

*FSPCF*



**Forestry Service Providers Compensation Fund**

**2014 Annual Report**

**Administrative Authority  
Eric van Soeren**



**FSPCF**

## **Forestry Service Providers Compensation Fund**

### **2014 Annual Report of the Authority**

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#### **General**

The Forestry Service Providers Compensation Fund (FSPCF) was created on March 30, 2012 by the *Forestry Service Providers Compensation Fund Regulation* (BC Reg. 64/2012) and was seeded with a contribution of \$5,000,000 provided by the provincial government. Its purpose is to provide relief to Contractors that provided Forestry Services and were not paid for those services because the recipient of the Forestry Services became Insolvent. Forestry Services are limited to those defined in BC Regulation 3/2013, Section 3, and must have been provided to a tenure holder under the *Forest Act*. Insolvency for the purposes of the FSPCF is defined in the FSPCF Administrative Agreement.

The FSPCF is administered by Eric van Soeren, the Authority appointed by the Minister of Forests, Lands and Natural Resource Operations under the *Forestry Service Providers Protection Act (FSPPA)*. Mr. van Soeren operates pursuant to an Administrative Agreement between the Authority and provincial government. The Authority is not an agent of the government for the purposes of the *FSPPA* or the regulations under it. More detail on the FSPCF is available on the FSPCF website at [www.fspcf.com](http://www.fspcf.com).

#### **Sources of Funds for the FSPCF**

In addition to the \$5,000,000 seed money provided by the government, the *FSPPA* contemplates other sources of funding. Part 2 of the *FSPPA* refers to “contributors” who will be identified by regulation and who will make contributions to the fund in accordance with the regulations. Additionally, the provincial cabinet may, by regulation, impose a levy on stumpage bearing timber that must be paid into the FSPCF. Finally, any amounts recoverable from an Insolvent Licensee relating to a financial loss for which a Forestry Service Provider has applied and received monies from the FSPCF, must be repaid to the FSPCF. To date no additional contributors have been identified or stumpage levy created.

#### **Activities of the FSPCF to date**

As of December 31, 2014, only one licensee insolvency since the February 1, 2013 activation date of the FSPCF has resulted in a compensation payment from the FSPCF. However, during the fourth quarter of 2014 the FSPCF received application from two contractors that were not paid by an insolvent licensee. As of year-end it appears at least one and possibly two of those contractors may be eligible for compensation from the FSPCF.

## FSPCF Account Balances as of December 31, 2014

As of December 31, 2014 the book value of FSPCF accounts are as follows:

### **Account Balances**

Forestry Service Providers Compensation Fund	<u>\$5,237,088</u>
<b>Total available funds</b>	<b><u>\$5,237,088</u></b>

### **Distributions to beneficiaries to date**

Related to the insolvency of International Aircraft Management Inc.	<u>\$37,902</u>
<b>Total Distributions to beneficiaries</b>	<b><u>\$37,902</u></b>

<b>Total available funds plus distributions</b>	<b><u>\$5,321,568</u></b>
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**FORESTRY SERVICE PROVIDERS COMPENSATION FUND**  
**FINANCIAL STATEMENTS**  
**AS AT DECEMBER 31, 2014**

**FORESTRY SERVICE PROVIDERS COMPENSATION FUND**

**INDEX TO FINANCIAL STATEMENTS**

Independent Auditors' Report	Exhibit A
Statement of Financial Position	Exhibit B
Statement of Changes in Net Assets	Exhibit C
Statement of Operations	Exhibit D
Statement of Cash Flows	Exhibit E
Notes to Financial Statements	Exhibit F

To the Authority  
**Forestry Service Providers Compensation Fund**

### **INDEPENDENT AUDITORS' REPORT**

We have audited the accompanying financial statements of the Forestry Service Providers Compensation Fund, which comprise the statement of financial position as at December 31, 2014, and the statements of changes in net assets, operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### **Authority's Responsibility for the Financial Statements**

The Authority is responsible for the preparation of these financial statements in accordance with accounting standards for not-for-profit organizations, and for such internal control as the Authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditors' 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 auditors' 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 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 the Authority, as well as evaluating the 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.

**INDEPENDENT AUDITORS' REPORT**

**Opinion**

In our opinion, the financial statements of the Forestry Service Providers Compensation Fund for the year ended December 31, 2014, present fairly, in all material respects, the financial position of the Forestry Service Providers Compensation Fund as at December 31, 2014 and the results of operations, changes in net assets and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

*MNP LLP*

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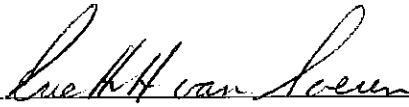
**MNP LLP**  
**Chartered Accountants**

Vancouver, B.C.  
February 25, 2015

**FORESTRY SERVICE PROVIDERS COMPENSATION FUND**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2014**

<u>ASSETS</u>	<u>2014</u>	<u>2013</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 14,495	\$ 19,791
Investments - current portion - note 4(e) and note 8	<u>1,245,737</u>	<u>868,098</u>
	1,260,232	887,889
<b>INVESTMENTS - note 4(e) and note 8</b>	<u>3,982,274</u>	<u>4,298,181</u>
<b>TOTAL ASSETS</b>	<u>\$ 5,242,506</u>	<u>\$ 5,186,070</u>
<u>LIABILITIES</u>		
<b>CURRENT LIABILITY</b>		
Accounts payable and accrued liabilities	<u>\$ 14,028</u>	<u>\$ 12,389</u>
<b>TOTAL LIABILITIES</b>	<u>14,028</u>	<u>12,389</u>
<u>FUND BALANCES</u>		
<b>TOTAL RESTRICTED NET ASSETS</b>	<u>5,228,478</u>	<u>5,173,681</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 5,242,506</u>	<u>\$ 5,186,070</u>

APPROVED BY THE AUTHORITY

 Authority



**FORESTRY SERVICE PROVIDERS COMPENSATION FUND**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>2014</u>	<u>2013</u>
NET RESTRICTED ASSETS, beginning of year	\$ 5,173,681	\$ 5,064,624
Excess of revenue over expenses	<u>54,797</u>	<u>109,057</u>
NET RESTRICTED ASSETS, end of year	<u>\$ 5,228,478</u>	<u>\$ 5,173,681</u>

**FORESTRY SERVICE PROVIDERS COMPENSATION FUND**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>2014</u>	<u>2013</u>
<b>REVENUE</b>		
Interest revenue	\$ 139,824	\$ 154,327
<b>EXPENSES</b>		
Audit fees	8,200	7,600
Authority fees	34,828	26,660
Bank charges and interest	215	200
Compensation to beneficiaries	37,902	-
GST/HST expense	2,583	2,384
Legal fees	186	6,749
Office	540	1,323
Travel and entertainment	<u>573</u>	<u>354</u>
	<u>85,027</u>	<u>45,270</u>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<u>\$ 54,797</u>	<u>\$ 109,057</u>

**FORESTRY SERVICE PROVIDERS COMPENSATION FUND**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>2014</u>	<u>2013</u>
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenses	\$ 54,797	\$ 109,057
Changes in non-cash working capital balances		
Accounts payable and accrued liabilities	<u>1,638</u>	<u>3,018</u>
Cash from operations	56,435	112,075
<b>INVESTING ACTIVITIES</b>		
Purchase of investments	<u>(61,731)</u>	<u>(94,308)</u>
<b>CHANGE IN CASH DURING THE YEAR</b>	<b>(5,296)</b>	17,767
<b>CASH, beginning of year</b>	<u>19,791</u>	<u>2,024</u>
<b>CASH, end of year</b>	<u><u>\$ 14,495</u></u>	<u><u>\$ 19,791</u></u>

**FORESTRY SERVICE PROVIDERS COMPENSATION FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

**1. PURPOSE OF THE FUND**

On May 25, 2010, the Parliament of the Province of British Columbia passed Bill 21-2010, the *Forestry Service Providers Protection Act* (the "Act"). In accordance with the provisions of the Act, the Government had the ability to establish, by regulation, the Fund, for the purpose of providing compensation to forestry services providers for financial losses resulting from the insolvency of companies or other legal entities to which forestry services providers have provided services, and to provide for the reasonable costs of managing the Fund.

The Forestry Service Providers Compensation Fund (the "Fund") was established by Order in Council No. 205, approved and ordered on March 29, 2012 with an initial contribution of \$5,000,000. The same Order in Council gave approval to the Minister of Forests, Lands and Natural Resource Operations (the "Minister") to enter into an agreement to appoint an Administrative Authority (the "Authority") to manage the Fund in accordance with the provisions of the Act. On March 30, 2012, the Minister entered into the Administrative Agreement (the "Agreement"), appointing Eric van Soeren as the Authority for a period ending no later than March 31, 2013. On February 1, 2013, the Minister entered into a new Agreement to extend the appointment to January 31, 2015.

Pursuant to the provisions of the Act, the Authority must hold in trust the monies in the Fund and may invest the monies only as permitted under the provisions of the Trustee Act.

**2. BENEFICIARIES OF THE FUND**

The beneficiaries of the fund are forestry services providers. In accordance with the Act, the Government of the Province of British Columbia may make regulations designating classes of persons as forestry services providers for the purposes of the Fund. In January, 2013, the Government of the Province of British Columbia, passed B.C. Regulation 3/2013. That regulation defined forestry services as felling, bucking, yarding, skidding, processing, chipping, grinding, decking, loading, hauling, unloading, dryland sorting and logging road construction and maintenance. B.C. Regulation 3/2013 further defines beneficiaries of the fund as persons that provide forestry services to a holder of an agreement referred to in section 12 of the Forest Act. Accordingly, the potential beneficiaries of the Fund are forestry services providers who provide forestry services to companies or other legal entities who hold licenses to harvest forest products on lands owned by the Government of British Columbia (referred to as "Crown Lands").

**3. DURATION OF THE FUND**

The Act and related regulations do not indicate a termination date for the Fund.

**4. SIGNIFICANT ACCOUNTING POLICIES**

(a) Restricted Fund Method

The Fund employs fund accounting, using the accrual method of accounting for transactions. The Fund's assets are subject to the external restrictions contained in the Act and relevant regulations and are to be used only for the specified purposes.

All investment revenues and permitted administrative expenditures are recorded in the sole restricted fund. The initial contribution is recorded as a revenue in the restricted fund. Distributions to beneficiaries are recorded as expenditures in the restricted fund.

**FORESTRY SERVICE PROVIDERS COMPENSATION FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

4. **SIGNIFICANT ACCOUNTING POLICIES, *cont'd***

(b) Revenue Recognition

Investment income is recorded as received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

The Fund uses the restricted fund method of accounting for contributions, which are recognized as revenue when received.

(c) Use of Assumptions and Estimates

The preparation of financial statements, in conformity with Canadian generally accepted accounting principles, requires the Authority to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying disclosures. Although these estimates are based on the Authority's knowledge of current events and actions the Fund may undertake in the future, actual results may differ from the estimates.

(d) Financial Instruments

The Fund invests in certain financial instruments. It recognizes its financial instruments when the Fund becomes party to the relevant contractual provisions. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management. Financial assets and liabilities originated and issued in all other related party transactions are initially measured at their carrying or exchange amount in accordance with CICA 3840 Related Party Transactions.

The Fund subsequently measures cash at fair value. All other financial assets and liabilities are subsequently measured at amortized cost.

It is the Authority's opinion that the Fund is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

(e) Investments

Investments consist of Canadian provincial government bonds, GIC's and public company bonds. Investments are carried at cost, less any impairment.

(f) Canadian Accounting Standards for Not-for-Profit Organizations

The Authority has elected to prepare the financial statements of the Fund in accordance with Canadian generally accepted accounting principles using Canadian Accounting Standards for Not-for-Profit Organizations.

**FORESTRY SERVICE PROVIDERS COMPENSATION FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

**5. RELATED PARTY TRANSACTIONS**

	<u>2014</u>	<u>2013</u>
Payments to Administrative Authority	<u>\$ 34,828</u>	<u>\$ 26,660</u>
	<u>As at</u> <u>December 31</u> <u>2014</u>	<u>As at</u> <u>December 31</u> <u>2013</u>
Amounts due to Administrative Authority included in accounts payable and accrued liabilities	<u>\$ 5,418</u>	<u>\$ 4,791</u>

**6. INCOME TAXES**

The Authority has always been of the opinion that the Fund is either a non-profit organization for income tax purposes or a public body performing a function of government. Under either definition, the Fund's income would not be subject to income taxes.

During the prior year, the Authority received a Notice of Assessment whereby the Fund was assessed income taxes of \$28,240 on its net income for the year ended December 31, 2012. A Notice of Objection was duly filed in a timely manner. During the year, an appeals officer was appointed to review the facts and make a determination.

Pursuant to the submission of additional information and discussions with the appeals officer, the CRA allowed the Notice of Objection on the basis that the Fund is a quasi-governmental body earning exempt income and therefore not subject to income taxes.

**7. GOODS AND SERVICES TAXES / HARMONIZED SALES TAXES**

The Authority is of the opinion that the Fund will not be able to recover any Input Tax Credits.

**8. FAIR VALUE**

The carrying value of investments and liabilities reflected in the balance sheet approximate their respective fair values. The market value of investments as at December 31, 2014 is \$5,587,908.

**9. COMMITMENTS**

In accordance with the Act, all funds must be disbursed to beneficiaries pursuant to the purpose of the Fund and the guidelines prepared by the Authority and approved by the Advisory Board. No amounts may be transferred to the Government of the Province of British Columbia.