



**CO-OPERATIVE**

# **FIFTH ANNUAL REPORT**

for the year ending June 30, 1999

presented at the

## **ANNUAL GENERAL MEETING**

held on October 25, 1999  
at 102-205 South Shore Road,  
Lake Cowichan, B.C.



**CO-OPERATIVE**

# **FIFTH ANNUAL REPORT**

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# COWICHAN LAKE COMMUNITY FOREST CO-OPERATIVE MEMBERS

as at June 30, 1999

MEMBER	NO. OF SHARES	REPRESENTATIVES	ALTERNATE REPRESENTATIVES
<b>Cowichan and Chemalnus Valleys Ecomuseum</b> P.O. Box 491 Duncan, B.C. V9L 3X8	1	Jean Brown	Alice Pedersen
<b>IWA Local 1-80</b> Box 845 351 Brae Road Duncan, B.C. V9L 3Y2	1	Pat Kinney	Dan Clements
<b>Cowichan Lake and District Chamber of Commerce</b> Box 824 Lake Cowichan, B.C. V0R 2G0	1	Pat Weaver	Susan Lowe
<b>Town of Lake Cowichan</b> Box 860 Lake Cowichan, B.C. V0R 2G0	1	Dennis LaForge	Gary Oliver
<b>Community Futures Development Corporation -Cowichan Region</b> 135 Third Street Duncan, B.C. V9L 1R9	1	Pat Foster	Sue Lindstrom
<b>Cowichan Valley Regional District</b> 137 Evans Street Duncan, B.C. V9L 1P5	1	Myron Barge	Joe Allan
<b>Cowichan Lake Information Access Society</b> P.O. Box 1649 Lake Cowichan, B.C. V0R 2G0	1	Carolyn Austin	Nola Nahirnik



# **BOARD MAKEUP AND COMMITTEE STRUCTURE**

**as at June 30, 1999**

## **BOARD MEMBERS**

### **DIRECTOR**

- 1) Jean Brown
- 2) Pat Kinney
- 3) Pat Weaver
- 4) Dennis LaForge
- 5) Pat Foster
- 6) Myron Barge
- 7) Carolyne Austin

### **REPRESENTING**

Cowichan & Chemainus Valleys EcoMuseum  
IWA Local 1- 80  
Cowichan Lake & District Chamber of Commerce  
Town of Lake Cowichan  
Community Futures Development Corporation  
Cowichan Valley Regional District - Areas F & I  
Cowichan Lake Information Access Society

### **EXECUTIVE**

Chairman: Pat Foster  
Vice Chair: Jean Brown  
Secretary: Pat Weaver  
Treasurer: Dennis LaForge

## **COMMITTEE STRUCTURE as at January 12, 1999**

**PUBLIC RELATIONS/EDUCATION:** Sue Lindstrom, Chair; Pat Weaver, Carolyne Austin

**FINANCE AND ADMINISTRATION:** Committee of the Whole; Dennis LaForge, Chair/Treasurer

**PERSONNEL AND POLICY:** Myron Barge, Chair; Pat Weaver, Jean Brown, Dennis LaForge

**MANAGEMENT:** Pat Foster, CLCFC Rep., Pat Weaver, CLCFC Alternate  
Pat Kinney, CLCFC Rep., Gary Oliver, CLCFC Alternate Rep.  
Steve Lorimer, TFL Forest Ltd. Rep., Bill Taylor, TFL Forest Ltd. Alternate  
Mark Carter, TFL Forest Ltd. Rep., Jim Wilkinson, TFL Forest Ltd. Alternate

Campgrounds BC projects also provided employment for youth, ages 16 - 24, for periods of ten weeks. Six crew supervisors and 85 youths were employed. Projects were located on the Cowichan River, in Victoria, Nanaimo, Parksville, Campbell River and Port Hardy.

I would like to extend the Board's thanks to the Ministry of Environment, Lands and Parks, in particular to David Galbraith, Ben Finkelstein and Dave Chater.

The Board of Directors continues to recognize the importance of maintaining a store front presence in our community and as a result we are now open five days per week from 9:00 - 5:00 p.m. Visitors and callers are welcome. We encourage the community to visit and learn about the Co-operative, the Forest Licence and all of the other initiatives we are involved in.

I would like to also extend my and the Board's thanks and appreciation to the Staff who provide enthusiastic, above and beyond the call of duty, service to the public, the contractors and the Board of Directors.

It has been an honor and a privilege to serve as the Chair of the Cowichan Lake Community Forest Co-operative this past year. Thank you to the Board of Directors for their commitment and dedication to the Co-operative.

**COWICHAN LAKE COMMUNITY FOREST CO-OPERATIVE**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 1999**

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**Auditors' Report**

**Exhibit "A" - Combined Balance Sheet at June 30, 1999**

**Exhibit "B" - Statement of Equity for the year ended June 30, 1999**

**Exhibit "C" - Statement of Operations for the year ended June 30, 1999**

**Notes to the Financial Statements**

**Schedule I - General and Administrative Expenses**

# **ATCHISON PALMER**

**CHARTERED ACCOUNTANTS**

**301 - 394 DUNCAN STREET  
DUNCAN, BC V9L 3W4  
TEL (250) 748-1426  
FAX (250) 748-2805**

To The Directors  
Cowichan Lake Community Forest Co-operative  
Lake Cowichan, B.C.

## **AUDITORS' REPORT**

We have audited the Combined Balance Sheet of Cowichan Lake Community Forest Co-operative at June 30, 1999 and the Statements of Equity and Combined Operations for the year then ended. These financial statements are the responsibility of the Co-operative's executive. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. These 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 Cowichan Lake Community Forest Co-operative at June 30, 1999 and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

  
Chartered Accountants

Duncan, B.C.  
September 10, 1999

Exhibit "A"

**COWICHAN LAKE COMMUNITY FOREST CO-OPERATIVE  
COMBINED BALANCE SHEET  
AT JUNE 30, 1999**

	1999	1998
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and term deposits	\$ 154,962	\$ 51,988
Accounts receivable (Note 2)	103,507	222,738
Prepaid expenses	5,409	12,238
Inventory (Note 1)	<u>6,426</u>	<u>10,172</u>
	270,304	297,136
CAPITAL ASSETS (Notes 1 and 3)	<u>100,802</u>	<u>89,979</u>
	<u>\$ 371,106</u>	<u>\$ 387,115</u>
 <b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued	\$ 36,622	\$ 29,815
Wages payable	13,469	16,953
Deferred revenues	152,500	161,413
Loan - LCCU (Note 4)	<u>36,947</u>	<u>44,387</u>
	<u>239,538</u>	<u>252,568</u>
 <b>EQUITY</b>		
Net Assets		
- Capital Assets	63,855	45,592
- Legacy Fund	50,739	42,343
- Reserve Fund	17,577	16,629
Unrestricted funds	<u>(673)</u>	<u>29,913</u>
EQUITY - Exhibit "B"	131,498	134,477
Share Capital (Note 5)	<u>70</u>	<u>70</u>
	<u>131,568</u>	<u>134,547</u>
	<u>\$ 371,106</u>	<u>\$ 387,115</u>

APPROVED ON BEHALF OF THE CO-OPERATIVE

*Marcia Foster*

*Devin H. Hays*

**ATCHISON PALMER  
CHARTERED ACCOUNTANTS**



**COWICHAN LAKE COMMUNITY FOREST CO-OPERATIVE  
STATEMENT OF EQUITY  
FOR THE YEAR ENDED JUNE 30, 1999**

	Invested in Capital Assets	Restricted Legacy Fund (Note 6)	Restricted Reserve Fund (Note 6)	Unrestricted	Combined	
					1999	1998
<b>Balance, Beginning of Year</b>	<u>\$ 45,592</u>	<u>\$ 42,343</u>	<u>\$ 16,629</u>	<u>\$ 29,913</u>	<u>\$ 134,477</u>	<u>\$ 186,662</u>
Excess of Revenue over Expenses/ (Expenses over Revenue)	(31,399)	1,732	948	25,740	(2,979)	(52,185)
Acquisition of capital assets	42,222	-	-	(42,222)	-	-
Transfers of equity		6,664	-	(6,664)	-	-
Long term debt repayment	<u>7,440</u>	<u>-</u>	<u>-</u>	<u>(7,440)</u>	<u>-</u>	<u>-</u>
Net change in Equity for the year	<u>18,263</u>	<u>8,396</u>	<u>948</u>	<u>(30,586)</u>	<u>(2,979)</u>	<u>(52,185)</u>
<b>Balance, End of Year - Exhibit "A"</b>	<u>\$ 63,855</u>	<u>\$ 50,739</u>	<u>\$ 17,577</u>	<u>\$ (673)</u>	<u>\$ 131,498</u>	<u>\$ 134,477</u>

**COWICHAN LAKE COMMUNITY FOREST CO-OPERATIVE  
STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED JUNE 30, 1999**

	1999	1998
<b>REVENUE</b>		
Ministry of Environment, Lands and Parks contract	897,531	\$ 1,037,202
BC Hydro program	5,950	-
Forest Renewal BC grant	-	385
Town of Lake Cowichan program	5,554	15,620
Interest and sundry	3,082	3,778
	<u>912,117</u>	<u>1,056,985</u>
<b>DIRECT EXPENSE</b>		
Contracts		
Communications	11,814	12,435
Materials, supplies, and small tools	24,703	44,109
Training and startup	45,628	62,550
Transportation	95,723	158,644
Wages and benefits	560,020	652,051
	<u>737,888</u>	<u>929,789</u>
<b>GROSS MARGIN BEFORE TIMBER OPERATIONS</b>	<u>174,229</u>	<u>127,196</u>
<b>TIMBER OPERATIONS</b>		
Log, lumber, shake and wood salvage revenues	22,065	500,939
Less: Discounts given	-	(8,322)
	<u>22,065</u>	<u>492,617</u>
Timber Harvesting		
Timber purchases	6,118	471,330
Scaling, bucking, hauling and processing	5,201	48,511
Forest licence rent	3,721	3,721
	<u>15,040</u>	<u>523,562</u>
<b>INCOME/(LOSS) ON TIMBER OPERATIONS</b>	<u>7,025</u>	<u>(30,945)</u>
<b>GENERAL AND ADMINISTRATIVE EXPENSES - SCHEDULE I</b>	<u>184,233</u>	<u>148,436</u>
<b>EXCESS OF EXPENSES OVER REVENUE</b>	<u>\$ (2,979)</u>	<u>\$ (52,185)</u>

# COWICHAN LAKE COMMUNITY FOREST CO-OPERATIVE

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 1999

### GENERAL

The Cowichan Lake Community Forest Co-operative (the Co-operative) was incorporated on August 2, 1995, under the Cooperative Association Act of British Columbia. The Co-operative is a locally owned and managed business co-operative, which creates or maintains jobs through its commitment to the principles of forest sustainability and community economic development.

### 1. ACCOUNTING POLICIES

#### a) Capital Assets

Capital assets are stated at cost. Amortization is provided using the declining balance basis at the following rates:

Automotive	30%
Computer	30%
Office	20%
Tools	20%

Small equipment and tools purchased for specific contracts are expensed when acquired.

#### b) Revenue recognition

The Co-operative follows the deferral method of accounting for contributions. Restricted contributions (such as contract revenue) are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions (such as log sales) are recognized as revenue when received, or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Community Legacy and Contingency contributions are recognized as direct increases in Equity.

#### c) Inventory

The Co-operative values inventory at the lower of cost or fair market value.

### 2. ACCOUNTS RECEIVABLE

	1999	1998
Ministry of Environment, Lands and Parks – Contracts	\$ 93,873	\$ 209,520
GST (Note 8)	2,620	9,134
Other	7,014	-
Log Sales	-	10,797
Less: Allowance for Doubtful Accounts	-	(6,713)
	<u>\$ 103,507</u>	<u>\$ 222,738</u>

**COWICHAN LAKE COMMUNITY FOREST CO-OPERATIVE**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 1999**

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**3. CAPITAL**

			1999	1998
	Cost	Accumulated Amortization	Net Book Value	
Automotive equipment	\$ 121,750	\$ 39,102	\$ 82,648	\$ 67,675
Computer equipment	6,014	3,288	2,726	3,018
Office equipment	14,979	5,885	9,094	11,368
Tools	<u>10,188</u>	<u>3,854</u>	<u>6,334</u>	<u>7,918</u>
	<u>\$ 152,931</u>	<u>\$ 52,129</u>	<u>\$ 100,802</u>	<u>\$ 89,979</u>

**4. LOAN - LCCU**

Lake Cowichan and District Credit Union repayable at \$5,000 per month including interest at 9 ½ %, secured by specific property.	<u>\$ 36,947</u>	<u>\$ 44,387</u>
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**5. SHARE CAPITAL**

The capital of the Co-operative consists of an unlimited number of shares of \$10.00

Issued	<u>\$ 70</u>	<u>\$ 70</u>
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**6. EQUITY**

The Co-operative is restricted from distributing operating surpluses to its members, whether as dividends on its shares or as rebates in respect of patronage.

The Co-operative is required under the Cooperative Association Act of British Columbia to apportion net income by setting aside not less than 10% of the net annual income of the association for contingencies.

On April 1, 1997, the Board of Directors established a policy to allocate the profit by setting aside ten percent of net income to establish a Community Legacy Fund and ten per cent of net income for a contingency fund. An additional transfer of \$25,000 was approved by the board of directors on February 4, 1997 for the Community Legacy Fund. An allocation of \$6,664 into the Legacy Fund was made in the current year's operations.



**COWICHAN LAKE COMMUNITY FOREST CO-OPERATIVE**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 1999**

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**7. INCOME TAX**

The Co-operative's interpretation of the Income Tax Act is that it is exempt from income tax as a non-profit organization under section 149 (1) (1) of the Income Tax Act.

**8. CONTINGENCIES**

**G.S.T** – The Co-operative's current procedure is to claim a recovery of all G.S.T. paid on its programs' expenses and capital asset acquisitions. This procedure is a result of the Co-operative's interpretation of the G.S.T. regulations, that its programs are "commercial" in nature. If the Co-operative's activities were to fall outside of the definition of "commercial activities" as defined by Revenue Canada, the G.S.T. recovery of amounts paid by the Co-operative would be reduced by 50%.

**Joint Venture** – The Co-operative's joint venture Agreement with Timber West Forest Limited, signed May 24, 1996 and expiring in 2001, states that all profits from operations in the Co-operative's Timber Forest License region will be split evenly between the joint venturers. If for any reason this Agreement ends or is terminated, the Co-operative will allow TimberWest to harvest all the timber necessary to fully recover the cost of road building to the date of termination plus any costs, including the cost of further road construction, incurred in accessing this additional timber. In addition, Timber West has agreed to carry costs of road building (estimated by Timber West at between \$225,000 and \$256,000) and any losses from timber harvesting (estimated by Timber West at nearly \$50,000) and apply them against future logging revenues.

**9. ECONOMIC DEPENDENCY**

The Co-operative historically has derived the majority of its revenues from government contracts. These contracts are becoming increasingly competitive to obtain, and the percentage of the overall contract used to pay for administration has correspondingly decreased each year. As the Co-operative requires a certain base amount of administration costs to continue to function in its present form, any significant reduction in the government contracts could well result in the Co-operative being forced to operate on a significantly reduced basis, or effectively on a volunteer basis only.

**10. COMPARATIVE FIGURES**

Certain of the comparative figures on the Co-operative's financial statements have been reclassified to conform to the current year's presentation.

**COWICHAN LAKE COMMUNITY FOREST CO-OPERATIVE  
GENERAL AND ADMINISTRATIVE EXPENSES  
JUNE 30, 1999**

	1999	1998
Accounting and bookkeeping	\$ 25,277	\$ 9,091
Advertising	1,582	1,673
Amortization	31,399	18,431
Audit	3,500	3,500
Bad Debts	(4,061)	6,713
Bank charges and interest	4,735	2,293
Insurance, licences, and dues	3,296	2,030
Office and miscellaneous	8,359	7,660
Office equipment and maintenance	5,008	3,944
Rent and utilities	6,078	6,021
Subcontractor - feasibility study	-	14,200
Telephone	3,965	3,200
Transportation, travel and accomodation	11,436	2,946
Wages and benefits	<u>83,659</u>	<u>66,734</u>
	<u>\$ 184,233</u>	<u>\$ 148,436</u>

Fifth Annual Report - October 25, 1999

### **Into the Future...**

Logging in the Timber Licence is scheduled for late this fall with a volume of 28,000 cubic meters. It is hoped to get all of this out of the area before the snow flies in winter. We expect a report from TFL Forest Limited on the financial picture by early 2000.

Salvage is continuing with a further 600 cubic meters approved. SDN Contracting Ltd. is working on a month by month basis for the Co-operative to get the wood out of the Bolduc area before the snow flies. SDN Contracting Ltd. is creating local jobs by processing some of the wood locally.

One of the long-term goals of the Board is to tender for the management of the Provincial Campgrounds in the Cowichan Lake area. This would be administered by the Co-operative and would create local employment.

The Board, in agreement with TFL Forest Limited, is investigating the possibility of processing wood fines from the Honeymoon Bay Operation. Much research is being done on the leachate from the fines as well as the possibility of combining the fines with an organic product to produce topsoil.

We have contracts for the Environment Youth Teams that run until January, 2000, so we are continuing to employ youth and supervisors. Every effort will be made to complete these projects in a timely way with excellent results. The goal is to apply or tender for more projects for the year 2000/2001.

The Campground projects are also continuing and we would again be applying for further projects for the following year.

We are also pleased to be a work experience site for the local high school so that students can get on-the-job experience as part of their curriculum.

One of the long-term goals of the Co-operative is to get a licence that is continuing rather than based on a 19 year non-renewable term, and communication with the Ministry of Forests has taken place in this regard.

Our office is open five days a week. We welcome the public and are happy to answer any questions or listen to any ideas that may come forward. There may be an idea out there that could create local jobs.

Once again, we are looking forward to a challenging and exciting year.