

**Clinton & District Community
Forest of BC Limited
Financial Statements
For the Year Ended December 31, 2016**

Contents

Independent Auditor's Report	2 - 3
Financial Statements	
Balance Sheet	4
Statement of Operations and Retained Earnings	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 12



Tel: 250-372-9505
Fax: 250-374-6323
www.bdo.ca

BDO Canada LLP
300-275 Lansdowne Street
Kamloops, B.C. V2C 3J6

Independent Auditor's Report

To the shareholders of
Clinton & District Community Forest of BC Limited

We have audited the accompanying financial statements of Clinton & District Community Forest of BC Limited, which comprise the balance sheet as at December 31, 2016, and the statements of operations and retained earnings 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 accounting standards for private enterprises; this includes determining that Canadian accounting standards for private enterprises are an acceptable basis for the preparation of the financial statements in the circumstances, 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.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Clinton & District Community Forest of BC Limited as at December 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Basis of Accounting and Restriction on Use

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist Clinton & District Community Forest of BC Ltd. with its internal reporting to its shareholder, The Corporation of the Village of Clinton. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for Clinton & District Community Forest of BC Ltd. and The Corporation of the Village of Clinton and should not be used by parties other than Clinton & District Community Forest of BC Ltd and The Corporation of the Village of Clinton.

Chartered Professional Accountants

Kamloops, British Columbia
March 22, 2017

Clinton & District Community Forest of BC Limited Balance Sheet

As at	December 31, 2016	December 31, 2015	January 1, 2015
Assets			
Current			
Cash	\$ 14,098	\$ 221,509	\$ 25
Term deposit (Note 3)	360,000	-	-
Accounts receivable	-	62,756	-
Prepaid expenses	233	-	-
	<u>374,331</u>	<u>284,265</u>	<u>25</u>
Property and equipment (Note 4)	<u>5,633</u>	<u>1,140</u>	<u>1,781</u>
	<u>\$ 379,964</u>	<u>\$ 285,405</u>	<u>\$ 1,806</u>
Liabilities and Shareholder's Equity			
Current			
Bank indebtedness	\$ -	\$ -	\$ 14,479
Accounts payable and accrued liabilities (Note 5)	<u>13,817</u>	<u>28,582</u>	<u>-</u>
	<u>13,817</u>	<u>28,582</u>	<u>14,479</u>
Silviculture liability (Note 6)	<u>79,300</u>	<u>78,166</u>	<u>-</u>
	<u>93,117</u>	<u>106,748</u>	<u>14,479</u>
Shareholder's Equity			
Share capital (Note 7)	1	1	1
Retained earnings	<u>286,846</u>	<u>178,656</u>	<u>(12,674)</u>
	<u>286,847</u>	<u>178,657</u>	<u>(12,673)</u>
	<u>\$ 379,964</u>	<u>\$ 285,405</u>	<u>\$ 1,806</u>

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

Clinton & District Community Forest of BC Limited Statement of Operations and Retained Earnings

For the year ended December 31	2016	2015
Revenue	\$ 563,598	\$ 858,014
Operating expenses		
Advertising and promotion	334	73
Amortization of property and equipment	963	641
Block purchase	8,571	-
Board meeting expense	289	1,414
Hauling	108,259	158,799
Interest and bank charges	484	2,724
Management fees	45,837	37,249
Memberships and licences	2,905	8,578
Office expenses	413	92
Professional fees	23,297	6,343
Rental	7,400	-
Road use	10,905	6,600
Silviculture liability	1,133	78,166
Stumpage	30,649	52,566
Subcontractors	208,807	313,393
Supplies	18	46
Waste and residue penalties	5,144	-
	<u>455,408</u>	<u>666,684</u>
Net income	108,190	191,330
Retained earnings (deficit), beginning of the year	<u>178,656</u>	<u>(12,674)</u>
Retained earnings, end of the year	<u>\$ 286,846</u>	<u>\$ 178,656</u>

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

Clinton & District Community Forest of BC Limited Statement of Cash Flows

For the year ended December 31	2016	2015
Cash flows from operating activities		
Cash receipts from customers	\$ 626,352	\$ 795,257
Cash paid to suppliers and employees	(468,305)	(559,293)
Interest received	(2)	(1)
	158,045	235,963
Cash flows from investing activities		
Purchase of investments	(360,000)	-
Acquisition of property and equipment	(5,456)	-
	(365,456)	-
Net (decrease) increase in cash	(207,411)	235,963
Cash, beginning of the year	221,509	(14,454)
Cash, end of the year	\$ 14,098	\$ 221,509

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

Clinton & District Community Forest of BC Limited

Notes to Financial Statements

December 31, 2016

1. Significant Accounting Policies

Nature of Business	Clinton & District Community Forest of BC Ltd. (the "Company") is incorporated under the laws of British Columbia and its principle business activity is logging and log hauling.
Basis of Accounting	As a government enterprise, Canadian public sector accounting standards require the Company to adhere to the standards applicable to publicly accountable enterprises in the CPA Handbook- Accounting. Accordingly the Company is required under Canadian generally accepted accounting principles to prepare its financial statements using International Financial reporting Standards. Management has determined that the internal reporting needs of the Company and its shareholder, The Corporation of the Village of Clinton, are met through the use of Canadian accounting standards for private enterprises ("ASPE") and, therefore, these financial statements have been prepared in accordance with that framework. Since ASPE is not designed to necessarily meet the needs of all users of the financial statements of a government business enterprise, the readers of these financial statements may require additional information.
Revenue Recognition	Revenue includes the sale of raw logs. Revenue from the sale of raw logs is recognized upon transfer of the significant risks and ownership of the logs, provided that collectibility is reasonably assured.
Income Taxes	As a municipal corporation, the Company is exempt from tax under Section 149 of Division H of the Income Tax Act.
Financial Instruments	<p>Unless otherwise noted, it is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from its financial statements.</p> <p>Financial instruments are recorded at fair value at initial recognition.</p> <p>Financial assets are tested for impairment when indicators of impairment exist. When a significant change in the expected timing or amount of the future cash flows of the financial asset is identified, the carrying amount of the financial asset is reduced and the amount of the write-down is recognized in net income. A previously recognized impairment loss may be reversed to the extent of the improvement, provided it is not greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously, and the amount of the reversal is recognized in net income.</p>

Clinton & District Community Forest of BC Limited

Notes to Financial Statements

December 31, 2016

1. Significant Accounting Policies (continued)

Silviculture Liability Forestry legislation in British Columbia obligates the Company to incur the costs of reforestation on its harvested forest and community forest licenses, which include the costs to restore, maintain and manage the timberland over an approximate ten year period. Accordingly, the Company records an estimate at fair value of the costs of reforestation in the current period in which the timber is cut, with the fair value of the liability determined with reference to the present value of the estimated future cash flows. In the periods subsequent to the initial measurement, changes in the liability resulting from the passage of time and revisions to the estimated future cash flows are recognized in the statement of earnings as they occur. Estimates for reforestation may be materially impacted by forest fires, adverse weather conditions, wildlife damage, forest health issues, changing government legislation and inaccurate projections.

Property and Equipment Property and equipment are stated at cost less accumulated amortization. Expenditures for repairs and maintenance are expensed as incurred. Betterments that extend the useful life of the asset are capitalized.

Amortization based on the estimated useful life of the asset is calculated as follows:

	Method	Rate
Furniture and equipment	Declining balance	20%
Computer equipment	Declining balance	50%

Impairment of Long-lived Assets In the event that facts and circumstances indicate that the Clinton & District Community Forest of BC Limited's long-lived assets may be impaired, a test of recoverability would be performed.

Such a test entails comparing the estimated future undiscounted cash flows associated with the asset to the asset's carrying amount to determine if a write down to market value or discounted cash flow value is required.

For purposes of recognition and measurement of an impairment loss, a long-lived asset is grouped with other assets and liabilities to form an asset group at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities.

Clinton & District Community Forest of BC Limited Notes to Financial Statements

December 31, 2016

1. Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for private enterprises 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 amount 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.

Clinton & District Community Forest of BC Limited Notes to Financial Statements

December 31, 2016

2. First-time Adoption of Accounting Standards for Private Enterprises

Effective January 1, 2016, the Clinton & District Community Forest of BC Limited adopted the requirements of the accounting framework, Canadian Accounting Standards for Private Enterprises (ASPE) or Part II of the requirements of the Chartered Professional Accountants of Canada (CPA Canada) Handbook - Accounting. These are the Clinton & District Community Forest of BC Limited's first financial statements prepared in accordance with this framework and the transitional provisions of Section 1500, *First-time Adoption*, have been applied. Section 1500 requires retrospective application of the accounting standards with certain elective exemptions and retrospective exceptions. The accounting policies set out in Note 1 - Significant Accounting Policies have been applied in preparing the financial statements for the year ended December 31, 2016, the comparative information presented in these financial statements for the year ended December 31, 2015 and in the preparation of an opening ASPE balance sheet at the date of transition of January 1, 2016.

The Clinton & District Community Forest of BC Limited issued a Notice to Reader for the year ended December 31, 2015. The adoption of ASPE resulted in adjustments to the previously reported assets, liabilities, equity, net income and cash flows of the Clinton & District Community Forest of BC Limited. All adjustments were charged to retained earnings. The charges to retained earnings at the date of transition of January 1, 2016 were as follows:

	January 1, 2016
Opening retained earnings, Pre-changeover Accounting Standards	\$ 256,822
Silviculture liability	(78,166)
Opening retained earnings, ASPE	<u>\$ 178,656</u>

A reconciliation of the net income reported in the Clinton & District Community Forest of BC Limited's most recent previously issued financial statements to its net income under ASPE for the same period is as follows:

	January 1, 2016
Net income, Pre-changeover Accounting Standards	\$ 269,496
Silviculture liability	(78,166)
Net income, ASPE	<u>\$ 191,330</u>

These changes didn't result in any changes to the statement of cash flows.

The company elected to not restate assets or liabilities related to transactions with related parties when the related party transaction occurred prior to the date of transition to Canadian accounting standards for private enterprises.

Clinton & District Community Forest of BC Limited Notes to Financial Statements

December 31, 2016

3. Term Deposit

Investments consist of a term deposit, earning interest at 1.45% and maturing on May 5, 2021.

4. Property and Equipment

	2016		2015	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and equipment	\$ 6,307	\$ 988	\$ 851	\$ 340
Computer equipment	1,571	1,257	1,571	942
	7,878	2,245	2,422	1,282
		\$ 5,633		\$ 1,140

5. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities are government remittances payable of \$nil (2015-\$17,350).

6. Silviculture Liability

The Company is obligated to meet the legislative standards for reforestation of harvested timberlands. The obligation occurs at the time the timber is cut, and the estimated fair value of the liability for reforestation is established with reference to the present value of the estimated future cash flows required to settle the liability.

The reforestation expenditures to occur over the next four years have been adjusted for inflation and discounted at the Company's estimated credit adjusted risk free rate of 1.45% (2015 - 1.45%)

Measurement uncertainty exists to the extent which the Company estimates the cost of reforestation on current production and forecasts future reforestation costs on the current condition of reforested timberlands with reference to legislative expectations. The degree of uncertainty is unknown as future events outside of the Company's control including government legislation, and environmental impacts to reforested timberlands may impact reforestation costs.

Clinton & District Community Forest of BC Limited
Notes to Financial Statements

December 31, 2016

7. Share Capital

Issued and outstanding shares:

2016	2015
\$ 1	\$ 1

8. Unused Credit Facility

The company has an available operating line with Integris bank with a credit limit of \$50,000, bearing interest at the banks line of credit rate of 5.30%. Cost of borrowing expressed as an annual percentage rate, payable on the unpaid balance at the end of each monthly payment period. Sum outstanding for less than 30 days will bear interest at the stated annual percentage applied daily for the number of days the said sum is outstanding.
