

Treasurer's Report

Tara Lynne Clapp, Treasurer

I would like to present our financial statements. As a part of this, I would like to talk about the strides we have made this year in improving how we link financial information to management and Board decision-making, and how we are working to establish financial sustainability.

1. Financial Systems and Records:

- a. We have made quite a few changes to our financial systems this year. Our primary 'governance tools' as a board are the workplan and the budget. Accordingly, we have worked to make sure that
 - i. The budget functions as a good financial oversight tool between the Board and Management
 - ii. our books give good information to Management and Board for both management and oversight, as well as how to plan for the future.
- b. Many thanks to Carol Brown and now Heather Hamilton for helping us to work towards these goals, and of course to Management!

2. Financial Statements:

- a. We chose a higher level of accounting review this year, for several reasons. One reason was that we wanted to work with an accountant to get feedback on our bookkeeping, reserve, and business tracking practices. Another reason was that having this higher level of financial review would establish a higher level of eligibility for potential economic development grants.

3. Statement of Operations:

- a. Our new Management Team really had just started the end of 2017, so 2018 is the first year of Operations under this Team
- b. Bottom line is that KDCFS brought in \$650K net. We were favoured with high log prices.
- c. If you have questions about what goes in to any of the categories, eg. Management Fees, I have that information available.

4. Balance Sheet

- a. The Balance Sheet is where we want to track our financial sustainability over time.
- b. At year end, we had about \$1.3M in assets.
- c. We have been tracking the Silviculture Liability as a total of all projected expenditures to bring all cut areas to Free to Grow status. Thanks for prior Boards for having this set of future costs expressed as a liability on the balance sheet.
- d. At the bottom of the page, we have 'Net Assets' ... what is the money in the various accounts really needed for?
 - i. The Operating Reserve we established this year is a new 'internal restriction' on spending. The \$1M is our best estimate of what we need in the bank to cover a foreseeable set of bad times.

- ii. The Contingency Fund is a prior reserve set aside solely for watershed contingencies. We broadened the application of that, so that it could be from any harm to community infrastructure.
- iii. The Legacy Fund is the set aside established several years ago. It is currently invested in relatively low risk mutual funds.
- iv. Note on Silviculture accruals ... the \$8/m set aside goes into a Silviculture Account (top of balance sheet). We have a Silviculture 'reserve' of about \$120K in these accounts. We have not specified an internal restriction as we have done with the other funds, because we express this as a Liability consistent with prior years.

5. Financial Sustainability

- a. So are we in a healthy financial position after our excellent year?
- b. One definition of financial sustainability is the ability to successfully continue operations into the future, including being resilient to setbacks.
- c. According to this Balance Sheet, you can see that our General Fund for unrestricted expenditures is (\$447K).
- d. This means that in the Board's estimation, we need to have another year about as good as last year to be back in a financial position where we are in a financially sustainable position.
- e. We do not currently expect that 'next good year' to be 2019.
- f. We do want to explore strategies for building our financial sustainability – our resilience – as well as our ability to contribute to a healthy, sustainable, resilient community. From a Treasurer perspective, I hope to see the Board and Management put together a Business Plan that leaves us less exposed to the risks of the log markets.

If asked:

The main changes to the books include:

- setting up and tracking costs by 'project' as well as 'cost category' ... we would like to be able to better manage road and development expenditures, so that we have a better handle on the profitability the various parts of our tenure
- this means that expenses are tracked both by an expense category like you see on the income/expense statement, such as 'Logging income' or 'management fees' but also by a Project, such as Cutting Permit 40.
- ideally, over time, we will be able to characterize the overall profitability and cost profile of areas of the forest by road network.