

**NOVA SCOTIA PRIMARY FOREST
PRODUCTS MARKETING BOARD**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017**

Nova Scotia Primary Forest Products Marketing Board
Financial Statements
For the Year Ended March 31, 2017

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AUDITOR'S REPORT

To the Members of the Legislative Assembly, and 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, 2017, and the statement of operations and changes in fund balances, cash flows and the accompanying schedules 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 the Canadian public sector 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.

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 of 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 judgment, 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 entity'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 entity'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.

**Nova Scotia Primary Forest Products Marketing Board
Auditor's Report
For the Year Ended March 31, 2017**

Basis for Qualified Opinion

Nova Scotia Primary Forest Products Marketing Board derives revenue 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 Nova Scotia Primary Forest Products Marketing Board as at March 31, 2017, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards for not for profit organizations.

BDO Canada LLP

CHARTERED PROFESSIONAL ACCOUNTANTS, LICENSED PUBLIC ACCOUNTANTS

**Bridgewater, Nova Scotia
June 29, 2017**

NOVA SCOTIA PRIMARY FOREST PRODUCTS MARKETING BOARD
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2017

	2017	2016
	\$	\$
ASSETS		
Current Assets		
Cash	-	100
Due from processors (Note 2)	9,238	4,170
Due from Province of Nova Scotia (Note 3)	109,679	83,779
	<u>118,917</u>	<u>88,049</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accruals	4,500	4,500
Due to bargaining agents (Note 5)	17,782	17,782
	<u>22,282</u>	<u>22,282</u>
Net Assets		
Unrestricted Fund	<u>96,635</u>	<u>65,767</u>
	<u>118,917</u>	<u>88,049</u>

APPROVED BY:

**NOVA SCOTIA PRIMARY FOREST PRODUCTS MARKETING BOARD
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2017**

	2017	2016
	\$	\$
REVENUE		
Processing levies	78,602	65,850
Interest on Fund balance	1,996	1,935
	80,598	67,785
EXPENDITURES		
Board member per diems	2,385	8,393
Insurance	1,421	1,369
Professional fees	4,500	4,500
Rent	38,224	38,224
Salaries and related benefits	295	32,652
Supplies and services	251	1,756
Travel and automotive	2,654	11,985
	49,730	98,879
EXCESS OF REVENUE (EXPENDITURES)	30,868	(31,094)
FUND BALANCES - beginning of year	65,767	96,861
FUND BALANCES - end of year	96,635	65,767

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

NOVA SCOTIA PRIMARY FOREST PRODUCTS MARKETING BOARD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2017

	2017	2016
	\$	\$
CASH FLOWS FROM:		
OPERATING ACTIVITIES		
Annual operating surplus (deficit)	30,868	(31,094)
Net changes in working capital balances		
Due from processors	(5,068)	4,978
Due from Province of Nova Scotia	(25,900)	26,116
	(100)	-
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	(100)	-
CASH AND EQUIVALENTS - beginning of year	100	100
CASH AND EQUIVALENTS - end of year	-	100

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

NOVA SCOTIA PRIMARY FOREST PRODUCTS MARKETING BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017

1. SIGNIFICANT ACCOUNTING POLICIES

Management's Responsibility for the Financial Statements

The financial statements of the Nova Scotia Primary Forest Products Marketing Board are the responsibility of management.

Nature and Purpose of the Board

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, funding and 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.

Basis of Accounting

The financial statements have been prepared using Canadian public sector accounting standards for not-for-profit organizations.

Income Taxes

Income taxes are not recorded in the financial statements as the Board is a non-profit organization for income tax purposes and therefore its operations are not taxable.

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each balance sheet date and charged to the financial instrument for those measured at amortized cost.

Revenue Recognition

The Board follows the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

Unrestricted investment income is recognized as revenue when earned. Restricted investment income is recognized as revenue in the year in which the related expenses are incurred.

**NOVA SCOTIA PRIMARY FOREST PRODUCTS MARKETING BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017**

2. DUE FROM PROCESSORS

	2017	2016
	\$	\$
J.D. Irving	-	136
Louisiana-Pacific Canada	141	446
Northern Fibre	39	-
Northern Pulp	8,010	3,588
Port Hawkesbury Paper LP	1,048	-
	9,238	4,170
	9,238	4,170

3. DUE FROM PROVINCE OF NOVA SCOTIA

The Nova Scotia Primary Forest Products Marketing 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 Nova Scotia Primary Forest Products Marketing Board are presented as a receivable in the statement of financial position. Interest of 2.70% (2016 - 2.85%) is recorded on this fund annually. Rates are set by the Province.

4. ECONOMIC DEPENDENCE

The Nova Scotia Primary Forest Products Marketing Board is economically dependent on levies from Northern Pulp Nova Scotia Corporation, which constitutes 53% of annual processing levies received by the Board in 2017.

5. DUE TO BARGAINING AGENTS

In 2011 the Nova Scotia Primary Forest Products Marketing Board received funds totalling \$17,782 on behalf of the NS Landowners and Forest Fibre Producers Association. As a result of the failure of the NS Landowners and Forest Fibre Producers Association to comply with the requirement to provide annual audited financial statements to the NSFPFMB these funds are being held back.

6. COMMITMENTS

The Nova Scotia Primary Forest Products Marketing Board rents office space under a lease agreement which requires monthly rental payments of \$3,185 expiring February 28, 2018. The annual commitment under this lease is \$35,039 for 2018.

NOVA SCOTIA PRIMARY FOREST PRODUCTS MARKETING BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017

7. FINANCIAL INSTRUMENTS RISKS

General Objectives, Policies and Processes

The Board of Directors has the overall responsibility for the determination of the Board's risk management objectives and policies and, while retaining ultimate responsibility for them, it has delegated the authority for maintaining operating processes to representatives of the Province of Nova Scotia. The Board of Directors receives monthly reports from the Province through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The Board's financial instruments are exposed to certain financial risks, including credit risk, interest rate risk, and liquidity risk.

There have been no significant changes from the previous year in the exposure to risk, policies or procedures used to manage financial instrument risks.

Liquidity Risk

Liquidity risk is the risk that the Board will encounter difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Board will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. The Board is exposed to this risk mainly in respect of its accounts payable.

The Board has a planning and budgeting process in place to help determine the funds required to support the Board's normal operating requirements on an ongoing basis. Financial obligations are paid from the Due from Province of Nova Scotia account. Liquidity risk is considered high because expenditures have historically been in excess of revenue and the note receivable from Province of Nova Scotia has decreased in recent years. If the receivable is ultimately depleted, the Province of Nova Scotia will decide whether or not to extend funding to the Board.

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 is exposed to credit risk resulting from the possibility that a customer or counterparty to a financial instrument defaults on its financial obligations. The Board's financial instruments that are exposed to concentrations of credit risk relate primarily to its accounts receivables from processors. The Board has a limited number of processors and a history of bad debts. Credit risk is considered moderate.

NOVA SCOTIA PRIMARY FOREST PRODUCTS MARKETING BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017

7. FINANCIAL INSTRUMENTS RISKS (continued)

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 floating interest rate financial instruments. Floating rate instruments subject it to a cash flow risk.

The Board earns interest annually on its funds held by the Province of Nova Scotia. Fluctuations in these rates will impact the investment income received in the future. Interest rate risk is moderate because if net assets continue to decrease due to the excess of expenditures over revenue the interest income earned each year will decrease.