



**Consolidated  
Financial Statements**

March 31, 2002

# FOREST RENEWAL BC

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# FOREST RENEWAL BC

## MANAGEMENT REPORT

The consolidated financial statements of Forest Renewal BC for the year ended March 31, 2002 have been prepared by management in accordance with Canadian generally accepted accounting principles for not-for-profit organizations. These consolidated financial statements present fairly the consolidated financial position of the Corporation as at March 31, 2002, and the results of operations and changes in cash flows for the year then ended.

Management is responsible for the preparation of the financial statements and has established a system of internal control to provide reasonable assurance that assets are safeguarded, transactions are properly authorized, and financial records provide reliable information for the preparation of financial statements.

Forest Renewal BC carries out its responsibility for the review of the financial statements through its Board of Directors. The external auditor has full access to the Board of Directors, with and without the presence of management.

The Auditor General of British Columbia has performed an independent audit of the consolidated financial statements of Forest Renewal BC. The Auditor's report outlines the scope of his examination and expresses an opinion on the statements.



Alex Mackie  
Chief Financial Officer

June 5, 2002



## Report of the Auditor General of British Columbia

*To the Board of Directors  
of Forest Renewal BC, and*

*To the Minister of Forests,  
Province of British Columbia:*

I have audited the consolidated statement of financial position of *Forest Renewal BC* as at March 31, 2002 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of *Forest Renewal BC* as at March 31, 2002 and the results of its operations and the changes in its net assets and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Victoria, British Columbia  
June 5, 2002*

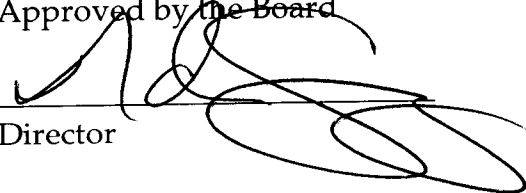
Wayne Strelieff, CA  
Auditor General

**FOREST RENEWAL BC**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at March 31,	2002		2001
	After Wind-up (Note 2)	Before Wind-up	
	(\$000)	(\$000)	(\$000)
<b>ASSETS</b>			
Current assets			
Cash and short term investments (Note 4)	-	179,190	373,345
Due from Province of British Columbia	-	122,139	80,268
Accounts receivable	-	15,270	21,244
	-	316,599	474,857
Long term investments (Note 5)		6,941	32,171
Capital assets (Note 6)	-	-	1,658
	-	323,540	508,686
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable and accrued liabilities	-	4,677	3,705
Project expenditures payable	-	62,102	68,528
	-	66,779	72,233
<b>NET ASSETS</b>			
Appropriations	-	256,761	436,453
	-	323,540	508,686

Contingent liabilities (Note 10)

Approved by the Board



Director

The accompanying notes are an integral part of these financial statements

**FOREST RENEWAL BC**  
**CONSOLIDATED STATEMENT OF OPERATIONS**

<b>Year Ended March 31,</b>	<b>2002</b>	<b>2001</b>
	(\$000)	(\$000)
<b>REVENUES</b>		
Statutory forest revenue	144,355	187,099
Investment and other income	18,032	34,443
	<b>162,387</b>	<b>221,542</b>
<b>EXPENDITURES</b>		
Program expenditures (Schedule 1)	251,997	270,790
Program wind-up costs (Schedule 1)	32,007	-
Administration (Note 7)	11,332	14,305
Administration wind-up costs (note 7)	4,743	-
Extraordinary items (Note 8)	42,000	-
	<b>342,079</b>	<b>285,095</b>
<b>EXCESS OF EXPENDITURES OVER REVENUES</b>	<b>(179,692)</b>	<b>(63,553)</b>

The accompanying notes are an integral part of these financial statements

# FOREST RENEWAL BC

## CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

For the Year Ended March 31, 2002 (\$000)

	Appropriation for Program Continuity	Appropriation for Financing Purposes	Appropriation for Multi-Year Agreements	Total 2002	Total 2001
	Note 9	Note 9	Note 9		
Balance, beginning of year	372,201	39,271	24,981	436,453	500,006
Excess of expenditures over revenues	(179,692)	-	-	(179,692)	(63,553)
Transfers to (from) appropriations	64,252	(39,271)	(24,981)	-	-
<b>Balance, end of year, before wind-up</b>	<b>256,761</b>	<b>-</b>	<b>-</b>	<b>256,761</b>	<b>436,453</b>
Transfer to the Province of British Columbia	(256,761)	-	-	(256,761)	
<b>Balance, end of year, after wind-up</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	

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

**FOREST RENEWAL BC**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**

<b>Year Ended March 31,</b>	<b>2002</b>	<b>2001</b>
	<b>(\$000)</b>	<b>(\$000)</b>
<b>CASH FLOWS (USED IN) FROM OPERATING ACTIVITIES:</b>		
Cash received from statutory forest revenue	102,484	316,087
Cash received from investment income	15,152	34,443
Cash paid for program expenditures	(288,677)	(262,853)
Cash paid for administrative expenditures	(15,002)	(12,619)
Cash outlay for extraordinary item	(35,000)	-
	<b>(221,043)</b>	<b>75,058</b>
<b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:</b>		
Reduction (increase) in long term investments	25,230	(8,466)
Disposal (acquisition) of capital assets (net)	1,658	(646)
	<b>26,888</b>	<b>(9,112)</b>
<b>(DECREASE) INCREASE IN CASH DURING THE YEAR</b>	<b>(194,155)</b>	<b>65,946</b>
<b>CASH AND EQUIVALENTS BEGINNING OF YEAR</b>	<b>373,345</b>	<b>307,399</b>
<b>CASH AND EQUIVALENTS END OF YEAR</b>	<b>179,190</b>	<b>373,345</b>

The accompanying notes are an integral part of these financial statements



# FOREST RENEWAL BC

## SCHEDULE OF PROGRAM EXPENDITURES BY REGION AND ACTIVITY AREA

## SCHEDULE I

For the Year Ended March 31, 2002 (\$000)

REGIONS	Land and Resources	Environment	Workforce	Communities	Value Added	2002 TOTAL	2001 TOTAL
Cariboo-Chilcotin	15,972	8,538	108	54	1,787	26,459	32,217
Thompson-Okanagan	16,803	16,346	147	819	2,437	36,552	37,701
Kootenay-Boundary	10,648	11,067	88	241	1,462	23,506	28,937
Omineca-Peace	37,508	16,982	235	406	3,900	59,031	54,666
Skeena-Bulkley	15,610	8,950	108	486	1,787	26,941	32,244
Pacific	33,500	37,834	1,563	1,309	5,302	79,508	85,025
Total before wind-up	130,041	99,717	2,249	3,315	16,675	251,997	270,790
Program wind-up costs						32,007	
<b>2002 Total</b>	<b>130,041</b>	<b>99,717</b>	<b>2,249</b>	<b>3,315</b>	<b>16,675</b>	<b>284,004</b>	
<b>2001 Total</b>	<b>138,377</b>	<b>100,636</b>	<b>5,577</b>	<b>4,968</b>	<b>21,232</b>		<b>270,790</b>

### ACTIVITY AREA OBJECTIVES:

**Land & Resources** to increase investment in the forest resource and in the forest land base.

**Environment** to invest in the environmental values of the forests.

**Workforce** to foster forest employment opportunities through job training and other initiatives; assist forest workers and expand the forest workforce.

**Communities** to support community development and adjustment.

**Value Added** to promote activities that assist: i) forest industry diversification; ii) the further processing of wood supply; and

iii) increased manufacturing of wood products.

**Program wind-up costs** include managed funds expensed, and endowments set up during the year (\$27.7 M); wind-up commitments paid out (\$3 M); deferred project costs expensed (\$1.3 M)

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

# FOREST RENEWAL BC

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

*For the Year Ended March 31, 2002*

(tabular amounts in \$000)

### 1. THE CORPORATION

Forest Renewal BC, a Crown corporation, was incorporated under the Forest Renewal Act on June 2, 1994. The purpose of Forest Renewal BC was to renew the forest economy of British Columbia, enhance the productive capacity and environmental value of forest lands, create jobs, provide training for forest workers and strengthen communities.

Under the Forest Renewal Act, Forest Renewal BC was entitled to 80% of the increases in stumpage and royalty revenue attributable to changes in rates or stumpage fees under the Forest Act that have been implemented since April 30, 1994, less an annual offset of up to \$50 million. Effective June 1, 1998, the percentage of revenue received by Forest Renewal BC varied based on a new pricing structure.

The Corporation was exempt from federal and provincial income taxes.

### 2. CESSATION OF BUSINESS

In October 2001 Forest Renewal BC received written notification from the Province of British Columbia to cease operations on March 31<sup>st</sup> 2002. *The Budget Measures Implementation Act, 2002*, (which received Royal Assent on March 28, 2002) provides for the dissolution of the corporation and the transfer of the corporation's assets to the government of British Columbia. Although the provisions of *the Budget Measures Implementation Act, 2002* to effect these changes were not yet in force at March 31, 2002, the corporation transferred all of its assets to the government as at that date. For the most part, those assets remaining at March 31, 2002 were assigned to the Ministry of Provincial Revenue, while the Ministry of Forests assumed the liabilities.

Effective March 31, 2002, New Forest Opportunities Ltd. ceased operations and its assets and liabilities were assumed by Forest Renewal BC just prior to Forest Renewal BC's dissolution on the same date.

### 3. SIGNIFICANT ACCOUNTING POLICIES

**Consolidated Financial Statements** were prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations and included the assets, liabilities, revenues and expenditures of Forest Renewal BC and its 100% owned subsidiary, New Forest Opportunities Ltd.

# FOREST RENEWAL BC

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

*For the Year Ended March 31, 2002*

(tabular amounts in \$000)

**New Forest Opportunities Ltd.** was incorporated on November 19, 1997. New Forest Opportunities Ltd. was established as a forest worker agency to assist Pacific Region forest workers who were displaced during the transition in the forest sector. New Forest Opportunities Ltd. assessed eligible workers, equipped them with new skills and gave them priority placement for work on Forest Renewal BC land-based projects.

**Short Term Investments** were carried at the lower of cost and market value.

**Capital Assets** were recorded at cost and were amortized on a straight-line basis over their estimated useful lives. Assets costing less than \$5,000 were expensed in the year purchased. Capital assets were amortized on the straight line basis over their estimated useful lives as follows:

Building and leasehold improvements	20 years
Automobiles	5 years
Computer hardware	3 to 5 years
Computer software	3 to 5 years
Office equipment	2 years

**Revenue** from stumpage and royalties was recognized for all timber scaled in the fiscal year.

**Use of Estimates.** The preparation of the financial statements in conformity with Canadian generally accepted accounting principles 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 revenues and expenditures during the year. Actual results could differ from these estimates.

#### 4. CASH AND SHORT TERM INVESTMENTS

	2002 Cost	2002 Market value	2001 Cost	2001 Market value
Cash	14,696	14,696	5,774	5,774
Term deposits	6,727	6,727	14,895	14,895
Investments - Provincial Treasury	158,375	157,767	353,062	352,676
	<b>179,798</b>	<b>179,190</b>	<b>373,731</b>	<b>373,345</b>

# FOREST RENEWAL BC

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

*For the Year Ended March 31, 2002*

(tabular amounts in \$000)

5. LONG TERM INVESTMENTS	<u>2002</u>	<u>2001</u>
<p>Deposit in pooled investment fund as assistance for infrastructure projects. During the year ended March 31, 2002, this was reduced to the balance of the one bond outstanding Matures September 21, 2004. Upon the wind up of Forest Renewal BC, the management of this bond was assigned to the Ministry of Provincial Revenue.</p> <p style="padding-left: 40px;">Municipal Finance Authority of British Columbia</p>	61	10,000
<p>Deposits in managed investment funds – Income earned up to specified maximums for use by the universities for endowment program expenditures. These funds were all expensed during the current year, and assigned to the Ministry of Advanced Education to administer.</p> <p>Repayable March 15, 2029 to 2031.</p> <p style="padding-left: 40px;">University of British Columbia</p> <p style="padding-left: 40px;">University of Northern BC</p> <p style="padding-left: 40px;">Simon Fraser University</p> <p style="padding-left: 40px;">Okanagan University College</p> <p>A six year agreement renewable at July 31, 2001.</p> <p style="padding-left: 40px;">Kootenay School Fine Arts</p>	- - - - -	5,206 6,893 3,568 3,500 1,000
<p>Capital funds held by the Nature Trust of British Columbia - the income earned on the fund is to be used by the Nature Trust to manage properties previously purchased. The Contribution agreement continues until December 31, 2072. Upon the wind of Forest Renewal BC, the management of these funds was transferred to the Province of British Columbia.</p>	880	-
<p>Deposit with Provincial Treasury – Income earned in the fund will be used by the BC Wood Specialties Group starting in 2004. The fund was established March 29, 2001 and continues until March 31, 2024. Upon the wind up of Forest Renewal BC, the management of this fund was transferred to the Ministry of Forests.</p> <p style="padding-left: 40px;">BC Wood Legacy Fund</p>	<u>6,000</u> <u>6,941</u>	<u>2,004</u> <u>32,171</u>

# FOREST RENEWAL BC

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2002

(tabular amounts in \$000)

### 6. CAPITAL ASSETS

	2002		2001	
	Cost	Accumulated Amortization	Net Book Value Before wind-up	Net Book Value
Building	867	(173)	694	737
Leasehold improvements	149	(66)	83	113
Automobiles	134	(77)	57	97
Computer hardware	1,175	(1,165)	10	14
Computer software	2,588	(1,849)	739	558
Office equipment	6	(6)	0	2
Proceeds on disposal	(318)	-	(318)	-
Loss on disposal	(4,601)	3,336	(1,265)	-
	-	-	-	1,658

### 7. ADMINISTRATION AND WIND-UP EXPENSES

	<u>Administration</u>	<u>2002</u> <u>Wind-up</u>	<u>Total</u>	<u>2001</u>
Salaries, wages and benefits	6,078	1,641	7,719	7,071
Professional services	1,888	580	2,468	2,847
Loss on disposal of assets	-	1,265	1,265	-
Building occupancy	815	245	1,060	932
Information systems	674	184	858	742
General operating	568	139	707	824
Forest Investment Account start up costs	-	606	606	-
Staff travel	507	83	590	780
Amortization	415	-	415	528
Advertising and publications	283	-	283	362
Board expenses	99	-	99	202
Furniture and equipment	5	-	5	17
	11,332	4,743	16,075	14,305

# FOREST RENEWAL BC

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

*For the Year Ended March 31, 2002*

(tabular amounts in \$000)

### 8. EXTRAORDINARY ITEMS

During the year, Forest Renewal BC was directed by an order-in-council from the British Columbia government to provide \$35 million for a trust fund set up to help mitigate the impact on forest workers and contractors of a land use decision in the Central Coast.

On November 29, 2001, the British Columbia Ombudsman recommended that Forest Renewal BC pay the taxes and related interest for those workers who received benefits under the Forest Workers Transition Program. Forest Renewal BC had previously charged against the program a provision in the amount of \$14 million for payment of the income taxes, interest, and related costs. Since the applicable program has been discontinued, and in order to comply fully with the Ombudsman's recommendation, a further \$7 million was set aside for this purpose during the current year.

### 9. APPROPRIATIONS

Forest Renewal BC appropriated funds for the following purposes:

#### **Program Continuity**

This appropriation was established to ensure that funds were available to cover program commitments in years when Forest Renewal BC revenues fell below existing and anticipated program commitments.

#### **Finance Purposes**

This appropriation was established to set aside funds to fully cover:

- those current assets, established under agreements that were held by entities to enable them to finance program objectives; and
- long-term investments provided to entities to enable them to finance long-term program objectives.

#### **Multi-Year Agreements**

This appropriation was established to set aside funds, for future years, that were unspent and committed annually under multi-year agreements and to appropriate certain other funds committed for long term projects.

The agreements under which these funds were appropriated were either assigned to the Province of British Columbia or terminated resulting in the appropriations being transferred to net assets.

# FOREST RENEWAL BC

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

*For the Year Ended March 31, 2002*

(tabular amounts in \$000)

### 10. CONTINGENT LIABILITIES

Forest Renewal BC previously entered into agreements through which it indemnified loans advanced by various lenders, mainly financial institutions, to support the communities and value added programs. As at March 31, 2002, prior to dissolution, Forest Renewal had the following indemnities outstanding:

- BC Advanced System Institute - up to the amount of the loans outstanding with respect to the Forest Innovation Development Fund - \$2,811,176. (Fiscal 2001, indemnification was \$3,240,863).
- Business Development Bank - 90% of loans outstanding (to a maximum of \$2 million over the life of the agreement - currently \$549,562 paid out on defaulted loans, and a further \$392,073 has been set up as a provision for doubtful accounts) - \$941,365. (Fiscal 2001, indemnification was \$1,054,518).

### 11. RELATED PARTY TRANSACTIONS

The Corporation is related through common ownership to all Province of British Columbia ministries, agencies and Crown corporations. Transactions with these entities, considered to be in the normal course of operations, are recorded at cost for program delivery, and at normal commercial terms for other administrative services.

Ministries, agencies and Crown corporations accounted for 24% (fiscal 2001 was 29%) of program expenditures and 18% (fiscal 2001 was 16%) of administrative expenditures.

The costs of Forest Renewal BC employee severance are not included in these financial statements, as they are being paid by the government of British Columbia.

### 12. COMPARATIVE FIGURES

Certain comparative figures in the financial statements have been restated to conform to the current year presentation.