

**NOVA SCOTIA PRIMARY FOREST PRODUCTS
MARKETING BOARD**

Financial Statements

March 31, 2014

NOVA SCOTIA PRIMARY FOREST PRODUCTS MARKETING BOARD

Table of Contents March 31, 2014

	Page
Independent Auditor's Report	
Financial Statements	
Statement of Operations and Changes in Net Assets	1
Statement of Financial Position	2
Statement of Cash Flows	3
Notes to the Financial Statements	4 - 6



Independent 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, 2014**, 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 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 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 organization'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 organization'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 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 the organization as at March 31, 2014 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 10 to the financial statements which describes the accounting for certain unpaid processor levies and bargaining agent costs. Our opinion is not qualified in respect of this matter.

Independent Auditor's Report, continued

Other Matter

The financial statements of Nova Scotia Primary Forest Products Marketing Board for the year ended March 31, 2013 were audited by AC Dockrill Horwich Rossiter Chartered Accountants, who expressed a qualified opinion on those statements on the 15th of May 2013. The partners and staff of AC Dockrill Horwich Rossiter Chartered Accountants joined Grant Thornton LLP subsequent to the 1st of March, 2014.

Grant Thornton LLP

Halifax, Nova Scotia
December 12, 2014

Chartered Accountants

NOVA SCOTIA PRIMARY FOREST PRODUCTS MARKETING BOARD

Statement of Operations and Changes in Net Assets For the year ended March 31, 2014

	2014 Budget	2014 Actual	2013 Actual
Revenues			
Processing Levies	\$ 73,474	\$ 77,080	\$ 78,474
Interest on fund balance	<u>7,212</u>	<u>5,305</u>	<u>8,386</u>
	<u>80,686</u>	<u>82,385</u>	<u>86,860</u>
Expenditures			
Salaries and related benefits	52,897	57,196	51,821
Rent	38,224	38,224	38,224
Board member per diems	10,000	21,550	9,500
Legal	6,563	6,529	6,563
Professional fees	4,700	4,500	4,600
Travel and automotive	4,000	9,232	3,932
Supplies and services	2,500	3,760	3,103
Insurance	<u>1,300</u>	<u>1,238</u>	<u>1,201</u>
	<u>120,184</u>	<u>142,229</u>	<u>118,944</u>
Deficiency of revenues over expenditures from operations	<u>(39,498)</u>	<u>(59,844)</u>	<u>(32,084)</u>
Other expenses (income)			
Bad debts (Note 10)	-	13,878	-
Change in prior years estimate of amounts due to bargaining agents (Note 10)	<u>-</u>	<u>(6,259)</u>	<u>-</u>
	<u>-</u>	<u>7,619</u>	<u>-</u>
Deficiency of revenues over expenditures	<u>(39,498)</u>	<u>(67,463)</u>	<u>(32,084)</u>
Surplus, beginning of year	<u>-</u>	<u>240,368</u>	<u>272,452</u>
Surplus, end of year	<u>\$ -</u>	<u>\$ 172,905</u>	<u>\$ 240,368</u>

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

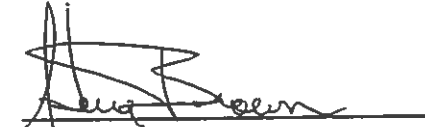
NOVA SCOTIA PRIMARY FOREST PRODUCTS MARKETING BOARD

Statement of Financial Position As at March 31, 2014

	2014	2013
Assets		
Current		
Cash	\$ 100	\$ 100
Due from processors (Note 3)	8,880	19,805
Due from Province of Nova Scotia (Note 4)	<u>192,044</u>	<u>255,168</u>
	<u>\$ 201,024</u>	<u>\$ 275,073</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 10,337	\$ 10,663
Due to bargaining agents (Note 5)	<u>17,782</u>	<u>24,042</u>
	28,119	34,705
Fund balances		
Surplus	<u>172,905</u>	<u>240,368</u>
	<u>\$ 201,024</u>	<u>\$ 275,073</u>

Approved on behalf of the board


Member


Member

NOVA SCOTIA PRIMARY FOREST PRODUCTS MARKETING BOARD

Statement of Cash Flows For the year ended March 31, 2014

	2014	2013
Cash flows from (used in) operating activities		
Deficiency of revenues over expenditures	\$ (67,463)	\$ (32,084)
Change in non-cash working capital items		
Due from processors	10,925	3,074
Accounts payable and accrued liabilities	(326)	(538)
Due from Province of Nova Scotia	63,124	29,548
Due to bargaining agents	(6,260)	-
	<u>67,463</u>	<u>32,084</u>
Cash flows from (used in) investing activities		
Cash flows from (used in) financing activities	-	-
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)

NOVA SCOTIA PRIMARY FOREST PRODUCTS MARKETING BOARD

Notes to the Financial Statements For the year ended March 31, 2014

1. Nature of operations

Nova Scotia Primary Forest Products Marketing Board (NSPFPMB) 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

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

NSPFPMB 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 NSPFPMB records levy revenues based on weights determined by the producers

(b) Grants

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

(c) Property, plant and equipment

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

(d) Financial instruments

The organization's financial instruments consist of cash, accounts receivable, due from related parties and accounts payable and accrued liabilities. Unless otherwise noted it is management's opinion that the organization is not exposed to significant interest, currency or credit risks

NOVA SCOTIA PRIMARY FOREST PRODUCTS MARKETING BOARD

Notes to the Financial Statements For the year ended March 31, 2014

2. Significant accounting policies, continued

(e) Measurement uncertainty

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards. 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 accounting framework.

3. Due from processors

	2014	2013
Northern Pulp	\$ 7,655	\$ 3,993
Port Hawkesbury Paper LP	810	1,222
J.D. Irving	197	-
Louisiana - Pacific	218	-
Northern Fibre	-	712
New Page	-	13,878
	8,880	19,805
	\$ 8,880	\$ 19,805

4. Due from Province of Nova Scotia

The NSPFPMB 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 NSPFPMB are presented as a receivable in the statement of financial position. Interest is recorded on this fund annually at rates set by the Province.

5. Due to bargaining agents

The NSPFPMB, has received funds totaling \$17,782 on behalf of the NS Landowners and Forest Fibre Producers Association. Of this amount \$9,365 was approved and requisitioned for payment by management. Payment of this amount has been delayed as a consequence of an internal miscommunication. 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 NSPFPMB an additional \$8,418 is being held back. (Note 10).

	2014	2013
February 2011	\$ 9,364	\$ 9,365
July 2011	8,418	8,418
October 2010	-	6,259
	\$ 17,782	\$ 24,042

6. Commitments

The NSPFPMB rents office space under a lease agreement which requires monthly rental payments of \$3,185 expiring February 28, 2018. The annual commitments under this lease are as follows:

NOVA SCOTIA PRIMARY FOREST PRODUCTS MARKETING BOARD

Notes to the Financial Statements For the year ended March 31, 2014

6. Commitments, continued

2015	\$	38,224
2016		38,224
2017		38,224
2018		<u>35,039</u>
	\$	<u>149,711</u>

Pension and other retirement benefit plans

All full-time employees of the NSFPMB 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 NSFPMB's operating expenses. The Public Service Superannuation Fund is administered by an independent trustee, the Public Service Superannuation Plan Trustee Inc., which also administers the actuarial and investment risk

Capital management

The NSFPMB'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 NSFPMB 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.

Financial instruments

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

(a) Fair value

The fair value of current financial assets and current financial liabilities approximates their carrying value due to their short-term maturity dates. The fair value of long-term financial liabilities approximates their carrying value based on the presumption that the organization is a going concern and thus expects to fully repay the outstanding amounts

Subsequent event

Subsequent to March 31, 2014 the NSFPMB received confirmation that a disputed amount due from New Page Port Hawkesbury Limited (New Page) was uncollectable and the corresponding amounts owing to bargaining agents were no longer payable. The financial statement for the fiscal year ended March 31 2014 have been adjusted accordingly to reflect the impact of this information. The amount in dispute relates to the withholding of funds due to NSFPMB by New Page totaling \$13,878 which is comprised of the October 2010 Purchased Wood Report in the amount of \$8,945 and the November 2010 Purchased Wood Report of \$4,933. As a result of the aforementioned, \$6,259 owing to the Nova Scotia Landowners and Forest Fibre Producers Association has been written off (Note 5).

Subsequent to this unilateral action, New Page became insolvent, trustees were appointed and the amounts properly due to third parties by New Page were not paid.