

Financial Statements of

KASLO AND DISTRICT COMMUNITY FOREST SOCIETY

December 31, 2018

KASLO AND DISTRICT COMMUNITY FOREST SOCIETY
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December 31, 2018

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March 20, 2019

Nelson, B.C.

INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

To the Members
Kaslo and District Community Forest Society

We have reviewed the accompanying financial statements of Kaslo and District Community Forest Society that comprise the statement of financial position as at December 31, 2018 and the statements of operations and changes in net assets and cash flows 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 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.

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 the financial statements do not present fairly, in all material respects, the financial position of Kaslo and District Community Forest Society as at December 31, 2018, 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.

**INDEPENDENT PRACTITIONER'S
REVIEW ENGAGEMENT REPORT (continued)**

Other matters

The financial statements of Kaslo and District Community Forest Society for the year ended December 31, 2017, were prepared by another public accountant and were neither audited nor reviewed. Prior year figures have been included with these financial statements for comparative purposes only.

Grant Thornton LLP

Chartered Professional Accountants

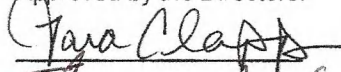
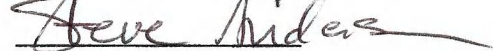
March 20, 2019

Nelson, B.C.

KASLO AND DISTRICT COMMUNITY FOREST SOCIETY
STATEMENT OF FINANCIAL POSITION
As At December 31, 2018
(Unaudited)

ASSETS	2018	2017
CURRENT ASSETS		
Cash and short-term investments	\$ 1,193,266	\$ 555,971
Legacy Fund	78,675	71,274
Accounts receivable	34,531	25,815
Government remittances receivable	-	1,969
Prepaid expenses	576	2,661
Damage deposit	-	185
	<u>1,307,048</u>	<u>657,875</u>
CAPITAL ASSETS (note 3)	<u>658</u>	<u>-</u>
	<u>\$ 1,307,706</u>	<u>\$ 657,875</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 8,907	\$ 46,000
Government remittances payable	5,838	-
	<u>14,745</u>	<u>46,000</u>
SILVICULTURE LIABILITY (note 4)	<u>576,437</u>	<u>545,098</u>
	<u>591,182</u>	<u>591,098</u>
NET ASSETS		
General fund - unrestricted	(447,639)	(109,010)
Internally restricted		
Operating reserve	1,000,000	-
Contingency fund	85,488	83,209
Legacy fund	78,675	71,274
Other fund	-	21,304
	<u>716,524</u>	<u>66,777</u>
	<u>\$ 1,307,706</u>	<u>\$ 657,875</u>

Approved by the Directors:

KASLO AND DISTRICT COMMUNITY FOREST SOCIETY
STATEMENT OF OPERATIONS
As At December 31, 2018
(Unaudited)

	2018	2017
REVENUE		
Logging income	\$ 1,421,157	\$ 38,031
DIRECT COSTS		
Logging costs	282,741	16,505
Silviculture	267,192	38,041
	549,933	54,546
INCOME (LOSS) FROM OPERATIONS	871,224	(16,515)
OTHER REVENUE		
Grants	1,000	47,050
Miscellaneous income	968	74
Memberships	410	355
Interest	10,020	8,461
Gain on asset disposal	5,548	56,431
	17,946	112,371
EXPENDITURES		
Amortization	165	-
Bank charges and interest	67	78
Bursaries, donations and outreach	5,030	5,100
Insurance	4,594	4,681
Licences and fees	10,947	15,659
Management expenses	166,217	129,891
Office expenses	22,027	8,154
Professional fees	13,654	13,218
Public relations	12,768	1,242
Special project fees	3,623	39,867
Telephone	331	1,787
	239,423	219,677
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	\$ 649,747	\$(123,821)

KASLO AND DISTRICT COMMUNITY FOREST SOCIETY
STATEMENT OF CHANGES IN NET ASSETS
For the Year Ended December 31, 2018
(Unaudited)

	General Fund	Operating Reserve	Contingency Fund	Legacy Fund	Other Fund	2018 Total	2017 Total
NET ASSETS, BEGINNING OF YEAR	\$(109,010)	\$ -	\$ 83,209	\$ 71,274	\$ 21,304	\$ 66,777	\$ 190,598
Excess (deficiency) of revenue over expenditures from operations	640,067	-	2,279	7,401	-	649,747	(123,821)
Interest reinvested	-	-	-	-	-	-	1,659
Interfund transfers	(978,696)	1,000,000	-	-	(21,304)	-	-
NET ASSETS, END OF YEAR	\$(447,639)	\$ 1,000,000	\$ 85,488	\$ 78,675	\$ -	\$ 716,524	\$ 68,436

KASLO AND DISTRICT COMMUNITY FOREST SOCIETY**STATEMENT OF CASH FLOWS****For the Year Ended December 31, 2018****(Unaudited)**

	2018	2017
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenditures	\$ 649,747	\$(123,821)
Items not affecting cash flow		
- amortization of capital assets	165	-
	649,912	(123,821)
Changes in non-cash working capital (note 7)	(4,392)	(116,882)
Cash Provided By (Used For) Operating Activities	645,520	(240,703)
INVESTING ACTIVITIES		
Capital asset acquisitions	(823)	-
INCREASE (DECREASE) IN CASH	644,697	(240,703)
CASH, BEGINNING OF YEAR	627,244	867,947
CASH, END OF YEAR	\$ 1,271,941	\$ 627,244

KASLO AND DISTRICT COMMUNITY FOREST SOCIETY
NOTES TO FINANCIAL STATEMENTS
As At December 31, 2018
(Unaudited)

1. KASLO AND DISTRICT COMMUNITY FOREST SOCIETY

The Society was incorporated under the Society Act of British Columbia on May 23, 1996 with the purpose of establishing and promoting sustainable forest practices in Kaslo and the surrounding region and to promote the greatest benefit to the community from forestry initiatives. The Society obtained a 15-year forest license on January 1, 1997 covering some 6,200 hectares of crown land around the Village of Kaslo with an annual allowable cut of 10,000 cubic meters (m³). In January 2010, an additional 25-year license for 25,000m³ was obtained. The Society is a non-profit organization under the Income Tax Act and accordingly, is exempt from income taxes provided certain requirements of the Income Tax Act are met.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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 cash on hand, demand deposits, and other short-term highly liquid investments which are readily convertible to known amounts of cash.

Property and Equipment

Capital assets are recorded at cost and amortized over their estimated lives using the straight-line method using the following annual rates.

Computer equipment	20%
Equipment and furnishings	20%

Revenue Recognition

The Society recognizes revenue from log sales based on the volume of wood delivered and scaled and at the time the customer takes ownership and assumes the risk of loss, and when collection of the receivable is reasonably secured. Restricted grants are recognized as revenue in the year in which the related expenses are incurred. Unrestricted grant contributions are recognized as revenue when received or receivable.

Deferred Charges

The Society defers the cost of logging roads and bridges and amortizes these costs over the expected useful life of the road or bridge. Amortization is recorded on a straight-line basis over the estimated useful life of the asset. Management determines the useful life of the road based on the use of the road for harvesting activities.

Provisions - Accrued Silviculture Costs

The Society is subject to requirements relating to the reforestation under its timber forest licence. The Society records the estimated costs associated with reforestation when the timber is harvested. Upon harvesting the timber, the related silviculture costs are recorded as a liability with the related expenses being recorded as a silviculture expense. All subsequent expenditures relating to the reforestation of these cut blocks are recorded against the related liability. The liability for silviculture is assessed each year and adjusted for subsequent changes in estimates.

KASLO AND DISTRICT COMMUNITY FOREST SOCIETY
NOTES TO FINANCIAL STATEMENTS (Continued)
As At December 31, 2018
(Unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments

The Society initially measures its financial assets and financial liabilities at fair value. It subsequently measures all its financial assets and financial liabilities at amortized cost.

The Society's financial instruments consist of cash and term deposits, accounts receivable and accounts payable.

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 and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

3. CAPITAL ASSETS

	2018		2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Equipment and furnishings	\$ 823	\$ 165	\$ 1,943	\$ 1,943
Computer equipment	<u>1,050</u>	<u>1,050</u>	<u>7,682</u>	<u>7,682</u>
	<u>1,873</u>	<u>1,215</u>	<u>9,625</u>	<u>9,625</u>
Cost less accumulated amortization	<u>\$ 658</u>		<u>\$ -</u>	

4. SILVICULTURE ACCRUAL

The Society accrues silviculture costs based on the volume of production in cubic metres. During the year, the Society spent \$235,853 on the related activities with an additional \$31,339 in costs being accrued in the year for a net current year expense of \$267,192, and estimated future liability of \$576,437.

5. DEFERRED CHARGES

Costs for the construction of logging roads and related bridges are deferred and amortized over the useful life of the assets.

	2018	2017
Logging Roads	\$ 589,305	\$ 589,305
Accumulated amortization	<u>(589,305)</u>	<u>(589,305)</u>
	<u>\$ -</u>	<u>\$ -</u>

KASLO AND DISTRICT COMMUNITY FOREST SOCIETY
NOTES TO FINANCIAL STATEMENTS (Continued)
As At December 31, 2018
(Unaudited)

6. FINANCIAL INSTRUMENTS

The Society is exposed to various risks through its financial instruments.

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 Society is exposed to credit risk in the event of non-performance by counterparties in connection with its accounts receivable. The Society does not obtain collateral or other security to support the accounts receivable subject to credit risk but mitigates this risk by dealing only with what management believes to be financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance.

Liquidity Risk

Liquidity risk is the risk that the Society will encounter difficulty in meeting obligations associated with financial liabilities. The Society is exposed to liquidity risk arising primarily from the accounts payable. The Society's ability to meet obligations depends on the receipt of funds from its operations and other related sources, whether in the form of revenue or grants.

7. CHANGES IN NON-CASH WORKING CAPITAL

	2018	2017
Accounts receivable	\$(8,717)	\$(25,815)
Deposits	185	-
Prepaid expenses	2,085	(84)
Accounts payable	(37,093)	46,000
Government remittances payable	7,808	(2,420)
Silviculture liability	31,340	(122,347)
Deferred revenue	-	(12,216)
	<u>\$(4,392)</u>	<u>\$(116,882)</u>

8. UNREVIEWED COMPARATIVE FIGURES

Figures presented for the 2017 comparative period have not been audited or been subjected to a review.