

Audited Financial Statements of

S.N.B. FOREST PRODUCTS MARKETING BOARD

March 31, 2023

Independent Auditors' Report

To the Directors of S.N.B. Forest Products Marketing Board:

We have audited the accompanying financial statements of S.N.B. Forest Products Marketing Board (the "Board"), which comprise the balance sheet as at March 31, 2023 and the statements of change in net assets, operations and the cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2023, and the results of its operations and change in net assets 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 Board 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 Those Charged with Governance 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 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 Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Board or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 Board'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 Board'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 Board 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.



Chartered Professional Accountants
Saint John, New Brunswick
June 22, 2023

S.N.B. FOREST PRODUCTS MARKETING BOARD

Balance Sheet

as at March 31, 2023

	<u>2023</u>	<u>2022</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 161,699	\$ 208,841
Receivables (Note 4)	345,662	448,291
Work in progress, unbilled	4,020	7,980
Term deposits	900,000	900,000
Prepays	1,972	2,351
	1,413,353	1,567,463
INVESTMENTS (Note 5)	5	5
EQUIPMENT (Note 6)	5,520	7,435
	\$ 1,418,878	\$ 1,574,903
CURRENT LIABILITIES		
Payables	\$ 114,298	\$ 218,106
HST payable	33,444	61,831
Employee deductions payable	488	449
	148,230	280,386
LONG-TERM DEBT	-	40,000
	148,230	320,386
NET ASSETS		
The Forest Management Fund	572,655	645,994
Unrestricted net assets	687,993	603,523
Legal reserve	10,000	5,000
	1,270,648	1,254,517
	\$ 1,418,878	\$ 1,574,903

Notes 7 and 11

APPROVED ON BEHALF OF THE BOARD:

_____ Director

_____ Director

S.N.B. FOREST PRODUCTS MARKETING BOARD

Statement of Change in Net Assets year ended March 31, 2023

	<u>2023</u>	<u>2022</u>
FOREST MANAGEMENT FUND, BEGINNING OF YEAR	\$ 645,994	\$ 739,278
Forest management levy income	462,415	497,481
Forest management other income	14,786	9,182
Forest management fund expenses	(596,347)	(505,828)
Forest management fund contribution from (to) silviculture (Note 8)	45,807	(94,119)
	<u>(73,339)</u>	<u>(93,284)</u>
FOREST MANAGEMENT FUND, END OF YEAR	\$ 572,655	\$ 645,994
	<u>2023</u>	<u>2022</u>
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	\$ 603,523	\$ 446,319
Receipts	10,583,004	11,552,862
Disbursements	(10,493,534)	(11,390,658)
Legal Reserve transfer	(5,000)	(5,000)
	<u>84,470</u>	<u>157,204</u>
UNRESTRICTED NET ASSETS, END OF YEAR	\$ 687,993	\$ 603,523
	<u>2023</u>	<u>2022</u>
LEGAL RESERVE, BEGINNING OF YEAR	\$ 5,000	\$ -
Unrestricted net assets transfer	5,000	5,000
LEGAL RESERVE, END OF YEAR	\$ 10,000	\$ 5,000

Note 9

S.N.B. FOREST PRODUCTS MARKETING BOARD

Statement of Operations year ended March 31, 2023

	2023	2022
Revenues		
Wood sales	\$ 9,135,867	\$ 10,016,991
Direct charge levies	181,895	168,260
	9,317,762	10,185,251
Cost of wood sales	9,016,534	9,825,047
Gross margin	301,228	360,204
Other revenues		
Fees collected	-	2,829
Forest management activities - other revenue	273,381	290,050
Forest management fund levies	462,415	497,481
Forest management fund other income	14,786	9,182
Miscellaneous	9,314	11,661
Government silviculture	932,836	886,592
Forest management fund contribution (from) to silviculture (Note 8)	(45,807)	94,119
Fund administration (Note 9)	70,000	70,000
USD exchange	25,518	12,360
	2,043,671	2,234,478
Expenses		
Advertising	2,292	4,302
Amortization	4,480	2,820
Bad debt	375	2,150
Directors' expenses	394	654
Dues	620	16,478
Support services	109,057	74,846
Insurance	17,938	9,126
Interest and bank charges	6,185	6,275
Miscellaneous	359	-
Office	18,977	17,873
Professional fees - audit	11,050	18,475
Professional fees - legal	25,250	855
Rent	42,598	39,600
Repairs, maintenance and field supplies	8,977	9,877
Telephone	12,089	14,150
Travel and meals	46,924	40,523
Wages and benefits	468,454	512,928
	776,019	770,932
Forest Management expenditures		
GNB Silviculture expenses	700,981	794,679
Forest management fund contribution (from) to silviculture (Note 8)	(45,807)	94,119
Forest management fund expenses	596,347	505,828
	1,251,521	1,394,626
EXCESS OF RECEIPTS OVER DISBURSEMENTS	\$ 16,131	\$ 68,920

Note 10

S.N.B. FOREST PRODUCTS MARKETING BOARD

Statement of Cash Flows year ended March 31, 2023

	<u>2023</u>	<u>2022</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
OPERATING		
Excess of receipts over disbursements		
Operating Fund	\$ 89,470	\$ 162,204
Forest Management Fund	(73,339)	(93,284)
	<u>16,131</u>	<u>68,920</u>
Item not affecting cash:		
Amortization	4,480	2,820
	<u>20,611</u>	<u>71,740</u>
Changes in non-cash operating working capital items:		
Receivables	102,629	(14,027)
Payables	(103,808)	25,459
Prepays	379	990
HST payable	(28,387)	3,103
Employee deductions payable	39	(189)
Work in progress, unbilled	3,960	(7,380)
	<u>(4,577)</u>	<u>79,696</u>
FINANCING		
Repayment of long-term debt	(40,000)	-
INVESTING		
Redemption of term deposits	900,000	850,000
Purchase of term deposits	(900,000)	(900,000)
Redemption of Class A shares in Bayview Credit Union	-	50,000
Purchase of equipment	(2,565)	(10,255)
	<u>(2,565)</u>	<u>(10,255)</u>
NET CASH (OUTFLOW) INFLOW	<u>(47,142)</u>	<u>69,441</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>208,841</u>	<u>139,400</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 161,699</u>	<u>\$ 208,841</u>

S.N.B. FOREST PRODUCTS MARKETING BOARD

Notes to the Financial Statements
year ended March 31, 2023

1. NATURE OF OPERATIONS

The S.N.B. Forest Products Marketing Board (the "Board") is a regulatory body created under and by virtue of the Natural Products Act of the Province of New Brunswick. The Board is responsible for the development, conservation and management of forestry resources of private woodlots in southern New Brunswick. The Board is also responsible for the promotion, control, regulation and purchase and sale of Southern New Brunswick's production of primary forest products on private woodlots, over which, the legislative jurisdiction of the Legislature exists, including the prohibition of such production in whole or in part. As a non-profit organization, it is exempt from income tax per section 149 (1)(l) of the Income Tax Act (Canada).

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

Cash and cash equivalents

Cash and cash equivalents include balances with banks, net of overdrafts and short-term investments with maturities of three months or less.

Revenue recognition

Provincial Forestry Agreement (PFA) funding revenue is recognized after the funding agreement is signed by both parties, when the measurement is certain and when collection is reasonably assured. Wood sales are recognized when persuasive evidence of an arrangement exists, delivery has occurred, the price to the buyer is fixed or determinable and collection is reasonably assured. Direct charge levies and levy revenue in the Forest Management Fund are recognized as revenue when products are delivered, the amount to be received may be reasonably estimated and collection is reasonably assured. Interest income is recognized on an accrual basis.

Equipment

Equipment is recorded at cost. Amortization is provided for on a declining balance basis at the following annual rates.

Computer hardware	50%
Office equipment	20%

In the year of acquisition, amortization on assets is calculated based on one-half of the above noted rates. No provision for amortization is made in the year of asset disposal. Upon disposal, the asset cost and related accumulated amortization are removed from the accounts and any resulting gain or loss is included in income.

S.N.B. FOREST PRODUCTS MARKETING BOARD

Notes to the Financial Statements

year ended March 31, 2023

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund accounting

The accounts of the Board are maintained in accordance with the principles of fund accounting whereby accounting resources are classified into funds established according to their nature and purpose. Restrictions on the use of these funds may be established externally by the contributors or internally by the Board of Directors.

The Unrestricted Net Assets Fund is used for the general operations of the Board.

The Forest Management Fund (the "Management Fund") was established in 1982 and operates under a Policies and Procedures Manual as approved by the Board of Directors. Levies for the Management Fund are direct contributions from woodlot owners. These contributions are deducted from the price of wood delivered to the mills. Disbursements from the Management Fund are made for specific forest improvement activities on private woodlots.

The Legal Reserve Fund was established in 2022 and represents amounts internally restricted by the Board to provide a source of funding for non-routine legal that may arise in the future. Contributions to the fund are determined by the Board annually.

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenditures during the reporting period. Estimates are used for, but not limited to, determination of fair values, allowance for doubtful accounts, amortization and accruals. Actual results could differ from those estimated.

Foreign exchange

Financial asset and financial liability accounts in U.S. dollars are translated into Canadian dollars at the rate of exchange in effect at the balance sheet date. All realized and unrealized gains or losses are included in income. During the year, the Board recorded a foreign exchange gain of \$25,518 (2022 - gain of \$12,360).

Financial instruments

Measurement of financial instruments

The Board initially measures its financial assets and liabilities at fair value.

The Board subsequently measures all its financial assets and financial liabilities at amortized cost or cost.

Financial assets measured at amortized cost includes cash and cash equivalents, term deposits and receivables.

S.N.B. FOREST PRODUCTS MARKETING BOARD

Notes to the Financial Statements

year ended March 31, 2023

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets measured at cost include the investments.

Financial liabilities measured at amortized cost include payables, HST payable, and employee deductions payable.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. When events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in net income.

Transaction costs

The Board's transaction costs related to financial instruments that will be subsequently measured at fair value are recognized in net income in the period incurred. The carrying value of financial instruments measured at amortized cost is adjusted for transaction costs directly attributable to the origination, issuance or assumption of these instruments.

3. FINANCIAL RISKS

The Board has a risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The risks that arise from transacting financial instruments include credit risk, concentration of credit risk, liquidity risk, currency risk, market risk, interest rate risk and commodity price risk.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Board's main credit risk relates to its receivables. The Board provides credit to its customers in the normal course of its operations.

Concentration of credit risk

Concentration of credit risk arises when there is a group of customers having a similar characteristic such that their ability to meet their obligations is expected to be affected similarly by changes in economic or other conditions. For the Board, significant concentrations of credit risk are related to the forestry industry as the majority of its customers are involved in that industry.

S.N.B. FOREST PRODUCTS MARKETING BOARD

Notes to the Financial Statements year ended March 31, 2023

3. FINANCIAL RISKS (continued)

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Board is exposed to this risk mainly in respect of its payables, HST payable and employee deductions payable.

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 Company's activities result in exposure to fluctuations in foreign currency exchange. The Company maintains a US bank account with a current balance of \$27 (2022 - \$114,351) which will be settled in US currency.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Board is mainly exposed to interest rate risk and commodity price risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Board is exposed to interest rate risk on its term deposits, investment in Class A shares of Bayview Credit Union and operating line of credit.

Commodity price risk

Commodity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Board's activities result in exposure to fluctuations in the market prices of wood products.

4. RECEIVABLES

	<u>2023</u>	<u>2022</u>
Accounts receivable	\$ 335,173	\$ 274,536
Accrued receivables	10,489	173,755
	<u>\$ 345,662</u>	<u>\$ 448,291</u>

S.N.B. FOREST PRODUCTS MARKETING BOARD

Notes to the Financial Statements

year ended March 31, 2023

5. INVESTMENTS

	<u>2023</u>	<u>2022</u>
Shares - Bayview Credit Union	\$ 5	\$ 5

The shares of Bayview Credit Union are recorded at cost as they are not quoted in an active market.

6. EQUIPMENT

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	
			<u>2023</u>	<u>2022</u>
Computer hardware	\$ 11,020	\$ 7,120	\$ 3,900	\$ 7,435
Office equipment	1,800	180	1,620	-
	<u>\$ 12,820</u>	<u>\$ 7,300</u>	<u>\$ 5,520</u>	<u>\$ 7,435</u>

7. OPERATING LINE OF CREDIT

The Board has an operating line of credit of \$150,000 (2022 - \$150,000) of which all was unused at year end. The facility bears interest at the BCU prime rate plus 0.75%. The operating line is secured by a \$200,000 term deposit.

8. FOREST MANAGEMENT FUND CONTRIBUTION (FROM) TO SILVICULTURE

	<u>2023</u>	<u>2022</u>
Current year contribution	\$ 48,312	\$ 94,119
Repayment of previous year contribution	(94,119)	-
	<u>\$ (45,807)</u>	<u>\$ 94,119</u>

9. FUND ADMINISTRATION

The Board's primary functions are general operations and forest management. There are operating costs involved for each activity and each year the general operating expenses are budgeted and allocated to the General Fund based on the type of transaction group using a weighted average, specific transaction or 100% allocation method.

10. ECONOMIC RELATIONSHIP

The Board derived its revenue for wood sales from one customer who accounts for approximately 69% of the wood sales in the current year (2022 - 74%). The Board receives funding from one government agency who accounted for approximately 54% of the remaining receipts (2022 - 46%).

11. COMMITMENTS

Future minimum payments relating to a leased premise total \$39,600 annually. This lease is effective from April 1, 2023 to March 31, 2024.

S.N.B. FOREST PRODUCTS MARKETING BOARD

Schedule of Government Funded Silviculture Program
year ended March 31, 2023

Schedule I

	<u>2023</u>	<u>2022</u>
Revenues		
Department of natural resources	\$ 932,836	\$ 886,592
Woodlot owners contributions	15,866	35,398
Forest management fund contributions	112,639	100,720
Forest management fund - current year contribution	48,313	94,119
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	\$ 1,109,654	\$ 1,116,829
Expenses		
Pre-commercial thinning	\$ 249,488	\$ 267,977
Plantation cleaning	147,709	110,820
Site prep	103,696	95,283
Herbicide	93,347	89,410
Planting	184,607	203,431
Seedlings	2,287	-
Management plans	48,167	52,685
Alternative harvesting activities	39,606	10,240
Program administration by board	192,434	192,864
Other costs - Forest management fund contribution	48,313	94,119
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	\$ 1,109,654	\$ 1,116,829
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