



Sunshine Coast Community Forest

operated by
Sechelt Community Projects Inc.

Building Value for our Community

2011 ANNUAL REPORT

MESSAGE FROM THE CHAIR

Glen Bonderud, Chair

As we look back over 2011 it was truly a year of changes and challenges. After our annual meeting in April our Chair stepped down and I assumed the office. At the same time we hired Dave Lasser, RPF to be our Operations Manager. Our plan for harvesting our usual logging volume of 20,000 cubic meters for the year was not achieved. The area planned for logging was in Wilson Creek and as we all know there were calls from various organizations for a coastal watershed assessment.

As a board we made the very difficult decision to postpone cutting in Wilson Creek, until an assessment could be completed recognizing this was going to impact our annual volumes and financial results. Instead of our usual annual 20,000 cubic meters, our harvested volume was slightly over 5,000 cubic meters. The financial results speak for themselves. Our first, and hopefully our only, loss was \$170,000.

The Sunshine Coast is our community. As such we felt the watershed assessment was the right decision, even knowing there would be financial consequences. We felt comfortable with our original plan to harvest 20,000 cubic meters however, the assessment, at considerable cost, would bring forth the science and facts in a manner which would alleviate concerns. We would like to thank the subcommittee Dave brought together to shape the assessment, which is currently underway.

In May we were very pleased the Ministry of Forests, Lands and Natural Resource Operations awarded us our permanent 25 year Community Forest Agreement. In July we were audited by the Forest Practices Board, along with three other community forests. We were notified in the fall that we had passed. Both actions have given us confidence in our ability to face future challenges.

The past few years have been challenging for everyone. We went from very good world economic conditions to the depths of a recession not seen since the great Depression of the 1930's. As we look to the coming years we are hopeful the US housing market will recover and Japan will rebuild and continue to buy our products. China is now a major market for British Columbia, for both lumber and logs, and we look forward to all three markets getting back on their economic feet. Local markets, here on the Sunshine Coast and in B.C., are always our first priority, however, the U.S., Chinese and Japanese lumber markets are critical to filling the needs of sawmills in B.C.

As we look at 2012 and beyond we are confident of the growth on the Sunshine Coast for all citizens, whether retirees coming from other cities, or the young members looking for a means of earning their way on the coast. We must blend the needs and wants of all groups while maintaining an economic base allowing us to have the amenities we have come to enjoy. We ask for your support and advice as we move forward.

OPERATIONS REPORT

Dave Lasser, RPF, Operations Manager

2011 was a disappointing year for the Community Forest financially, but it has resulted in our being able to focus on a number of initiatives to build a better foundation for our business going forward.

The delay of harvesting two cut blocks that were already in Cutting Permit removed all of our engineered volume in inventory and forced us to start over with new planning and engineering. We have made some significant progress.

The decision to undertake a more thorough watershed and fisheries assessment in Wilson Creek was made in May. A sub-committee was formed to discuss the processes involved. As a result of that work, Glynnis Horel (PEng, M.Eng) and Dave Bates (RPBio, PhD) were hired in November to conduct the work. We expect them to have a draft report in the next few weeks.

The SCR D began a SARP (Source Assessment Response Plan) process for the Chapman Creek watershed in January to finish the work started in the Triton Report in July 2006. I represented the Community Forest on the SCR D Technical Working Group that worked with the SCR D consultant (Urban Systems) who conducted the field assessments and have written the draft report. The final report from Urban Systems should be submitted to the SCR D Board in April 2012.

In November we relocated to a new office which is smaller, less expensive, more efficient, and more accessible to the public.

In 2010 the Community Forest made a significant investment in obtaining LiDAR (Light Detection and Ranging) data for the majority of the Community Forest tenure area. In 2011 we began to experiment with how to best use this technology to assist us in better managing our tenure and conducting our business. We are developing a number of ideas utilizing LiDAR that will enhance our knowledge of our tenure while reducing our planning and engineering costs.

We have also been able to build some new or better relationships with a number of community groups and individuals which we believe will help make us more successful in 2012 and in the coming years. I would especially like to thank the Sechelt Groves Society Board and its members for their support and willingness to work with us in a proactive manner.

Contact Information:

P.O. Box 215
Unit C - 5588 Inlet Avenue
Sechelt, BC V0N 3A0
604-885-7809
info1@sccf.ca | www.sccf.ca

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

The accompanying summarized consolidated financial statements, which comprise the summarized consolidated statement of financial position as at December 31, 2011, and the summarized consolidated statements of comprehensive income (loss), changes in equity and cash flows for the year then ended are derived from the audited consolidated financial statements of Sechelt Community Projects Inc. as at December 31, 2011. We expressed an unmodified opinion in our report dated April 4, 2012. Those consolidated financial statements, and the summarized consolidated financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those consolidated financial statements.

The summarized consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summarized consolidated financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of Sechelt Community Projects Inc.

Management's Responsibility for the Summarized Consolidated Financial Statements

Management is responsible for the preparation of a summary of the audited consolidated financial statements.

Auditor's Responsibility

Our responsibility is to express an opinion on the summarized financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standard (CAS) 810 *Engagements to Report on Summary Financial Statements*.

Opinion

In our opinion, the summarized consolidated financial statements derived from the audited consolidated financial statements of Sechelt Community Projects Inc. for the year ended December 31, 2011 are a fair summary of those consolidated financial statements.

April 4, 2012
Vancouver, BC

Chartered Accountants
MacKay LLP



SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

A full copy of our audited financial statements is available on our website.

Summarized Consolidated Statements of Comprehensive Income (Loss)

for the year ended December 31,	2011	2010
Revenues	\$546,742	\$1,872,624
Cost of Sales	418,766	1,320,937
Gross Margin	127,976	551,687
Other Income	33,651	6,267
	<u>\$161,627</u>	<u>\$557,954</u>
Expenses	329,105	406,416
Income Tax	2,435	
Comprehensive Income (Loss)	(\$169,913)	\$151,538

Summarized Consolidated Statement of Changes in Equity

	Share Capital	Contributed Surplus	Retained Earnings	Total
As at January 1, 2010	\$172,600	\$49,770	\$432,053	\$654,423
Comprehensive Income			151,538	151,538
As at December 31, 2010	\$172,600	\$49,770	\$557,701	\$780,071
Comprehensive Loss			(169,913)	(169,913)
As at December 31, 2011	\$172,600	\$49,770	\$387,788	\$610,105

Summarized Consolidated Statements of Financial Position

	December 31 2011	December 31 2010	January 1 2010
Assets			
Cash	\$225,987	\$455,197	\$223,485
Other current assets	121,493	152,007	227,066
Investments	262,656	256,267	250,000
Property and Equipment	243,292	257,414	176,497
Deferred License Acquisition Costs	0	0	85,603
	<u>\$853,428</u>	<u>\$1,120,885</u>	<u>\$962,651</u>
Liabilities	\$243,270	\$340,814	\$308,228
Shareholder's Equity			
Share Capital	172,600	172,600	172,600
Contributed Surplus	49,770	49,770	49,770
Retained Earnings	387,788	557,701	432,053
	<u>\$610,158</u>	<u>\$780,071</u>	<u>\$654,423</u>
	<u>\$853,428</u>	<u>\$1,120,885</u>	<u>\$962,651</u>

Summarized Consolidated Statements of Cash Flows

for the year ended December 31,	2011	2010
Cash provided by (used for):		
Operating Activities	(\$202,338)	\$354,117
Financing Activities	(25,890)	(25,890)
Investing Activities	(982)	(96,515)
Net Increase (Decrease) in Cash	(\$229,210)	\$231,712
Cash at beginning of year	455,197	223,485
Cash at end of year	\$225,987	\$455,197

BIODIVERSITY ON THE SUNSHINE COAST

Tony Greenfield, Director

Biodiversity is defined as:

The number and variety of organisms found within a specified geographic region.

The variability among living organisms on the earth.

The totality of genes, species, and ecosystems of a region.

Over the last hundred years there has been dramatic human modification of the lower elevations of the Sunshine Coast as settlers have converted a monolithic conifer forest to a myriad of land uses including urban areas, suburban subdivisions with tended gardens, rural areas with pastures, hardwood tracts of alder and maple, airports, playing fields, golf courses with artificial ponds, transmission corridors, etc. In other words, a wide array of habitat types has replaced the formerly universal conifer forest.

There is a widespread misconception that our beautiful temperate rain forests are extremely diverse, species-rich habitats, and that disturbed or human-altered habitats are species poor. In fact, the most disturbed habitats on the Sunshine Coast, the lower elevations where we all live, are the most biologically diverse.

There is also a perception that the species that follow human disturbance are merely the undesirable, "weedy" species. There is truth to this in the case of Scotch Broom, Himalayan Blackberry and Japanese Knotweed, and bird species such as Canada Goose, House Sparrow and European Starling. However, there is a vast array of species that profit from the opening up of the primeval forest, including species from all branches of the natural world, mammals, birds, amphibians, reptiles and insects. Similarly, the botanical world diversifies exponentially when sunlight reaches the forest floor. Instead of a closed canopy conifer forest containing only Douglas fir, western red cedar and western hemlock with a sparse understory of salal, ferns, mosses and fungi, the sunlight produces a profusion of deciduous trees, alongside the regenerating conifers, that includes alder, maple, willow, cherry, dogwood, cascara, elderberry, and a shrub layer with native blackberry, huckleberry, salmonberry, thimbleberry, etc, and a wide array of wildflowers and plants. This proliferation of species produces an abundance of food in the form of green vegetative matter, fruits and seeds, flowers and nectar. This prolific food supply appeals to species across the spectrum, including bear, deer, elk, cougar, bobcat, coyotes, dozens of bird species both resident and migratory, reptiles such as garter snakes, amphibians, and insects, notably butterflies.

Perhaps butterflies best exemplify the response of the natural world to the conversion from old conifer forests to sunlit openings. In an old growth conifer forest there is likely to be only a single species of butterfly, the White Pine Butterfly. Sunlit openings with a shrub and plant layer and a variety of flowering, nectar-producing species will

attract a wide variety of butterfly species and supply the food plants of the larval stage in the life of a butterfly.

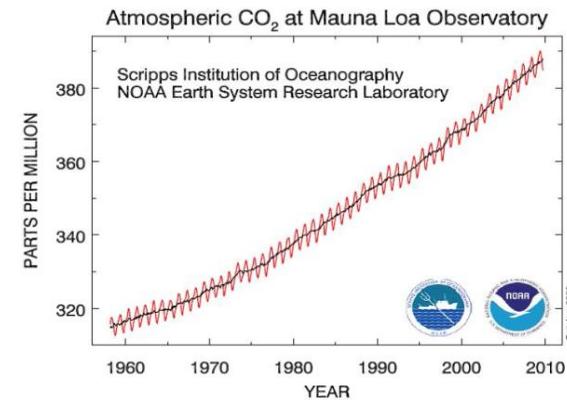
Old growth and advanced seral stages of forest cover are beautiful places and a vital component of a healthy forest landscape. However, in terms of biodiversity they are but one element in a complex pattern of inter-related ecosystems. On the Sunshine Coast, as elsewhere, biodiversity is proportional to the diversity of habitats represented.

FORESTS AND CARBON

Peter Moonen, Director

Most people acknowledge that the weather is different these days. Climate change is truly a global issue. Everywhere around the planet, efforts are being made to reduce our carbon footprint – by reducing our energy demands, developing renewable sources of energy and mitigating carbon dioxide emissions and enhancing removal of CO₂ from the atmosphere.

As we can see from the graph below, CO₂ in our atmosphere is increasing.



As inhabitants of the planet, there are at least three things we need to do:

1. Reduce our emissions of greenhouse gases into the atmosphere;
2. Make efforts to remove these greenhouse gases from the atmosphere; and,
3. Adapt to the changes that are inevitable.

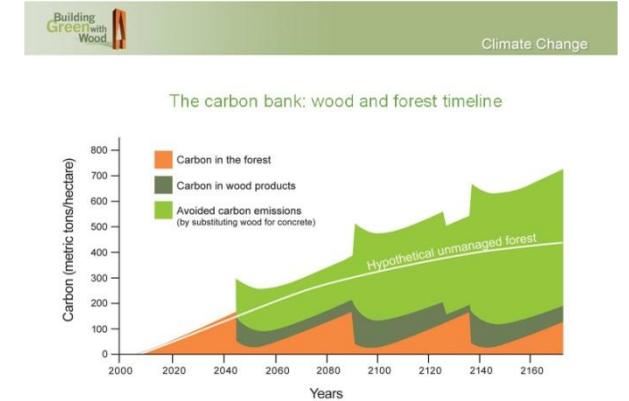
Wood and forests can play an important part in our efforts to mitigate climate change. Forests use solar energy to photosynthesize - the process of converting CO₂ and water into cellulose. No other energy is needed to produce wood. In fact, much of the energy used to manufacture and dry wood comes from the waste product of the logs. Forests capture atmospheric carbon -

versus the fossil carbon in fossil fuels therefore wood is considered carbon neutral by international protocols.

The use of wood and the importance of sustainable forestry are so important. They were considered the highest priorities of the Intergovernmental Panel on Climate Change. The IPCC, which was the recipient of the Nobel Prize, identified the role of forests and wood products as the best way to mitigate climate change.

"In the long-term, a sustainable forest management strategy aimed at maintaining or increasing forest carbon stocks, while producing an annual sustained yield of timber, will generate the largest sustained mitigation benefit".

IPCC 4th Assessment Report, November, 2007, (Nabuurs et al.)



The graph above shows how a regular sustainable harvest from a managed forest, coupled with use of wood over the long term, can both remove carbon dioxide from the atmosphere and sequester it in buildings and long-term use. Furthermore, by using wood we avoid using other materials that would cause greater emissions to the atmosphere. In fact, the substitution effect of building with wood is generally twice as great as the sequestration of carbon in wood products.

In the long term, it's not really a question of 'Why Wood?' Perhaps the better question to ask is "If not Wood, What?"

BOARD OF DIRECTORS - 2011-2012

Glen Bonderud, Chair
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