

	2022	2021
Opening Balance, beginning of the year	\$ -	\$ -
Additions	100,000	50,000
Expended	<u>(86,124)</u>	<u>(50,000)</u>
Closing Balance, end of the year	<u>\$ 13,876</u>	<u>\$ -</u>

Note 16. **RESTRICTED FOR COVID COMMUNITY FOREST INITIATIVES:**

This fund was established in the spring of 2021 to support local community groups that had lost their means of raising money to fund their organizations due to COVID. A committee was formed to evaluate and recommend certain community groups to the board.

	2022	2021
Opening Balance, beginning of the year	\$ -	\$ -
Additions	-	85,500
Expended	<u>-</u>	<u>(85,500)</u>
Closing Balance, end of the year	<u>\$ -</u>	<u>\$ -</u>

LOWER NORTH THOMPSON COMMUNITY FOREST SOCIETY
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NOTE 17. 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 \$400 per month. The annual minimum payments are \$4,800.

NOTE 18. 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. Funding received during the year was \$56,937 (2021- \$0) and \$50,527 (2021 - \$0) 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. There was no funding received for fiscal 2021 or fiscal 2022.

The Wildfire risk reduction (WRR) program started in fiscal 2021 and is administered through the Ministry of Forests. The program includes fuel management, prescribed fires, risk reduction activities, operational projects funded by the CRI Crown Land WRR category and infrastructure. Funds need to be applied for each year. In fiscal 2022 \$49,526 (2021 - \$36,670) of approved revenue and \$65,675 (2021 - \$36,670) of expenses were incurred.

NOTE 19. LOG PURCHASES AND DIRECT COSTS:

	2022	2021
Log inventory, beginning of the year	\$ 147,756	\$ 90,714
Log purchases	2,449	11,986
Purchases for product sales	4,391	68,975
Packaging for product sales	-	40
Logging and hauling	80,902	134,811
Less log inventory, end of year	<u>(110,835)</u>	<u>(147,756)</u>
Net direct costs	<u>\$ 124,663</u>	<u>\$ 158,770</u>

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Note 20. **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 2021.

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 a change to the risk exposure from 2021. In fiscal 2020, due to COVID-19 the fair market value of the securities held declined and the bank's interest rates declined making any further GIC purchases not as profitable. In fiscal 2021 the fair market value of these securities recovered and in fiscal 2022 the interest rates on the GIC's increased due to the increase in the bank prime rate.

NOTE 21. **HARVEST VOLUME:**

The Society harvested a total of 9,905 m3 over approximately 65.6 ha within the 2022 fiscal year (30,160 m3 fiscal 2021). Timber harvesting within this time frame targeted lower volume and value stands within the Wikkiup area of the community forest as a means to reduce wildfire risk along the Barriere Lakes Road corridor.