

**Sechelt Community Projects Inc.**

**Financial Statements**

**December 31, 2009**

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**Financial Statements**

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# The Coast Group

CHARTERED ACCOUNTANTS

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## Auditors' Report

To the Directors of  
Sechelt Community Projects Inc.

We have audited the balance sheet of Sechelt Community Projects Inc. as at December 31, 2009 and the statements of operations and retained earnings, and cash flows 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 its cash flows for the year then ended in accordance with Canadian Generally Accepted Accounting Principles.

Sechelt, BC  
February 17, 2010

*The Coast Group*  
Chartered Accountants

## Sechelt Community Projects Inc.

### Statement of Operations and Retained Earnings

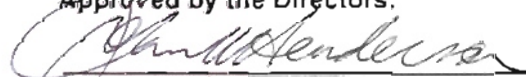
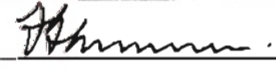
For the year ended December 31,	2009	2008 (As restated - note 9)
<b>Revenue (Note 10b)</b>	<b>\$ 1,872,537</b>	<b>\$ 1,547,001</b>
<b>Cost of sales</b>		
Amortization (note 9)	106,498	107,354
Logging	1,261,012	1,007,023
Silviculture	98,911	80,351
Supervision and quality control	22,669	53,907
	<b>1,489,090</b>	<b>1,248,635</b>
<b>Gross margin (20.48%; 2008 - 19.29%)</b>	<b>383,447</b>	<b>298,366</b>
<b>Interest and other income</b>	<b>11,600</b>	<b>53,774</b>
	<b>395,047</b>	<b>352,140</b>
<b>Expenses</b>		
Advertising and communications	24,766	20,791
Amortization	2,186	734
Board and committee (note 10a)	31,427	19,128
Bank charges and interest	2,778	564
Community engagement	29,141	17,884
Forestry projects	36,691	15,362
Insurance	525	525
Interest on promissory notes	-	7,081
Legal and accounting	18,686	10,430
Management and administration	117,010	110,725
Office and miscellaneous	13,443	10,467
Rent	6,400	5,400
Special Events	1,110	30,730
Telephone and communications	3,454	2,958
Timber tax	7,400	7,400
Travel	14,978	9,460
Workers compensation board	360	3,384
	<b>310,355</b>	<b>273,023</b>
<b>Net income for the year (note 9)</b>	<b>84,692</b>	<b>79,117</b>
<b>Retained earnings, beginning of year (note 9)</b>	<b>373,251</b>	<b>320,024</b>
<b>Dividend</b>	<b>(25,890)</b>	<b>(25,890)</b>
<b>Retained earnings, end of year</b>	<b>\$ 432,053</b>	<b>\$ 373,251</b>

# Sechelt Community Projects Inc.

## Balance Sheet

December 31,	2009	2008 (As restated - note 9)
<b>Assets</b>		
<b>Current</b>		
Cash (note 2)	\$ 223,485	\$ 102,443
Temporary investments (note 2)	250,000	400,000
Accounts receivable (note 10b)	117,290	84,267
Due from broker	9,763	-
Goods and service tax receivable	-	12,437
Inventory	50,960	202,742
	<b>651,498</b>	<b>801,889</b>
Property and equipment (note 3 and 9)	176,497	68,607
Deferred operational costs (note 4)	49,053	82,189
Deferred licence acquisition costs (note 5)	85,603	140,641
	<b>\$ 962,651</b>	<b>\$ 1,093,326</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 59,773	\$ 287,486
Accrued silvicultural costs	201,041	127,325
Accrued road deactivation costs	21,524	16,548
Advance from broker	-	40,456
Dividend payable	25,890	25,890
	<b>308,228</b>	<b>497,705</b>
<b>Shareholder's Equity</b>		
Share capital (note 6)	172,600	172,600
Contributed surplus (note 7)	49,770	49,770
Retained earnings (note 9)	432,053	373,251
	<b>654,423</b>	<b>595,621</b>
	<b>\$ 962,651</b>	<b>\$ 1,093,326</b>

Approved by the Directors:

 Director  
 Director

## Sechelt Community Projects Inc.

### Statement of Cash Flows

For the year ended December 31,	2009	2008 (As restated - note 9)
<b>Cash provided by (used for)</b>		
<b>Operating activities</b>		
Net income for the year	\$ 84,692	\$ 79,117
Item not affecting cash		
Amortization	108,684	108,089
Changes in non-cash working capital items		
Accounts receivable	(33,023)	(75,257)
Inventory	151,782	(90,851)
Deferred operational costs	33,136	845
Deferred licence aquisition costs	(8,276)	-
Accounts payable and accrued liabilities	(227,713)	177,761
Accrued silvicultural costs	73,715	26,698
Goods and service tax payable	12,437	(73,948)
Accrued road deactivation costs	4,976	16,548
Advance from broker	(50,219)	(145,680)
Dividend payable	-	25,890
	<b>150,191</b>	<b>49,212</b>
<b>Financing activities</b>		
Shareholder repayments	-	(446,855)
Payment of dividend	(25,890)	(25,890)
	<b>(25,890)</b>	<b>(472,745)</b>
<b>Investing activities</b>		
Expenditures on property and equipment	(153,259)	(18,263)
Decrease in temporary investments	150,000	400,000
	<b>(3,259)</b>	<b>381,737</b>
<b>Net increase (decrease) in cash</b>	<b>121,042</b>	<b>(41,796)</b>
<b>Cash position, beginning of period</b>	<b>102,443</b>	<b>144,239</b>
<b>Cash position, end of period</b>	<b>\$ 223,485</b>	<b>\$ 102,443</b>
<b>Supplemental cash flow information</b>		
Interest paid	\$ -	\$ 7,081
Income taxes paid	-	-

# Sechelt Community Projects Inc.

## Notes to the Financial Statements

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December 31, 2009

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### 1. Significant accounting policies

The company was incorporated on March 8, 2005, under the laws of the Province of British Columbia and its major activity is utilizing certain timber rights pursuant to a Probationary Community Forest Agreement (K3F) dated May 31, 2006. The following is a summary of the significant accounting policies used by management in the preparation of these financial statements.

#### a) Inventory

Inventory is valued at the lower of cost and net realizable value.

#### b) Property and equipment

Property and equipment is recorded at the lower of original cost plus any costs of betterment less accumulated amortization and its net recoverable value. Amortization of furniture and equipment is calculated using the declining balance method at the rate indicated in note 3. Temporary roads are amortized over the timber volumes anticipated for the specific related cut-blocks and permanent roads are amortized on a straight line basis over 25 years (note 9).

#### c) Income taxes

As a municipal corporation, the company is exempt from tax under Section 149 of Division H of the Income Tax Act.

#### d) Accrued silvicultural costs

The company accrues the undiscounted estimated cost of reforestation required under its timber forest licence at the time the timber is harvested

#### e) Revenue Recognition

Revenue includes the sale of raw logs, provision of logging related services and grants from the Forest Investment Account. Revenues are recognized when the significant risks and rewards of ownership of its products are transferred to the customer, which is generally at the time of shipment to the customer or delivery of logs to the customer or when the services are rendered and collection is reasonably assured. Interest income is recognized on an accrual basis

#### f) Financial instruments

All significant financial assets, financial liabilities and equity instruments of the company are either recognized or disclosed in the financial statements together with available information for a reasonable assessment of future cash flows, interest rate risk and credit risk. Where practical, the fair values of financial assets and liabilities have been determined and disclosed; otherwise only available information pertinent to fair value has been disclosed.

Unless otherwise noted, it is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from the financial instruments. The fair value of the financial instruments approximates their carrying value, unless otherwise noted.

# Sechelt Community Projects Inc.

## Notes to the Financial Statements

December 31, 2009

### 1. Significant accounting policies (continued)

#### g) Use of Estimates

The preparation of financial statements in conformity with Canadian Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the reported amounts of revenue and expenses during the year including amortization of assets and accrued liabilities. Actual results could differ from these estimates.

#### h) Capital Disclosures

Effective January 1, 2009, the company adopted the new CICA Handbook Section 1535 "Capital Disclosures" which requires disclosures related to the company's objectives, policies and processes for managing capital.

The company considers the net and unencumbered financial assets held to be capital for purposes of this section.

The company's objective in managing capital is to ensure sufficient capital is available during the year and on an on-going basis to fund current operations, to provide for future liabilities and contingencies and to provide a reasonable rate of return to the shareholder. The company's capital management is done by management in conjunction with the board by budgeting, regular review of financial reporting and longer-term capital planning. As at December 31, 2009, the company's capital was \$168,201.

### 2. Operating Credit Facility

The company has access to a commercial operating loan facility of \$150,000 with the Sunshine Coast Credit Union that bears interest at prime + 1.5% and is secured by an assignment of a term deposit held of an amount of not less than \$150,000. As at December 31, 2009, nothing was drawn on this facility.

### 3. Property and equipment

			2009		2008	
		Cost	Accumulated amortization	Net book value		Net book value
Furniture and equipment	20 %	\$ 18,368	\$ 3,587	\$ 14,781	\$	4,892
Roads		339,416	177,700	161,716		63,715
		\$ 357,784	\$ 181,287	\$ 176,497	\$	68,607



# Sechelt Community Projects Inc.

## Notes to the Financial Statements

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December 31, 2009

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### 4. Deferred operational costs

Management has identified certain costs incurred in the year that relate to the anticipated activities for certain areas and amounts of timber that have not completed and as such, these costs have been deferred and are expensed as the anticipated volumes for those areas are realized.

### 5. Deferred licence acquisition costs

The company incurred costs totaling \$265,361 related to the application for the Probationary Community Forest Agreement that was executed on May 31, 2006. These costs are being amortized over the allowable timber volume of 100,000 cubic metres as those volumes are utilized. The balance is net of accumulated amortization of \$188,035 (2008 - \$124,720).

Effective January 1, 2009, the company adopted new CICA Handbook Section 3064 "Goodwill and Intangible Assets" which incorporates guidance to clarify the recognition and measurement of intangible assets. The adoption of this Section had no impact on the company's financial statements.

### 6. Share Capital

#### Authorized

Unlimited common shares with no par value

		2009	2008
Issued			
17,260	Common shares	\$ 172,600	\$ 172,600

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### 7. Contributed surplus

The shareholder of the company received a SICEAI Grant of \$49,770 from the Community Futures Development Corporation in 2004 and expended those monies on behalf of the company in conjunction with the application for the Probationary Community Forest Agreement.

### 8. Partnering agreement

The company is party to a partnering agreement with its sole shareholder which provides for financing of up to \$400,000 at a rate of 7.5% per annum. As at December 31, 2009 nothing was drawn pursuant to this agreement.

# Sechelt Community Projects Inc.

## Notes to the Financial Statements

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December 31, 2009

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### 9. Change in Accounting Policy

During the year, the company adopted a new policy with respect to the amortization of permanent roads which matched more closely to the revenues derived from the specific expenditures (note 1(b)). Management is of the opinion that this change provides reliable and more relevant information given the current expectations for future operations. This change in accounting policy has been applied retrospectively and as a result the previously reported net income and the balance of the property and equipment have increased by \$22,857 and the opening balance of retained earnings for the prior period has increased by \$19,857.

### 10. Related Party Transactions

- a) During the year, the company paid honourariums totaling \$6,000 to the past president of the company and a company controlled by the current president.
- b) The company also provided logging and logging related services to its sole shareholder in the amount of \$60,949 (2008 - \$72,997) for which payment was received subsequent to the year-end.

Related party transactions are recorded at the amount agreed to by the parties involved.

### 11. International Financial Reporting Standards

As a defined "Government Business Entity", the company will be required to adopt International Financial Reporting Standards ("IFRS") for periods beginning on or after January 1, 2011. The impact of the transition to IFRS on the company's financial statements has yet to be determined.