

**Nova Scotia Primary Forest
Products Marketing Board
Financial Statements
For the Year Ended March 31, 2018**

Nova Scotia Primary Forest Products Marketing Board
Financial Statements
For the Year Ended March 31, 2018

Contents

Independent Auditor's Report	1 - 2
Financial Statements	
Statement of Financial Position	3
Statement of Operations	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 8



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Independent Auditor's Report

To the directors of Nova Scotia Primary Forest Products Marketing Board

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, 2018, 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 public sector accounting standards, 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 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 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, 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Dartmouth, Nova Scotia
June 6, 2018

**Nova Scotia Primary Forest Products Marketing Board
Statement of Financial Position**

March 31	2018	2017
Assets		
Current		
Due from processors (Note 2)	\$ 17,043	\$ 9,238
Due from Province of Nova Scotia (Note 3)	122,831	109,679
	\$ 139,874	\$ 118,917
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities	\$ 5,000	\$ 4,500
Due to bargaining agents (Note 5)	17,782	17,782
	22,782	22,282
Net Assets		
Unrestricted Fund	117,092	96,635
	\$ 139,874	\$ 118,917

On behalf of the Board:

Nova Scotia Primary Forest Products Marketing Board Statement of Operations

For the year ended March 31	2018	2017
Revenue		
Processing levies	\$ 71,190	\$ 78,602
Interest on fund balance	3,074	1,996
	74,264	80,598
Expenses		
Board member per diems	8,050	2,385
Insurance	-	1,421
Professional fees	5,270	4,500
Rental	35,039	38,224
Salaries and benefits	247	295
Supplies and services	251	251
Travel and automotive	4,950	2,654
	53,807	49,730
Excess of revenues over expenses	20,457	30,868
FUND BALANCES - beginning of year	96,635	65,767
FUND BALANCES - end of year	\$ 117,092	\$ 96,635

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	2018	2017
Cash flows from operating activities		
Excess of revenues over expenses	\$ 20,457	\$ 30,868
Items not affecting cash:		
Changes in non-cash working capital:		
Due from processors	(7,805)	(5,068)
Accounts payable and accrued liabilities	500	-
Due from Province of Nova Scotia	(13,152)	(25,900)
	-	(100)
Net increase (decrease) in cash	-	(100)
Cash, beginning of the year	-	100
Cash, end of the year	\$ -	\$ -

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

Nova Scotia Primary Forest Products Marketing Board

Notes to Financial Statements

March 31, 2018

1. Significant Accounting Policies

Nature and Purpose of Organization	<p>The Nova Scotia Primary Forest Products Marketing Board "Board" was established in 1972 by the Primary Forest Products Marketing Act.</p> <p>The objectives of the Board are to:</p> <ul style="list-style-type: none">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; andiv) 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	<p>The financial statements have been prepared using Canadian public sector accounting standards.</p>
Revenue Recognition	<p>The Board follows the deferral method of accounting for contributions.</p> <p>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.</p> <p>Unrestricted net investment income is recognized as revenue when earned. Restricted net investment income is recognized as revenue in the year in which the related expenses are incurred.</p>
Income taxes	<p>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.</p>
Financial Instruments	<p>Financial Instruments are recorded at fair value at initial recognition.</p> <p>In subsequent periods, financial instruments are reported at cost or amortized cost less impairment, if applicable.</p> <p>Financial assets are tested for impairment when indicators of impairment exist.</p> <p>Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items measured at fair value and charged to the financial instrument for those measured at amortized cost.</p>

Nova Scotia Primary Forest Products Marketing Board Notes to Financial Statements

March 31, 2018

2. Due from Processors

	2018	2017
Louisiana-Pacific Canada	\$ 348	\$ 141
Northern Fibre	704	39
Northern Pulp	15,991	8,010
Port Hawkesbury Paper LP	-	1,048
	<u>\$ 17,043</u>	<u>\$ 9,238</u>

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 3.07% (2017 - 2.70%) 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 68% of annual processing levies received by the Board in 2018.

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 Board these funds are being held back.

Nova Scotia Primary Forest Products Marketing Board

Notes to Financial Statements

March 31, 2018

6. Financial Instruments

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.

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 and contributions receivable from processors. The Board has a limited number of processors.

There have not been any changes in the risk from the prior year.

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 has changed from high in prior year to low in current year as the Board experienced a surplus of revenue over expenditures in the past 2 years. The Board has reduced its fixed costs to help generate income and plans to continue to operate in a similar manner in the future.
