

S.E.N.B. FOREST PRODUCTS MARKETING BOARD

SCOUDOUC, NB

FINANCIAL STATEMENTS

MARCH 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To the members of S.E.N.B. Forest Products Marketing Board

Opinion

We have audited the accompanying financial statements of S.E.N.B. Forest Products Marketing Board, which comprise the statement of financial position as at March 31, 2023 and the statements of revenues and expenditures, changes in net assets and cash flow for the year ended, and summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of S.E.N.B. Forest Products Marketing Board as at March 31, 2023 and the results of its 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 standard are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of S.E.N.B. Forest Products Marketing 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 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 S.E.N.B. Forest Products Marketing 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 intend to liquidate S.E.N.B. Forest Products Marketing Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing S.E.N.B. Forest Products Marketing Board's financial reporting process.

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 risk 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 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 S.E.N.B. Forest Products Marketing 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 S.E.N.B. Forest Products Marketing Board's ability to continue as a going concern. If we concluded 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 S.E.N.B. Forest Products Marketing 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.

Moncton, N.B.

June 2, 2023

Allain & Associates
.....
ALLAIN & ASSOCIATES
CHARTERED PROFESSIONAL ACCOUNTANTS

S.E.N.B. FOREST PRODUCTS MARKETING BOARD

STATEMENT OF REVENUES AND EXPENDITURES

FOR THE YEAR ENDED MARCH 31, 2023

	<u>2023</u>	<u>2022</u>
REVENUES		
Sales		
Wood sales	\$ 3,366,236	\$ 4,205,230
Sales, direct levies	<u>266,550</u>	<u>374,653</u>
	<u>3,632,786</u>	<u>4,579,883</u>
Cost of sales		
Wood purchases	3,366,236	4,205,231
Wood harvest promotion	<u>37,280</u>	<u>-</u>
	<u>3,403,516</u>	<u>4,205,231</u>
Gross margin	<u>229,270</u>	<u>374,652</u>
Other Revenues		
Forest Management Activities - other revenue	134,607	58,303
Forest Management levies	166,255	233,138
Government Silviculture	820,010	810,462
Woodlot Owners and Forest Management Fund contributions	135,891	228,138
Miscellaneous revenue (Note 8)	<u>40,764</u>	<u>93,684</u>
	<u>1,297,527</u>	<u>1,423,725</u>
TOTAL REVENUE	<u>\$ 1,526,797</u>	<u>\$ 1,798,377</u>

The accompanying notes are an integral part of these financial statements.

S.E.N.B. FOREST PRODUCTS MARKETING BOARD

STATEMENT OF REVENUES AND EXPENDITURES

FOR THE YEAR ENDED MARCH 31, 2023

	EXPENSES	
	<u>2023</u>	<u>2022</u>
Advertising and promotion	\$ 4,233	\$ 5,225
Amortization (depreciation)	42,677	22,410
Directors per diems	8,425	4,800
Federation dues	8,040	5,509
Insurance (Note 9)	10,849	8,173
Interest and bank charges	6,160	1,670
Meetings and seminars	7,381	1,269
Miscellaneous	3,789	298
Office and computer	13,673	14,117
Professional fees - audit	8,625	6,915
Professional fees - legal	3,304	-
Professional fees - other (Note 6)	3,920	2,025
Property tax	437	442
Rent/leases	9,042	8,400
Repairs and maintenance	2,625	2,160
Telephone and internet	4,627	4,205
Training	13,500	3,000
Travel - directors	3,294	583
Travel - employees	17,465	16,106
Vehicle expenses	-	2,882
Wages and benefits	229,524	194,600
Total Expenses	<u>401,590</u>	<u>304,789</u>

NET GAIN (LOSS)

FOREST MANAGEMENT ACTIVITIES

N.B./S.E.N.B. Silviculture Activities (Note 11 and schedule A)	1,036,314	1,113,976
Forest Management Fund Expenses (Note 10 and schedule B)	<u>412,510</u>	<u>184,570</u>
Net gain (loss) after Forest Management Activities	<u>\$ (323,617)</u>	<u>\$ 195,042</u>

The accompanying notes are an integral part of these financial statements.

S.E.N.B. FOREST PRODUCTS MARKETING BOARD

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED MARCH 31, 2023

	<u>Forest Management Fund</u>	<u>Unrestricted</u>	<u>2023 total</u>	<u>2022 total</u>
Net assets, beginning of year	\$ 380,481	\$ 1,298,667	\$ 1,681,508	\$ 1,486,466
Net gain (loss)	<u>(111,648)</u>	<u>(211,969)</u>	<u>(323,617)</u>	<u>195,042</u>
Net assets, end of year	<u>\$ 268,833</u>	<u>\$ 1,086,698</u>	<u>\$ 1,357,891</u>	<u>\$ 1,681,508</u>

The accompanying notes are an integral part of these financial statements.

S.E.N.B. FOREST PRODUCTS MARKETING BOARD

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2023

ASSETS

	<u>2023</u>	<u>2022</u>
Current		
Cash and investments	\$ 1,053,687	\$ 1,631,826
Accounts receivable	228,347	63,200
Harmonized sales tax receivable	57,574	-
Prepaid expenses	23,370	-
	<u>1,362,978</u>	<u>1,695,026</u>
Capital assets (Note 3)	<u>149,485</u>	<u>127,904</u>
	<u>\$ 1,512,463</u>	<u>\$ 1,822,930</u>

LIABILITIES

Current		
Accounts payable and accrued liabilities	\$ 142,742	\$ 128,471
Harmonized sales tax payable	-	1,102
Employee deductions payable	9,585	7,631
	<u>152,327</u>	<u>137,204</u>
Deferred government contributions (Note 4)	<u>4,605</u>	<u>6,578</u>
	<u>156,932</u>	<u>143,782</u>

NET ASSETS

Forest management fund	268,833	380,481
Unrestricted	<u>1,086,698</u>	<u>1,298,667</u>
	<u>1,355,531</u>	<u>1,679,148</u>
	<u>\$ 1,512,463</u>	<u>\$ 1,822,930</u>

APPROVED ON BEHALF OF THE BOARD

.....Director

.....Director

The accompanying notes are an integral part of these financial statements.

S.E.N.B. FOREST PRODUCTS MARKETING BOARD

STATEMENT OF CASH FLOW

FOR THE YEAR ENDED MARCH 31, 2023

	<u>2023</u>	<u>2022</u>
OPERATING ACTIVITIES		
Surplus (deficit) of revenue over expenses	\$ (323,617)	\$ 192,682
Non-cash items:		
Gain or loss on disposal of capital assets	(995)	(2,293)
Amortization of capital assets	44,776	25,106
Amortization of deferred government contributions	(1,973)	(2,819)
	<u>(281,809)</u>	<u>212,676</u>
Net change in non-cash working capital items:		
Accounts receivable	(165,147)	52,144
Prepaid expenses	(23,370)	-
Accounts payable and accrued liabilities	14,271	33,647
Harmonized sales tax payable	(58,676)	2,527
Employee deductions payable	1,954	1,508
	<u>(512,777)</u>	<u>302,502</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(66,862)	(112,793)
Proceeds on disposal of capital assets	1,500	6,500
	<u>(65,362)</u>	<u>(106,293)</u>
Increase (decrease) in cash	(578,139)	196,209
Cash, beginning of year	<u>1,631,826</u>	<u>1,435,617</u>
Cash, end of year	<u>\$ 1,053,687</u>	<u>\$ 1,631,826</u>

The accompanying notes are an integral part of these financial statements.

S.E.N.B. FOREST PRODUCTS MARKETING BOARD

NOTES TO FINANCIAL STATEMENTS

AS AT MARCH 31, 2023

1. PURPOSE OF THE ORGANIZATION

S.E.N.B. Forest Products Marketing Board (the "Board") was established in 1981 as per the Natural Products Act. It is a registered non-profit organization and is therefore exempt from income tax. The Board operates a wood marketing board in southeastern New Brunswick.

2. SIGNIFICANT ACCOUNTING POLICIES

The Board prepares its financial statements in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) and includes the following accounting policies:

Cash and cash equivalent

The Board's policy is to present bank balances under cash and cash equivalents, including bank overdrafts when bank balances that fluctuate frequently from being positive to overdrawn, and temporary investments with a maturity period of three months or less from the date of acquisition.

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 amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Revenue recognition

The Board follows the restricted fund method whereby externally restricted contributions (levy) are recognized in the fund corresponding to the purpose for which they were contributed. Restricted contributions for which no corresponding restricted fund is presented must be recognized in the Unrestricted Fund using the deferral method.

The Board derives revenues from the sale of wood and levy (check-offs) which are recognized when the wood is scaled.

Capital assets

Capital assets are accounted for at cost. Amortization is calculated on its estimated useful life using the declining balance method at the following rates:

Equipment	20%
Motor vehicles	30%
Computer equipment	30%
Computer software	30%

The Board reviews for impairment of capital assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If the total of the estimated undiscounted future cash flows is less than the carrying value of the asset, an impairment loss is recognized for the excess of the carrying value over the fair value of the asset during the year the impairment occurs.

S.E.N.B. FOREST PRODUCTS MARKETING BOARD

NOTES TO FINANCIAL STATEMENTS

AS AT MARCH 31, 2023

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred government contributions

The portion of government contributions used to acquire fixed assets is recorded as deferred government contributions and is amortized on the same basis and according to the same rates as the related fixed assets.

Financial instruments

The Board initially measures its financial assets and financial liabilities originated or exchanged in arm's length transactions at fair value.

Financial assets and financial liabilities originated or exchanged in related party transactions, except for those that involve parties whose sole relationship with the organization is in capacity of management, are initially measured at cost. The cost of a financial instrument in a related party transaction depends on whether the instrument has repayment terms.

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

Financial assets measured at amortized cost include cash and investment, accounts receivable and harmonized sales tax receivable.

Financial liabilities measured at amortized cost include the accounts payable and accrued liabilities, harmonized sales tax payable and employee deductions payable.

Impairment

For financial assets measured at cost or amortized cost, the company determines whether there are indications of possible impairment. When there is an indication of impairment, and the company determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in income. A previously recognized impairment loss may be reversed. The carrying amount of the financial asset may not be greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in income.

Expense allocation

The Board presents many of its expenses by fund. Expenses directly related to the activities of a fund are charged directly to that particular fund.

The Board allocates wages and salaries and other expenses to the Forest Management funds and Silviculture program. Total expenses attributable to these funds are apportioned at the end of the year on a pro rata basis using the expenses incurred for payments to producers and stand improvements during the year in both funds. This year, the percentage established is 24% for the Forest Management Fund and 76% for the Silviculture program. Travel, vehicle expenses, advertising and telephone expenses for these two funds are also allocated using the percentage set out above. Rent and Director liability insurance are charged half to the S.E.N.B. Forest Products Marketing Board and the other half to the Silviculture Program. The audit fees is charged 75% to the S.E.N.B. Forest Products Marketing Board and 25% to the Silviculture Program. The allocated expenses are shown separately in the notes relating to the funds.

S.E.N.B. FOREST PRODUCTS MARKETING BOARD

NOTES TO FINANCIAL STATEMENTS

AS AT MARCH 31, 2023

3. CAPITAL ASSETS

	2023		2022	
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 6,175	\$ -	\$ 6,175	\$ 6,175
Equipment	35,729	22,767	12,962	16,203
Motor vehicles	182,656	58,708	123,948	96,382
Computer equipment	27,372	25,142	2,230	3,186
Computer software	71,229	67,059	4,170	5,958
	<u>\$ 323,161</u>	<u>\$ 173,676</u>	<u>\$ 149,485</u>	<u>\$ 127,904</u>

4. DEFERRED GOVERNMENT CONTRIBUTIONS

	2023	2022
Beginning balance	\$ 6,578	\$ 9,397
Less: Amortization	(1,973)	(2,819)
	<u>\$ 4,605</u>	<u>\$ 6,578</u>

5. FOREST MANAGEMENT FUND

A Forest Management Fund was created on April 1st, 1991 pursuant to an agreement between J.D. Irving Limited and the S.E.N.B. Forest Products Marketing Board. In 1994, woodlot owners also voted to pay a forest management levy fee for forest management activities.

The fund's main purpose is to finance forest management activities such as reforestation, stand improvement, wood bonus and silviculture activities.

The fund's operations for the year are presented in schedule A.

6. PROFESSIONAL FEES

	2023	2022
Consulting fees	\$ 1,622	\$ 257
Fees related to accounting system	2,298	1,768
	<u>\$ 3,920</u>	<u>\$ 2,025</u>

S.E.N.B. FOREST PRODUCTS MARKETING BOARD

NOTES TO FINANCIAL STATEMENTS

AS AT MARCH 31, 2023

7. FINANCIAL INSTRUMENTS

The Board is exposed to various risks through its financial instruments, without being exposed to concentrations of risk. The main risks are broken down below.

The board does not use any derivative financial instruments to mitigate this risk.

Credit risk

Credit risk is the risk that one party to a financial asset will cause a financial loss for the Board by failing to discharge an obligation. The Board's credit risk is mainly related to accounts receivable.

The Board provides credit to its clients in the normal course of its operations. It carries out, on a continuing basis, credit checks on its clients and maintains provisions for contingent credit losses which, once they materialize, are consistent with management's forecasts. The Board does not normally require a guarantee.

For grants receivable, the Board assesses, on a continuous basis, amounts receivable on the basis of amounts for which ultimate collection is reasonably assured based on their estimated realizable value. There has been no change to the risk exposures from prior year.

8. MISCELLANEOUS REVENUE

	<u>2023</u>	<u>2022</u>
Amortization of deferred government assistance	\$ 1,973	\$ 2,819
Canada Emergency Wages Subsidy	28,684	86,213
Gain or loss on disposal of capital assets	995	2,293
Other revenue	9,112	-
	<u>\$ 40,764</u>	<u>\$ 91,325</u>

9. INSURANCE COVERAGES

Insurance coverages are as follows :

- Errors and omissions insurance up to \$3,000,000 liability limit.
- Property and general liability insurance up to \$1,000,000 liability limit.
- Commercial auto insurance up to \$1,000,000 liability limit.

S.E.N.B. FOREST PRODUCTS MARKETING BOARD

NOTES TO FINANCIAL STATEMENTS

AS AT MARCH 31, 2023

10. FOREST MANAGEMENT FUND BALANCE	<u>2023</u>	<u>2022</u>
Forest Management Fund opening balance	\$ 380,481	\$ 273,609
Forest Management Levy income	237,221	291,442
Forest Management Fund expenses	<u>(412,510)</u>	<u>(184,570)</u>
	<u>\$ 205,192</u>	<u>\$ 380,481</u>

11. GOVERNEMENT FUNDED SILVICULTURE PROGRAM

Pursuant to an agreement between the New Brunswick Department of Natural Resources and the Federation of Woodlot Owners, the N.B./S.E.N.B. Silviculture Program Fund has been established in order to finance and offer technical advice on forest management to private woodlot owners.

The fund is administered by the Board and the program is delivered throughout the province by the seven regional marketing boards. Any administrative funds not expensed are carried over to next years administration.

	<u>Revenue</u>	<u>Expenditures</u>
Department of Natural Resources	\$ 820,010	
Woodlot Owners contributions	98,796	
Forest Management Fund contributions	37,095	
Other contributions to Silviculture Program	16,590	
Pre-commercial thinning		399,378
Plantation cleaning		47,980
Site prep		59,047
Planting		84,155
Alternative harvesting activities		235,695
Program administration by board		<u>210,059</u>
	<u>\$ 972,491</u>	<u>\$ 1,036,314</u>

12. ECONOMIC DEPENDENCE

The Board receives annual grants from the provincial government. The continuity of operations of the board is directly related to these government grants.

13. COMPARATIVE FIGURES

Certain figures for 2022 have been reclassified to conform to the presentation adopted in 2023.

S.E.N.B. FOREST PRODUCTS MARKETING BOARD

ADDITIONAL INFORMATION

AS AT MARCH 31, 2023

SCHEDULE A - N.B./S.E.N.B. SILVICULTURE PROGRAM	<u>2023</u>	<u>2022</u>
Income		
Government contributions	\$ 820,010	\$ 810,462
Woodlot owners contributions	98,796	174,777
Forest Management Fund contributions	37,095	53,361
Other revenue	16,590	62,061
	<u>972,491</u>	<u>1,100,661</u>
Direct expenses		
Administration and delivery	187,143	203,424
Stand improvement	826,255	887,418
	<u>1,013,398</u>	<u>1,090,842</u>
Allocated expenses		
Rent	8,797	8,400
Computer maintenance	3,348	3,345
Telecommunications	4,893	5,589
Professional fees	2,563	2,250
Advertising and promotion	1,216	854
Amortization	2,099	2,696
	<u>22,916</u>	<u>23,134</u>
Surplus (deficit) of revenue over expenses	<u>\$ (63,823)</u>	<u>\$ (13,315)</u>
 SCHEDULE B - FOREST MANAGEMENT FUND	 <u>2023</u>	 <u>2022</u>
Income		
Forest management	\$ 237,221	\$ 291,442
Tree planting revenue	63,641	-
	<u>300,862</u>	<u>291,442</u>
Expenses		
Payments to producers	338,349	170,402
Tree planting expenses	24,774	-
Salaries and fringe benefits	36,418	12,179
Travel, training and other related expenses	12,969	1,989
	<u>412,510</u>	<u>184,570</u>
Surplus (deficit) of revenue over expenses	<u>\$ (111,648)</u>	<u>\$ 106,872</u>