

**NOVA SCOTIA PRIMARY FOREST
PRODUCTS MARKETING BOARD**

Financial Statements

March 31, 2011

NOVA SCOTIA PRIMARY FOREST PRODUCTS MARKETING BOARD

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Independent Auditor's Report

To the Members of the Legislative Assembly, of To the Minister of Natural Resources

We have audited the accompanying financial statements of **Nova Scotia Primary Forest Products Marketing Board**, which comprise the statement of financial position as at **March 31, 2011**, and the statements of operations 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 generally accepted accounting principles, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

Nova Scotia Primary Forest Products Marketing Board derives revenues from member levies based on product deliveries to specific producers of primary forest products. The quantity of products delivered by members is maintained by the producers and the Board receives its levies based on weights determined by the producers. As a result, levy revenues are not susceptible to complete audit verification. Accordingly, our verification of levy revenues was limited to accounting for the amounts deposited and recorded in the records of the Board, and we were not able to determine if additional adjustments might be required.

Qualified Opinion

Except as noted in the above paragraph, in our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter

We draw attention to Note 4 to the financial statements which describes the conditions surrounding a contingent liability. Our opinion is not qualified in respect of this matter.

Dockrill Horwich Rossiter

Halifax, Nova Scotia
June 23, 2011

Chartered Accountants

**NOVA SCOTIA PRIMARY FOREST
PRODUCTS MARKETING BOARD**

Statement of Financial Position
As at March 31, 2011

	2011	2010
Assets		
Current		
Cash	\$ 100	\$ 100
Due from Province of Nova Scotia (Note 3)	336,367	295,701
Due from processors	<u>48,420</u>	<u>55,477</u>
	<u>\$ 384,887</u>	<u>\$ 351,278</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 16,448	\$ 10,231
Unearned revenue	21,248	-
Due to Board members	-	2,174
Due to bargaining agents	<u>36,961</u>	<u>30,952</u>
	74,657	43,357
Fund balances		
Fund balance	<u>310,230</u>	<u>307,921</u>
	<u>\$ 384,887</u>	<u>\$ 351,278</u>

Contingent liability (Note 4)

Approved on behalf of the board

_____ Director

_____ Director

(The accompanying notes are an integral part of these financial statements)
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**NOVA SCOTIA PRIMARY FOREST
PRODUCTS MARKETING BOARD**

**Statement of Operations
For the year ended March 31, 2011**

	2011 Budget	2011 Actual	2010 Actual
Revenues			
Charges against suppliers	\$ 130,000	\$ 239,221	\$ 284,818
Less: Bargaining agents funding	<u>-</u>	<u>106,421</u>	<u>137,380</u>
Charges for funding of Board operations	130,000	132,800	147,438
Interest on fund balance	<u>16,000</u>	<u>8,327</u>	<u>6,956</u>
	<u>146,000</u>	<u>141,127</u>	<u>154,394</u>
Expenditures			
Salaries and related benefits	72,000	52,005	65,230
Travel and automotive	32,000	16,409	14,841
Grants	30,000	-	20,000
Board member per diems	25,000	24,898	18,801
Rent	21,150	20,740	20,740
Supplies and services	8,620	6,332	6,469
Office	3,700	189	297
Legal fees	3,500	12,900	6,480
Insurance	1,100	1,084	1,031
Audit fees	-	3,555	3,550
Repairs and maintenance	<u>-</u>	<u>706</u>	<u>856</u>
	<u>197,070</u>	<u>138,818</u>	<u>158,295</u>
Net surplus (deficit) for the year	<u>\$ (51,070)</u>	<u>\$ 2,309</u>	<u>\$ (3,901)</u>

(The accompanying notes are an integral part of these financial statements)
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**NOVA SCOTIA PRIMARY FOREST
PRODUCTS MARKETING BOARD**

**Statement of Cash Flows
For the year ended March 31, 2011**

	2011	2010
Cash flows from (used in) operating activities		
Net surplus (deficit) for the year	\$ 2,309	\$ (3,901)
Change in non-cash working capital items		
Due from processors	7,057	11,219
Accounts payable and accrued liabilities	6,217	2,116
Unearned revenue	21,248	-
Due to Board members	(2,174)	165
Due from Province of Nova Scotia	(40,666)	(4,685)
Due to bargaining agents	6,009	(4,914)
	<u>(2,309)</u>	<u>3,901</u>
Increase in cash	-	-
Cash, beginning of year	<u>100</u>	<u>100</u>
Cash, end of year	<u>\$ 100</u>	<u>\$ 100</u>

(The accompanying notes are an integral part of these financial statements)

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NOVA SCOTIA PRIMARY FOREST PRODUCTS MARKETING BOARD

Notes to the Financial Statements
For the year ended March 31, 2011

1. Nature of operations

Nova Scotia Primary Forest Products Marketing Board was established by the Primary Forest Products Marketing Act.

The objectives of the Board are:

- i) to provide for the organization and funding of bargaining agents, to provide for the registration of bargaining agents
- ii) to provide for the resolution of bargaining disputes
- iii) to facilitate and support the continued development of the forest resources held by private woodlot owners, and
- iv) to enable private woodlot owners to have a fair share of the available market and receive a reasonable return for the sale of primary forest products.

The Board imposes separate charges against producers of primary forest products for the purpose of providing funding for bargaining agents, and for funding the operations of the Board.

2. Significant accounting policies

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The precise determination of many assets and liabilities is dependent on future events. As a result, the preparation of financial statements for a period involves the use of estimates and approximations which have been made using careful judgment. Actual results could differ from those estimates and approximations. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized as follows.

(a) Revenue recognition

The Board derives revenues from member levies based on primary forest products deliveries to specific producers. The quantity of primary forest products delivered by members is maintained by the producers and the Board records levy revenues based on weights determined by the producers.

(b) Grants

Payments of grants are recorded as expenses by the Board when the grant recipient incurs eligible expenditures.

(c) Property, plant and equipment

In common with many small, not-for-profit organizations, the Board charges furniture and equipment acquisitions and leasehold improvements to expenses in the year of purchase.

3. Due from Province of Nova Scotia

The Board is related to other departments, agencies, commissions and boards of the Province of Nova Scotia and all expenditures are made out of the same account. Funds held by the Province on behalf of the Board are presented as a receivable in the statement of financial position.

NOVA SCOTIA PRIMARY FOREST PRODUCTS MARKETING BOARD

Notes to the Financial Statements
For the year ended March 31, 2011

4. **Contingent liability**

During the year there was a dispute with one of the processors concerning the amount of levies being paid. The processor has held back payment of some levies and is claiming further amounts are due to them from the Board. As at March 31, 2011 the dispute was unresolved and accordingly there is a contingent liability of \$42,209 for the balance claimed by the processor. The amount includes \$13,878 in levy charges which have already been held back by the processor and which are included on the balance sheet as part of the Due from processors balance. The contingent liability has not been recognized in the financial statements as any future settlement amount is uncertain. Any adjustment arising from this dispute will be recognized in the period when the matter is settled.

5. **Pension and other retirement benefit plans**

All full-time employees of the Board are entitled to receive pension benefits pursuant to the provisions of a pension plan established under the Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer's contributions are included in the Board's operating expenses. The Public Service Superannuation Fund is administered by the Government of Nova Scotia and any unfunded liability, as well as other obligations related to post-retirement benefits are the responsibility of the Province.

6. **Capital management**

The Board's objective in managing its net assets is to remain a sustainable operation while fulfilling its overall mandate as disclosed in note 1. It achieves its objective by day-to-day management of its cash flows, and by regularly monitoring revenues and expenditures against its operating and capital budgets. When necessary, the Board takes appropriate action to reduce expenditures or curtail programs when actual revenues do not meet its budget and alternate sources of revenue cannot be found.

7. **Financial instruments**

The Board's financial instruments consist of current assets and current liabilities including cash, amounts due from processors and due to bargaining agents, and accounts payables and accrued liabilities. Unless otherwise noted it is management's opinion that the Board is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.