

**McBRIDE COMMUNITY FOREST CORPORATION**

**FINANCIAL STATEMENTS**

**December 31, 2009**

**RHN SCHMITZ de GRACE**  
Chartered Accountants

# RHN SCHMITZ de GRACE

Chartered Accountants

**Partners**

- Lynn Ross CA
- Norm Hildebrandt BBA, CA
- Kerry Nichiporik CA
- Allison Twiss BComm, CA

- Denotes professional corporation

1116 Sixth Avenue  
Prince George, BC, V2L 3M6  
Tel. (250) 564-2515  
Fax (250) 562-8722  
E-mail: [office@rhngroup.ca](mailto:office@rhngroup.ca)

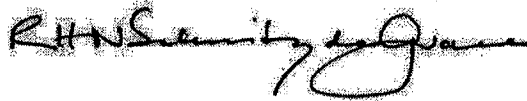
## AUDITORS' REPORT

To the Shareholder of  
McBride Community Forest Corporation

We have audited the balance sheet of McBride Community Forest Corporation as at December 31, 2009 and the statements of operations and retained earnings and of cash flow for the year then ended. These financial statements are the responsibility of the company's management. 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 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 our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2009 and the results of its operations and cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.



Prince George, BC  
March 5, 2009

Chartered Accountants

**McBRIDE COMMUNITY FOREST CORPORATION**  
**STATEMENT OF OPERATIONS AND RETAINED EARNINGS**

For the year ended December 31, 2009

	2009	2008
<b>REVENUE</b>		
Sales		
Standing timber	\$ 450,946	\$ 873,339
Sort yard	5,358	62,770
Raw logs	-	24,624
Administration and consulting	70,626	282,049
Interest	56,293	77,012
Salvage licences	56,182	46,658
	639,405	1,366,452
<b>EXPENSES</b>		
Salaries and employee benefits	183,051	302,514
Silviculture	140,017	200,865
Stumpage	59,790	108,993
Office and general	42,986	35,668
Rent	30,808	34,179
Road construction	30,619	22,360
Consulting fees	25,913	63,842
Repairs and maintenance	25,113	41,590
Road maintenance	20,364	17,960
Insurance, licences and dues	17,236	9,643
Advertising and donations	14,933	26,086
Professional fees	10,976	10,003
Travel and entertainment	9,691	12,297
Vehicle	6,191	12,718
Trucking and hauling	5,277	62,660
Logging contractors	3,710	6,750
Scaling and bucking lumber	1,784	2,025
Interest and bank charges	735	1,473
Agriculture	3	13,404
Bad debts (recovery)	(19,762)	64,555
Amortization (Note 2 (a))	7,791	9,207
	617,226	1,058,792
<b>NET INCOME FOR THE YEAR</b>	<b>22,179</b>	<b>307,660</b>
<b>RETAINED EARNINGS AT BEGINNING OF THE YEAR</b>	<b>1,550,264</b>	<b>1,512,604</b>
<b>DIVIDENDS PAID (Note 8)</b>	<b>(160,000)</b>	<b>(270,000)</b>
<b>RETAINED EARNINGS AT END OF THE YEAR</b>	<b>\$ 1,412,443</b>	<b>\$ 1,550,264</b>

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See notes to the financial statements.

McBRIDE COMMUNITY FOREST CORPORATION


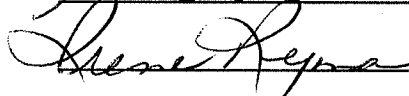
BALANCE SHEET

December 31, 2009

ASSETS

	<u>2009</u>	<u>2008</u>
<b>CURRENT ASSETS</b>		
Cash	\$ -	\$ 1,704
Term deposits	1,696,321	1,806,874
Accounts receivable	91,857	116,055
Inventory (Note 2(b))	37,400	44,471
Prepaid expenses	29,015	30,028
	<u>1,854,593</u>	<u>1,999,132</u>
<b>DEFERRED LOGGING COSTS (Note 2(c))</b>	341,224	371,844
<b>PROPERTY AND EQUIPMENT (Notes 2(a) and 3)</b>	<u>17,272</u>	<u>25,063</u>

Approved by the Directors:

 Director  
 Director

\$ 2,213,089

\$ 2,396,039

**LIABILITIES**

	<u>2009</u>	<u>2008</u>
<b>CURRENT LIABILITIES</b>		
Bank overdraft	\$ 4,568	\$ -
Accounts payable and accrued liabilities	25,509	49,638
Silviculture liability	707,069	732,640
Agriculture liability	13,407	13,404
	<u>750,553</u>	<u>795,682</u>

**SHAREHOLDER'S EQUITY**

<b>SHARE CAPITAL (Note 4)</b>	20	20
<b>CONTRIBUTED SURPLUS (Note 5)</b>	<u>50,073</u>	<u>50,073</u>
	50,093	50,093
<b>RETAINED EARNINGS</b>	<u>1,412,443</u>	<u>1,550,264</u>
	<u>1,462,536</u>	<u>1,600,357</u>
	<u>\$ 2,213,089</u>	<u>\$ 2,396,039</u>

**CONTINGENCY (Note 9)**

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See notes to the financial statements.

McBRIDE COMMUNITY FOREST CORPORATION

STATEMENT OF CASH FLOW

For the year ended December 31, 2009

	<u>2009</u>	<u>2008</u>
<b>OPERATING ACTIVITIES</b>		
Net income for the year	\$ 22,179	\$ 307,660
Item not involving cash:		
Amortization	<u>7,791</u>	<u>9,207</u>
	29,970	316,867
Changes in non-cash working capital items (Note 6)	<u>(17,415)</u>	<u>91,031</u>
Cash from operations	<u>12,555</u>	<u>407,898</u>
<b>FINANCING ACTIVITIES</b>		
Dividends paid	<u>(160,000)</u>	<u>(270,000)</u>
<b>INVESTING ACTIVITIES</b>		
Deferred logging costs	30,620	(103,897)
Purchase of property and equipment	<u>-</u>	<u>(5,900)</u>
	<u>30,620</u>	<u>(109,797)</u>
<b>(DECREASE) INCREASE IN CASH AND EQUIVALENTS</b>	<b>(116,825)</b>	<b>28,101</b>
<b>CASH AND EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<b><u>1,808,578</u></b>	<b><u>1,780,477</u></b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b><u>\$ 1,691,753</u></b>	<b><u>\$ 1,808,578</u></b>
Cash and equivalents are comprised of:		
(Bank overdraft) cash	\$ (4,568)	\$ 1,704
Term deposits	<u>1,696,321</u>	<u>1,806,874</u>
	<u>\$ 1,691,753</u>	<u>\$ 1,808,578</u>
During the year, the following payments were made for:		
Interest	\$ 735	\$ 1,473

See notes to the financial statements.

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**McBRIDE COMMUNITY FOREST CORPORATION**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended December 31, 2009**

**1. DESCRIPTION OF OPERATIONS**

McBride Community Forest Corporation (the "company") is a company incorporated in British Columbia. The company's primary purpose is to carry out logging operations in McBride, BC and the surrounding area.

**2. SIGNIFICANT ACCOUNTING POLICIES**

a) **Property, Equipment and Amortization**

Property and equipment are recorded at cost. Amortization of property and equipment has been provided for on a declining balance basis at the following annual rates:

Automotive	30%
Small tools and equipment	20%
Office equipment	20 - 45%

b) **Inventory**

Inventory is valued at the lower of the cost and net realizable value. The cost of inventory is determined using the average cost method.

c) **Deferred Logging Costs**

The costs of roads constructed to access standing timber are deferred until the related timber is harvested. Such costs are amortized over the total anticipated volume to be removed from each block, and are expensed based on production.

d) **Income Taxes**

The company is a 100% owned subsidiary of the Corporation of the Village of McBride, and is consequently not subject to corporate income taxes.

e) **Revenue Recognition**

Sales of logs, including those marketed through salvage licences, are recognized on delivery and scaling.

Interest is recognized in the period earned. Other revenue is recognized when service is provided.

**McBRIDE COMMUNITY FOREST CORPORATION**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended December 31, 2009

**3. PROPERTY AND EQUIPMENT**

	2009			2008
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Automotive	\$ 23,540	\$ 16,677	\$ 6,863	\$ 9,804
Small tools and equipment	17,870	9,488	8,382	10,476
Office equipment	8,801	6,774	2,027	4,783
	<u>\$ 50,211</u>	<u>\$ 32,939</u>	<u>\$ 17,272</u>	<u>\$ 25,063</u>

**4. SHARE CAPITAL**

Share capital is comprised of the following:

Authorized:

- 10,000 Class A common shares with a par value of \$1.00 each
- 10,000 Class B common shares with a par value of \$1.00 each
- 10,000 Class C common shares with a par value of \$1.00 each
- 100,000 Class D common shares with a par value of \$0.01 each
- 100,000 Class A preference shares with a par value of \$0.01 each
- 100,000 Class B preference shares with a par value of \$0.01 each
- 100,000 Class C preference shares with a par value of \$100.00 each
- 100,000 Class D preference shares with a par value of \$0.01 each
- 100,000 Class E preference shares with a par value of \$0.01 each
- 100,000 Class F preference shares with a par value of \$0.01 each

	2009	2008
Issued:		
10 Class A common shares	\$ 10	\$ 10
10 Class B common shares	10	10
	<u>\$ 20</u>	<u>\$ 20</u>

**5. CONTRIBUTED SURPLUS**

The contributed surplus is comprised of contributions made to the company by its only shareholder, the Corporation of the Village of McBride.

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McBRIDE COMMUNITY FOREST CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2009

6. CHANGES IN NON-CASH WORKING CAPITAL ITEMS

	<u>2009</u>	<u>2008</u>
Accounts receivable	\$ 24,198	\$ 160,769
Inventory	7,071	3,622
Prepaid expenses	1,013	19,373
Accounts payable	(24,129)	1,543
Silviculture liability	(25,571)	(107,680)
Agriculture liability	3	13,404
	<u>\$ (17,415)</u>	<u>\$ 91,031</u>

7. FINANCIAL INSTRUMENTS

The company's financial instruments are comprised of cash, term deposits, accounts receivable, accounts payable and accrued liabilities, silviculture liability and agriculture liability.

a) Credit Risk

The company provides credit to its clients in the normal course of business and carries out specific procedures to minimize the risk. Credit risk is minimal.

b) Interest Rate Risk

The term deposits bear interest at fixed rates; therefore, interest rate risk is minimal.

c) Fair Value

The fair value of cash, term deposits, accounts receivable, accounts payable and accrued liabilities, silviculture liability and agriculture liability is approximately equal to their carrying value due to their short-term maturity dates.

8. RELATED PARTY TRANSACTIONS

During the year, the company purchased services in the amount of \$26,694 (2008 - \$28,152) and paid rent in the amount of \$12,000 (2008 - \$12,000) to its parent.

During the year, the company's board of directors approved and paid dividends to the parent in the amount of \$160,000 (2008 - \$270,000).

These transactions were made in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

**McBRIDE COMMUNITY FOREST CORPORATION**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended December 31, 2009**

**9. CONTINGENCY**

In 2008 a contractor commenced proceedings against the company claiming damages of approximately \$20,000 relating to a logging contract. While the company has contested this claim, which management believes to be groundless, the outcome cannot be determined at this time.

**10. CAPITAL MANAGEMENT**

The company receives its principal source of capital through logging and defines capital to be comprised primarily of retained earnings. The company is not subject to any external capital requirements or restrictions