

**NOVA SCOTIA PRIMARY FOREST
PRODUCTS MARKETING BOARD**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015**

Nova Scotia Primary Forest Products Marketing Board
Financial Statements
For the Year Ended March 31, 2015

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AUDITORS' 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, 2015, 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.

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, 2015, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Canadian Institute Chartered Accountants.

Comparative Information

The March 31, 2014 financial statements of Nova Scotia Primary Forest Products Marketing Board were audited by a predecessor auditor. A qualified opinion was issued on December 12, 2014.

Emphasis of Matter

We draw attention to Note 10 of the financial statements which indicates that the Board incurred an annual operating deficit of \$76,044 during the year ended March 31, 2015. The Board has sustained annual operating deficits for the last three years. These conditions, along with other matters as set forth in Note 10, indicate the existence of a material uncertainty that may cast significant doubt about the Board's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.



CHARTERED ACCOUNTANTS

Bridgewater, Nova Scotia
June 29, 2015

NOVA SCOTIA PRIMARY FOREST PRODUCTS MARKETING BOARD
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2015

	2015	2014
	\$	\$
ASSETS		
Current Assets		
Cash	100	100
Due from processors (Note 2)	9,148	8,880
Due from Province of Nova Scotia (Note 3)	109,895	192,044
	119,143	201,024
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accruals	4,500	10,337
Due to bargaining agents (Note 5)	17,782	17,782
	22,282	28,119
Net Assets		
Unrestricted Fund	96,861	172,905
	119,143	201,024

APPROVED BY:

NOVA SCOTIA PRIMARY FOREST PRODUCTS MARKETING BOARD
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2015

	2015 Budget	2015 Actual	2014
	\$	\$	\$
REVENUE			
Processing levies	70,000	66,672	77,080
Interest on Fund balance	4,300	3,959	5,305
	<u>74,300</u>	<u>70,631</u>	<u>82,385</u>
EXPENDITURES			
Bad debts	-	-	7,619
Board member per diems	20,000	16,373	21,550
Insurance	1,338	1,292	1,238
Legal	3,500	3,801	6,529
Professional fees	5,000	4,500	4,500
Rent	38,224	38,224	38,224
Salaries and related benefits	57,196	58,137	57,196
Supplies and services	6,240	5,686	3,760
Travel and automotive	19,000	18,662	9,232
	<u>150,498</u>	<u>146,675</u>	<u>149,848</u>
EXCESS OF EXPENSES OVER REVENUE	(76,198)	(76,044)	(67,463)
FUND BALANCES - beginning of year	-	172,905	240,368
FUND BALANCES - end of year	-	96,861	172,905

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, 2015

	2015	2014
	\$	\$
CASH FLOWS FROM:		
OPERATING ACTIVITIES		
Annual operating deficit	(76,044)	(67,463)
Net changes in working capital balances		
Due from processors	(268)	10,925
Accounts payable and accrued liabilities	(5,837)	(326)
Due from Province of Nova Scotia	82,149	63,124
Due to bargaining agents	-	(6,260)
	-	-
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	-	-
CASH AND EQUIVALENTS - beginning of year	100	100
CASH AND EQUIVALENTS - end of year	100	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, 2015**

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 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.

Basis of Accounting

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

Cash

Cash consists of cash on hand.

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.

Tangible Capital Assets

Tangible capital assets are not recorded in the statement of financial position. Tangible capital assets are expensed in the year they are acquired.

NOVA SCOTIA PRIMARY FOREST PRODUCTS MARKETING BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement and Post-employment Benefits

All full-time employees of the Nova Scotia Primary Forest Products Marketing 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 Nova Scotia Primary Forest Products Marketing Board'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.

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.

Use of Estimates

The preparation of financial statements in accordance with Canadian public sector 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 revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

2. DUE FROM PROCESSORS

	2015 \$	2014 \$
J.D. Irving	78	197
Louisiana-Pacific Canada	546	218
Northern Fibre	361	-
Northern Pulp	7,198	7,655
Port Hawkesbury Paper LP	965	810
	<hr/> 9,148	<hr/> 8,880

**NOVA SCOTIA PRIMARY FOREST PRODUCTS MARKETING BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015**

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 2.85% (2014 - 3.00%) 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 70% of annual processing levies received by the Board.

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. RETIREMENT AND POST-EMPLOYMENT BENEFITS

The amount of benefits paid during the year were \$4,061 (2014 - \$4,687) for retirement benefits to the Public Service Superannuation Fund. The fund is administered by an independent trustee, the Public Service Superannuation Plan Trustee Inc., which also administers the actuarial and investment risk.

NOVA SCOTIA PRIMARY FOREST PRODUCTS MARKETING BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015

7. 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 commitments under this lease are as follows:

	\$
2016	38,224
2017	38,224
2018	35,039
	<hr/> 111,487 <hr/>

8. FINANCIAL INSTRUMENTS RISKS

General Objectives, Policies and Processes

The Board of Directors has overall responsibility for the determination of the Board's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to management. The Board of Directors receives monthly reports from management 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 and commitments.

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 are consistently in excess of revenue and the note receivable from Province of Nova Scotia is decreasing quickly. Once the receivable is gone the Province of Nova Scotia will have to decide whether or not to extend funding to the Board.

NOVA SCOTIA PRIMARY FOREST PRODUCTS MARKETING BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015

8. FINANCIAL INSTRUMENTS RISKS (continued)

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 their 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.

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 as net assets continue to decrease due to the excess of expenditures over revenue the interest income earned each year is decreasing rapidly.

9. COMPARATIVE FIGURES

Certain of the prior period's figures may have been reclassified in conformity with the current period's financial statement presentation.

10. GOING CONCERN

The Board has incurred significant deficits over the last three years and has lost some processors due to bankruptcies and plant shut-downs. As a result, there is material uncertainty that may cast significant doubt as to whether the Board will have the ability to continue as a going concern.

The Board's ability to continue as a going concern is dependent on finding new funding sources and reducing expenses. If the Board is unable to achieve this, there is a possibility that the Board may be unable to continue to realize its assets and to discharge its liabilities in the normal course of operations.

These financial statements are prepared on a going concern basis in accordance with Canadian public sector accounting standards for not-for-profit organizations which assumes that the Board will be able to obtain adequate financing as required and realize its assets and discharge its liabilities in the normal course of operations. If the going concern assumption was not appropriate for these financial statements then adjustments would be necessary to the carrying value of the assets and liabilities.