

**YORK SUNBURY CHARLOTTE FOREST PRODUCTS
MARKETING BOARD**

FINANCIAL STATEMENTS

MARCH 31, 2020



CHARTERED PROFESSIONAL ACCOUNTANTS

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MANAGEMENT RESPONSIBILITY STATEMENT

The management of York Sunbury Charlotte Forest Products Marketing Board is responsible for preparing the financial statements, the notes to the financial statements and other financial information contained in this annual report.

Management prepares the financial statements in accordance with Canadian accounting standards for not-for-profit organizations. The financial statements are considered by management to present fairly the organization's financial position and results of operations.

The organization, in fulfilling its responsibilities, has developed and maintains a system of internal accounting controls designed to provide reasonable assurance that company assets are safeguarded from loss or unauthorized use, and that the records are reliable for preparing the financial statements.

The financial statements have been reported on by Lenehan McCain & Associates, Chartered Professional Accountants, the organization's auditors. Their report outlines the scope of their examination and their opinion on the financial statements.

General Manager
December 16, 2020

INDEPENDENT AUDITOR'S REPORT

To the Members of
York Sunbury Charlotte Forest Products Marketing Board

Opinion

We have audited the financial statements of York Sunbury Charlotte Forest Products Marketing Board, which comprise the statement of financial position as at March 31, 2020, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Those charged with governance are responsible for overseeing the organization's financial reporting process.

INDEPENDENT AUDITOR'S REPORT, continued

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ◆ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ◆ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control.
- ◆ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ◆ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.
- ◆ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Woodstock, New Brunswick

December 16, 2020

Lenahan McCain + Associates

Chartered Professional Accountants

YORK SUNBURY CHARLOTTE FOREST PRODUCTS MARKETING BOARD
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2020

	2020	2019
<u>ASSETS</u>		
Current assets		
Cash (Note 5)	\$ 731,664	\$ 360,267
Accounts receivable (Note 3)	358,542	555,785
Prepaid expenses	9,161	6,294
	1,099,367	922,346
Property, plant and equipment (Note 4)	20,142	27,356
	\$ 1,119,509	\$ 949,702
<u>LIABILITY</u>		
Current liability		
Accounts payable (Note 6)	\$ 220,921	\$ 149,194
<u>NET ASSETS</u>		
Forest management fund	593,747	505,210
General Fund	304,841	295,298
	898,588	800,508
	\$ 1,119,509	\$ 949,702

APPROVED

YORK SUNBURY CHARLOTTE FOREST PRODUCTS MARKETING BOARD
STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2020

	2020	%	2019	%
Revenues	\$ 8,285,593	100.0	\$ 9,126,147	100.0
Cost of sales	7,894,478	95.3	8,758,338	96.0
Gross profit	391,115	4.7	367,809	4.0
Other revenue				
Government silviculture	879,712	10.6	730,909	8.0
FM levies	116,951	1.4	94,621	1.0
Truckers fees	26,076	0.3	21,944	0.2
Owners contributions	18,931	0.2	10,184	0.1
Miscellaneous	17,190	0.2	21,869	0.2
Fees collected	11,402	0.1	9,620	0.1
FM - other revenue	1,251		18,380	0.2
	1,071,513	12.9	907,527	9.9
Total revenue	1,462,628	17.7	1,275,336	14.0
Expenditures (Schedule 2)	419,192	5.1	372,547	4.1
Surplus (deficit) before GNB Silviculture and FMF activities	1,043,436	12.6	902,789	9.9
GNB Silviculture and FMF activities, Schedule 1	945,356	11.4	774,471	8.5
Surplus of revenues over expenditures	\$ 98,080	1.2	\$ 128,318	1.4

YORK SUNBURY CHARLOTTE FOREST PRODUCTS MARKETING BOARD
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2020

	<u>2020</u>	<u>2019</u>
Surplus, beginning of year	\$ 800,508	\$ 672,190
Surplus of revenues over expenditures	<u>98,080</u>	<u>128,318</u>
Surplus, end of year	<u>\$ 898,588</u>	<u>\$ 800,508</u>

YORK SUNBURY CHARLOTTE FOREST PRODUCTS MARKETING BOARD
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2020

	2020	2019
Operating activities		
Surplus of revenues over expenditures	\$ 98,080	\$ 128,318
Adjustment for		
Amortization	7,213	7,869
	105,293	136,187
Change in non-cash working capital items		
Decrease in accounts receivable	197,243	105,391
(Increase) decrease in prepaid expenses	(2,867)	1,750
Increase (decrease) in accounts payable	71,728	(88,852)
Increase in cash	371,397	154,476
Cash, beginning of year	360,267	205,791
Cash, end of year	\$ 731,664	\$ 360,267

YORK SUNBURY CHARLOTTE FOREST PRODUCTS MARKETING BOARD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020

1. Description of business

York Sunbury Charlotte Forest Products Marketing Board is a body corporate created by a regulation under the Natural Products Act of the Province of New Brunswick. The purpose and intent of the Board is to promote the development and use of the private woodlots within York, Sunbury and Charlotte counties as a dependable source of supply of primary forest products for wood using industries. The Board negotiates prices, contracts, and market access on behalf of wood producers who are marketing primary forest products from within the regulated area of the Board. The Board is a non-taxable organization under the Income Tax Act under Section 149 (1) (e).

2. Significant accounting policies

The organization applies the Canadian accounting standards for not-for-profit organizations.

(a) Foreign currency translation

Monetary assets and liabilities of the organization which are denominated in foreign currencies are translated at year end exchange rates. Non-monetary assets and liabilities are translated at rates in effect at the date the assets were acquired and liabilities incurred. Revenue and expenses are translated at the rates of exchange in effect at their transaction dates. The resulting gains or losses are included in operations.

(b) Accounting estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit enterprises requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. Estimates are used when determining the allowance for uncollectable accounts and useful life of property, plant and equipment. These estimates are reviewed periodically and are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

YORK SUNBURY CHARLOTTE FOREST PRODUCTS MARKETING BOARD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020

2. Significant accounting policies, continued

(c) Revenue recognition

Revenue from sales of forest products is recognized when title passes to the mills, which generally coincides with the delivery of products by the woodlot owners and wood producers.

(d) Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments with maturities of three months or less from their date of acquisition, which are readily convertible into a known amount of cash, and are subject to an insignificant risk to changes in their fair value.

(e) Property, plant and equipment

Property, plant and equipment are recorded at cost. The organization provides for depreciation using the declining balance method at rates designed to depreciate the cost of the property, plant and equipment over their estimated useful lives. The annual depreciation rates are as follows:

Equipment	10-30%
Motor vehicles	30%

(f) Financial instruments

Measurement of financial instruments

Financial instruments are financial assets or liabilities of the Board where the Board has the right to receive cash or another financial asset from another party or has the obligation to pay cash or other financial assets to another party or equity instruments of another entity.

The Board initially measures its financial instruments at fair value. The Board's financial instruments that are measured at cost or amortized cost, are cash, accounts receivable, accounts payable and accrued liabilities.

Fair value estimates, where applicable, are made at a specific point in time, based on relevant cash flows, market discount rates and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and significant matters of judgment and therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

YORK SUNBURY CHARLOTTE FOREST PRODUCTS MARKETING BOARD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020

2. Significant accounting policies, continued

(f) Financial instruments, continued

Impairment

Financial assets that are measured at cost or amortized cost are tested for impairment at each statement of financial position date, to determine whether there are indicators that the asset may be impaired. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account. The reversal may be recorded provided it is no greater than the amount that had been previously reported as a reduction in the asset and it does not exceed original cost. The amount of the write-down and reversal, if any, are recognized in net income in the year in which these occur.

3. Accounts receivable

	2020	2019
Trade receivables	\$ 234,225	\$ 401,426
PNB - silviculture	91,506	98,586
Other	50,361	68,203
Allowance for doubtful accounts	(17,550)	(12,430)
	\$ 358,542	\$ 555,785

4. Property, plant and equipment

	2020		2019	
	Cost	Accumulated depreciation	Net book value	Net book value
Equipment	\$ 97,955	\$ 97,579	\$ 376	\$ 619
Motor vehicles	32,460	16,302	16,158	20,961
Furniture and fixtures	63,758	63,276	482	626
Computer equipment	112,100	108,974	3,126	5,150
	\$ 306,273	\$ 286,131	\$ 20,142	\$ 27,356

YORK SUNBURY CHARLOTTE FOREST PRODUCTS MARKETING BOARD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020

5. Cash and cheques written in excess of deposits

The organization has an unsecured credit facility which includes an approved operating line that can be drawn upon to a maximum of \$300,000 CDN and \$50,000 USD, bearing interest at the bank's prime lending rate plus 1.40% per annum. As at March 31, 2020 the amount drawn on the facility is nil (2019 - nil).

	2020	2019
Cash	\$ 731,664	\$ 360,267

6. Accounts payable

	2020	2019
Trade payables and accrued liabilities	\$ 177,404	\$ 152,913
Receiver General - HST remittance	52,339	5,286
Trucker HST	(8,822)	(9,005)
	\$ 220,921	\$ 149,194

7. Commitments

As at March 31, 2020, the organization is committed to a lease agreement, ending on June 30, 2022 for its office premises at 1350 Regent Street, Fredericton, New Brunswick. Annual lease commitments, payable in monthly installments of \$2,535, excluding HST are as follows:

2021	\$ 30,420
2022	7,605

8. Directors' compensation

During the year, the Directors of the Marketing Board received \$4,700 (2019 - \$5,100) in compensation for their time and expenses. The amount is included in the determination of the current year's excess of revenues over expenses.

YORK SUNBURY CHARLOTTE FOREST PRODUCTS MARKETING BOARD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020

9. Financial instrument risks and uncertainties

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

(a) Fair value

The fair value of current financial assets and current financial liabilities approximates their carrying value due to their short-term maturity dates.

(b) Credit risk

The financial instruments that potentially subject the company to a significant concentration of credit risk consist primarily of cash and accounts receivable.

The company maintains cash balances with Canadian chartered banks which are insured by the Canadian Deposit Insurance Corporation up to \$100,000. From time to time, these balances may exceed the federally insured limits and expose the company to credit risk from concentration of cash. The company limits this risk by transacting with reputable financial institutions.

The organization does have credit risk in accounts receivable of \$358,542 (2019 - \$555,785). The Board believes there is a minimal risk associated with these amounts due to the diversity of its customers and there are no significant concentrations of accounts receivable with any group of customers that are related to each other. The Board minimizes exposure due to credit risk by establishing a process for credit reviews for each of its new customers, continuous monitoring of credit risk and collectability of its existing customer base and considering the impact of current economic conditions on the liquidity of its customers and their ability to meet these financial obligations. The Board provides allowances for any doubtful accounts. In the opinion of management the credit risk exposure to the organization is low and is not material.

YORK SUNBURY CHARLOTTE FOREST PRODUCTS MARKETING BOARD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020

9. Financial instrument risks and uncertainties, continued

(c) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The organization is exposed to currency risk on cash, accounts receivable and accounts payable held in U.S. dollars. The organization does not use derivative instruments to reduce its exposure to foreign currency risk. In the opinion of management, the currency risk exposure to the organization is low and is not material.

(d) Market risk

The organization is exposed to certain market risks including changes in pricing and limited access to foreign markets. These risks are mitigated by management by diligent monitoring of industry developments.

(e) Liquidity risk

The organization does have a liquidity risk in the accounts payable of \$220,921 (2019 - \$149,194). Liquidity risk is the risk that the organization cannot repay its obligations when they become due to its creditors. The organization reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due and maintains an adequate line of credit to repay trade creditors. In the opinion of management the liquidity risk exposure to the organization is low and is not material.

10. Comparative figures

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.

YORK SUNBURY CHARLOTTE FOREST PRODUCTS MARKETING BOARD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020

11. Subsequent event

Since March 31, 2020, the outbreak of the COVID-19 virus, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include travel bans, self-imposed quarantine periods, social and physical distancing, have caused disruptions to businesses locally, nationally and globally. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of this world economic event is unknown and therefore, the impact on the organization, if any, is not determinable.

12. Government Funded Silviculture Program

The marketing board received the following funding and incurred expenses related to forest management programs during the fiscal year ended March 31, 2020. This includes funding from the Province of New Brunswick for silviculture treatments on private land in York, Sunbury and Charlotte Counties.

	Revenue	Expenses
NBFWO	\$ 879,712	\$ -
Woodlot owner contributions	18,931	-
SFI and Plans revenue	1,251	-
Cruise revenue	17,048	-
Treatments - DNR	-	709,121
Owner payments	-	30,674
Treatments - YSC	-	19,133
Wages and benefits	-	149,307
Travel and other	-	8,707
	\$ 916,942	\$ 916,942

YORK SUNBURY CHARLOTTE FOREST PRODUCTS MARKETING BOARD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020

13. Forest Management Fund balance

	<u>2020</u>
Opening balance	\$ 505,210
Add: FM levy income	116,951
Less: FM expenses	<u>(28,414)</u>
Ending balance	<u>\$ 593,747</u>

YORK SUNBURY CHARLOTTE FOREST PRODUCTS MARKETING BOARD
SCHEDULES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020

Schedule of GNB Silviculture and FMF expenses

Schedule 1

	2020	2019
Treatments	\$ 755,579	\$ 603,907
Wages and benefits	149,307	143,931
Contracted plans	18,571	8,033
Travel	11,570	10,138
Supplies and computer support	5,331	6,803
Telephone and communications	3,629	971
Meetings and seminars	1,369	-
Staff training	-	688
	\$ 945,356	\$ 774,471

YORK SUNBURY CHARLOTTE FOREST PRODUCTS MARKETING BOARD
SCHEDULES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020

Schedule of Expenditures

Schedule 2

	2020	2019
Advertising and promotion	\$ 7,210	\$ 6,920
Bad debts	5,692	-
Amortization	7,213	7,869
Insurance	6,294	6,437
Interest and bank charges	9,410	10,386
Federation dues	17,631	17,387
Miscellaneous	-	1,069
Office and supplies	10,682	10,047
Professional fees and other	88,205	24,202
Rent	26,487	23,639
Telephone and utilities	6,797	10,382
Wages and benefits	207,182	225,315
Training	100	498
Directors' fees	4,700	5,100
Computer maintenance and supplies	13,662	13,361
Travel	14,135	13,365
Meetings and seminars	4,754	6,078
Wood tracking expense	1,608	1,608
Foreign exchange loss (gain)	(12,570)	(11,476)
Loading fees	-	360
	\$ 419,192	\$ 372,547