

Audited Financial Statements of

S.N.B. FOREST PRODUCTS MARKETING BOARD

March 31, 2022

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, 2022 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, 2022, 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
July 12, 2022

S.N.B. FOREST PRODUCTS MARKETING BOARD

Balance Sheet as at March 31, 2022

	<u>2022</u>	<u>2021</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 208,841	\$ 139,400
Receivables (Note 4)	448,291	434,264
Work in progress, unbilled	7,980	600
Term deposits	900,000	850,000
Prepays	2,351	3,341
	1,567,463	1,427,605
INVESTMENTS (Note 5)	5	50,005
EQUIPMENT (Note 6)	7,435	-
	\$ 1,574,903	\$ 1,477,610
CURRENT LIABILITIES		
Payables	\$ 218,106	\$ 192,647
HST payable	61,831	58,728
Employee deductions payable	449	638
	280,386	252,013
LONG-TERM DEBT (Note 8)	40,000	40,000
	320,386	292,013
NET ASSETS		
The Forest Management Fund	645,994	739,278
Unrestricted net assets	603,523	446,319
Legal reserve	5,000	-
	1,254,517	1,185,597
	\$ 1,574,903	\$ 1,477,610

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, 2022

	<u>2022</u>	<u>2021</u>
FOREST MANAGEMENT FUND, BEGINNING OF YEAR	\$ 739,278	\$ 622,784
Forest management levy income	497,481	552,024
Forest management other income	9,182	11,197
Forest management fund expenses	(505,828)	(446,727)
Forest management fund contribution to silviculture	(94,119)	-
	<u>(93,284)</u>	<u>116,494</u>
FOREST MANAGEMENT FUND, END OF YEAR	\$ 645,994	\$ 739,278
	<u>2022</u>	<u>2021</u>
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	\$ 446,319	\$ 278,683
Receipts	11,552,862	10,868,910
Disbursements	(11,390,658)	(10,701,274)
Legal Reserve transfer	(5,000)	-
	<u>157,204</u>	<u>167,636</u>
UNRESTRICTED NET ASSETS, END OF YEAR	\$ 603,523	\$ 446,319
	<u>2022</u>	<u>2021</u>
LEGAL RESERVE, BEGINNING OF YEAR	\$ -	\$ -
Unrestricted net assets transfer	5,000	-
Disbursements	-	-
	<u>5,000</u>	<u>-</u>
LEGAL RESERVE, END OF YEAR	\$ 5,000	\$ -

Note 9

S.N.B. FOREST PRODUCTS MARKETING BOARD

Statement of Operations year ended March 31, 2022

	2022	2021
Revenues		
Wood sales	\$ 10,016,991	\$ 9,522,987
Direct charge levies	168,260	211,068
	10,185,251	9,734,055
Cost of wood sales	9,825,047	9,341,154
Gross margin	360,204	392,901
Other revenues		
Fees collected	2,829	31,448
Forest management activities - other revenue	290,050	55,553
Forest management fund levies	497,481	552,024
Forest management fund other income	9,182	11,197
Miscellaneous	11,661	300
Government assistance	-	20,000
Government silviculture	886,592	952,970
Forest management fund contribution to silviculture	94,119	-
Fund administration (Note 9)	70,000	70,000
USD exchange	12,360	4,584
	2,234,478	2,090,977
Expenses		
Advertising	4,302	4,907
Amortization	2,820	-
Bad debt	2,150	-
Directors' expenses	654	698
Dues - New Brunswick Federation of Woodlot Owners	16,478	20,780
Support services	74,846	2,318
Insurance	9,126	4,062
Interest and bank charges	6,275	6,237
Miscellaneous	-	714
Office	17,873	15,282
Professional fees - audit	18,475	15,002
Professional fees - legal	855	3,509
Rent	39,600	39,798
Repairs, maintenance and field supplies	9,877	4,112
Telephone	14,150	8,772
Travel and meals	40,523	9,781
Wages and benefits	512,928	271,178
	770,932	407,150
Forest Management expenditures		
GNB Silviculture expenses	794,679	952,970
Forest management fund contribution to silviculture	94,119	-
Forest management fund expenses	505,828	446,727
	1,394,626	1,399,697
EXCESS OF RECEIPTS OVER DISBURSEMENTS	\$ 68,920	\$ 284,130

Note 10

S.N.B. FOREST PRODUCTS MARKETING BOARD

Statement of Cash Flows year ended March 31, 2022

	<u>2022</u>	<u>2021</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
OPERATING		
Excess of receipts over disbursements (disbursements over receipts)		
Operating Fund	\$ 162,204	\$ 167,636
Forest Management Fund	(93,284)	116,494
	68,920	284,130
Item not affecting cash:		
Amortization	2,820	-
	71,740	284,130
Changes in non-cash operating working capital items:		
Receivables	(14,027)	(107,035)
Payables	25,459	11,059
Prepays	990	788
HST payable	3,103	(59,002)
Employee deductions payable	(189)	169
Work in progress, unbilled	(7,380)	(600)
	79,696	129,509
FINANCING		
Repayments on short-term debt	-	(140,000)
Proceeds on long-term debt	-	40,000
	-	(100,000)
INVESTING		
Redemption of term deposits	850,000	900,000
Purchase of term deposits	(900,000)	(850,000)
Purchase of Class A shares in Bayview Credit Union	-	(50,000)
Redemption of Class A shares in Bayview Credit Union	50,000	-
Purchase of equipment	(10,255)	-
	(10,255)	-
NET CASH INFLOW	69,441	29,509
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	139,400	109,891
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 208,841	\$ 139,400

S.N.B. FOREST PRODUCTS MARKETING BOARD

Notes to the Financial Statements year ended March 31, 2022

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 at the following annual methods and rates.

Computer hardware	50%
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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, 2022

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 \$12,360 (2021 - \$4,584).

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, 2022

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, employee deductions payable and long-term debt.

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, 2022

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, employee deductions payable and long-term debt.

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 \$114,351 (2021 - \$176,639) 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>2022</u>		<u>2021</u>
Accounts receivable	\$ 274,536	\$	264,109
Accrued receivables	173,755		170,155
	<u>\$ 448,291</u>	\$	<u>434,264</u>

S.N.B. FOREST PRODUCTS MARKETING BOARD

Notes to the Financial Statements

year ended March 31, 2022

5. INVESTMENTS

	<u>2022</u>	<u>2021</u>
Shares - Bayview Credit Union	\$ 5	\$ 5
Class A shares - Bayview Credit Union	-	50,000
	<u>\$ 5</u>	<u>\$ 50,005</u>

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>2022</u>	<u>2021</u>
Computer Hardware	\$ 10,255	\$ 2,820	\$ 7,435	\$ -

7. OPERATING LINE OF CREDIT

The Board has an operating line of credit of \$150,000 (2021 - \$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. LONG-TERM DEBT

	<u>2022</u>	<u>2021</u>
Bayview Credit Union - Canada Emergency Business Account (CEBA) loan. The CEBA was created by the Government of Canada to support businesses adversely affected by COVID-19. The CEBA is a non-revolving term loan until December 31, 2023 and is unsecured, non-interest bearing with no set payments. The amount advanced was \$60,000. If \$40,000 of the CEBA loan balance is repaid on or before December 31, 2023, the remaining \$20,000 loan balance will be forgiven. If the loan is not repaid by that date, the term of the loan will be extended to December 31, 2025 and the loan will begin to accrue interest at a rate of 5.00% per annum. The full balance of the loan plus accrued interest will be due December 31, 2025.	<u>\$ 40,000</u>	<u>\$ 40,000</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.

S.N.B. FOREST PRODUCTS MARKETING BOARD

Notes to the Financial Statements

year ended March 31, 2022

10. ECONOMIC RELATIONSHIP

The Board derived its revenue for wood sales from one customer who accounts for approximately 74% of the wood sales in the current year (2021 - 78%). The Board receives funding from one government agency who accounted for approximately 46% of the remaining receipts (2021 - 49%).

11. COMMITMENTS

Future minimum payments relating to a leased premise total \$39,500 annually. This lease is effective from April 1, 2022 to March 31, 2023.

S.N.B. FOREST PRODUCTS MARKETING BOARD

Schedule of Government Funded Silviculture Program

year ended March 31, 2022

Schedule I

	<u>2022</u>	<u>2021</u>
Revenues		
Department of natural resources	\$ 886,592	\$ 952,970
Woodlot owners contributions	35,398	52,560
Forest management fund contributions	100,720	104,326
Forest management fund - other contribution	94,119	-
	<hr/>	<hr/>
	\$ 1,116,829	\$ 1,109,856
Expenses		
Pre-commercial thinning	\$ 267,977	\$ 270,605
Plantation cleaning	110,820	168,279
Site prep	95,283	105,233
Herbicide	89,410	26,398
Planting	203,431	197,888
Management plans	52,685	48,860
Alternative harvesting activities	10,240	100,558
Program administration by board	192,864	192,035
Other costs - Forest management fund contribution	94,119	-
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	\$ 1,116,829	\$ 1,109,856
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