

**Clinton & District Community
Forest of BC Limited
Financial Statements
For the Year Ended December 31, 2017**

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 - 10



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, 2017, 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, 2017, 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
April 25, 2018

Clinton & District Community Forest of BC Limited Balance Sheet

As at December 31	2017	2016
Assets		
Current		
Cash	\$ 11,962	\$ 14,098
Prepaid expenses	237	233
	12,199	14,331
Property and equipment (Note 3)	4,412	5,633
Term deposit	200,044	360,000
	\$ 216,655	\$ 379,964
 Liabilities and Shareholder's Equity		
Current		
Accounts payable and accrued liabilities	\$ 10,950	\$ 13,817
Silviculture liability (Note 4)	76,112	79,300
	87,062	93,117
Shareholder's Equity		
Share capital (Note 5)	1	1
Retained earnings	129,592	286,846
	129,593	286,847
	\$ 216,655	\$ 379,964

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	2017	2016
Revenue		
Logging revenue	\$ -	\$ 563,596
Interest income	5,044	2
Grant revenue	1,500	-
	<u>6,544</u>	<u>563,598</u>
Operating expenses		
AGM expense	4,206	289
Advertising and promotion	4,277	334
Amortization of property and equipment	1,221	963
Block purchase	-	8,571
Bookkeeping and accounting	8,004	12,280
Consultation fees	7,850	10,770
Culverts	2,772	18
Hauling	-	108,259
Interest and bank charges	480	484
Legal fees	2,594	247
Management fees	62,379	45,837
Meeting expense	500	-
Memberships and licences	2,429	2,905
Office expenses	518	413
Post harvest expense	2,075	-
Rental	7,400	7,400
Road use	-	10,905
Silviculture liability	1,150	1,133
Stumpage	-	30,649
Subcontractors	47,443	208,807
Waste and residue penalties	-	5,144
	<u>155,298</u>	<u>455,408</u>
Income (loss) before other expenses	(148,754)	108,190
Other expenses		
Donations	8,500	-
	<u>8,500</u>	<u>-</u>
Net income (loss)	(157,254)	108,190
Retained earnings, beginning of the year	286,846	178,656
Retained earnings, end of the year	\$ 129,592	\$ 286,846

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	2017	2016
Cash flows from operating activities		
Cash receipts from customers	\$ 1,500	\$ 626,352
Cash paid to suppliers and employees	(168,636)	(468,305)
Interest received	5,044	(2)
	<u>(162,092)</u>	<u>158,045</u>
Cash flows from investing activities		
Purchase of investments	-	(360,000)
Proceeds on disposal of investments	159,956	-
Acquisition of property and equipment	-	(5,456)
	<u>-</u>	<u>(5,456)</u>
Net decrease in cash	(2,136)	(207,411)
Cash, beginning of the year	14,098	221,509
Cash, end of the year	\$ 11,962	\$ 14,098

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

Clinton & District Community Forest of BC Limited

Notes to Financial Statements

December 31, 2017

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, 2017

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, 2017

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.

2. Term Deposit

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

3. Property and Equipment

	2017		2016	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and equipment	\$ 6,307	\$ 2,052	\$ 6,307	\$ 988
Computer equipment	1,571	1,414	1,571	1,257
	7,878	3,466	7,878	2,245
		\$ 4,412		\$ 5,633

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

December 31, 2017

4. 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% (2016 - 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.

5. Share Capital

Issued and outstanding shares:

	2017		2016
	1		1

6. Unused Credit Facility

The company has an available operating line with Integris Credit Union 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.
