

**NOVA SCOTIA PRIMARY FOREST  
PRODUCTS MARKETING BOARD**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2016**

Nova Scotia Primary Forest Products Marketing Board  
Financial Statements  
For the Year Ended March 31, 2016

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## AUDITORS' REPORT

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

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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, 2016, 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  
Auditors' Report  
For the Year Ended March 31, 2016

**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, 2016, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards for not for profits.

**Emphasis of Matter**

We draw attention to Note 9 of the financial statements which indicates that the Board has sustained annual operating deficits for the last four years. These conditions, along with other matters as set forth in Note 9, 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  
July 26, 2016

**NOVA SCOTIA PRIMARY FOREST PRODUCTS MARKETING BOARD**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT MARCH 31, 2016**

	2016	2015
	\$	\$
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	100	100
Due from processors (Note 2)	4,170	9,148
Due from Province of Nova Scotia (Note 3)	83,779	109,895
	88,049	119,143
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable and accruals	4,500	4,500
Due to bargaining agents (Note 5)	17,782	17,782
	22,282	22,282
<b>Net Assets</b>		
Unrestricted Fund	65,767	96,861
	88,049	119,143

APPROVED BY:

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**NOVA SCOTIA PRIMARY FOREST PRODUCTS MARKETING BOARD**  
**STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED MARCH 31, 2016**

	2016	2015
	\$	\$
<b>REVENUE</b>		
Processing levies	65,850	66,672
Interest on Fund balance	1,935	3,959
	67,785	70,631
<b>EXPENDITURES</b>		
Bad debts	-	-
Board member per diems	8,393	16,373
Insurance	1,369	1,292
Legal	-	3,801
Professional fees	4,500	4,500
Rent	38,224	38,224
Salaries and related benefits	32,652	58,136
Supplies and services	1,756	5,687
Travel and automotive	11,985	18,662
	98,879	146,675
EXCESS OF EXPENSES OVER REVENUE	(31,094)	(76,044)
FUND BALANCES - beginning of year	96,861	172,905
FUND BALANCES - end of year	65,767	96,861

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, 2016**

	2016	2015
	\$	\$
CASH FLOWS FROM:		
OPERATING ACTIVITIES		
Annual operating deficit	(31,094)	(76,044)
Net changes in working capital balances		
Due from processors	4,978	(268)
Accounts payable and accrued liabilities	-	(5,837)
Due from Province of Nova Scotia	26,116	82,149
	-	-
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, 2016**

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**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, 2016**

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**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**

	2016	2015
	\$	\$
J.D. Irving	136	78
Louisiana-Pacific Canada	446	546
Northern Fibre	-	361
Northern Pulp	3,588	7,198
Port Hawkesbury Paper LP	-	965
	4,170	9,148
	4,170	9,148

**NOVA SCOTIA PRIMARY FOREST PRODUCTS MARKETING BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2016**

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**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 \$1,961 (2015 - \$4,061) 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.

**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:

		\$
2017		38,224
2018		35,039
		73,263

**NOVA SCOTIA PRIMARY FOREST PRODUCTS MARKETING BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2016**

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**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.

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.

**NOVA SCOTIA PRIMARY FOREST PRODUCTS MARKETING BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2016**

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

**9. GOING CONCERN**

The Board has incurred significant deficits over the last four 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.