

**COMMUNITY FORESTS INTERNATIONAL**  
**Financial Statements**  
**Year Ended October 31, 2016**

**COMMUNITY FORESTS INTERNATIONAL**

**Index to Financial Statements**

**Year Ended October 31, 2016**

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## INDEPENDENT AUDITOR'S REPORT

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To the Members of Community Forests International

We have audited the accompanying financial statements of Community Forests International, which comprise the statement of financial position as at October 31, 2016 and the statements of revenues and expenditures, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

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

### Auditor's 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 from 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 auditor's 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 and fair presentation 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 management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

### Basis for Qualified Opinion

In common with many not-for-profit organizations, Community Forests International derives revenue from donations and fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of Community Forests International. Therefore, we were not able to determine whether any adjustments might be necessary to donation and fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended October 31, 2016 and 2015, current assets as at October 31, 2016 and 2015, and net assets as at November 1 and October 31 for both 2016 and 2015. Our audit opinion on the financial statements for the year ended October 31, 2016 was modified accordingly because of the possible effects of this limitation in scope.

*(continues)*

Independent Auditor's Report to the Members of Community Forests International *(continued)*

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Community Forests International as at October 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

A handwritten signature in blue ink that reads "McIsaac Danagh". The signature is written in a cursive, flowing style.

Amherst, Nova Scotia  
December 22, 2016

CHARTERED PROFESSIONAL ACCOUNTANTS

**COMMUNITY FORESTS INTERNATIONAL**

**Statement of Financial Position**

**October 31, 2016**

	General Fund 2016	Pemba Fund 2016	Total 2016	Total 2015
<b>ASSETS</b>				
<b>CURRENT</b>				
Cash	\$ 156,101	\$ -	\$ 156,101	\$ 63,227
Grants and other receivables (Note 3)	18,824	-	<b>18,824</b>	23,898
HST receivable	2,607	-	<b>2,607</b>	2,669
Prepaid expenses	1,200	-	<b>1,200</b>	1,173
Deposit on land (Note 4)	5,100	-	<b>5,100</b>	-
Due between funds	(116,748)	116,748	-	-
	67,084	116,748	<b>183,832</b>	90,967
<b>LAND, BUILDINGS AND EQUIPMENT (Note 5)</b>	<b>351,939</b>	<b>5,096</b>	<b>357,035</b>	<b>305,467</b>
	\$ 419,023	\$ 121,844	\$ 540,867	\$ 396,434
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT</b>				
Accounts payable	\$ 12,042	\$ -	\$ 12,042	\$ 9,414
Government remittances payable	4,748	-	<b>4,748</b>	6,316
Deferred income (Note 6)	18,494	-	<b>18,494</b>	-
Current portion of long term debt (Note 7)	28,500	-	<b>28,500</b>	27,400
	63,784	-	<b>63,784</b>	43,130
<b>LONG TERM DEBT (Note 7)</b>	<b>14,130</b>	<b>-</b>	<b>14,130</b>	<b>42,630</b>
<b>DEFERRED CAPITAL DONATIONS (Note 8)</b>	<b>31,721</b>	<b>-</b>	<b>31,721</b>	<b>10,448</b>
	109,635	-	<b>109,635</b>	96,208
<b>NET ASSETS</b>				
General fund	309,388	-	<b>309,388</b>	235,886
Pemba fund	-	121,844	<b>121,844</b>	64,340
	309,388	121,844	<b>431,232</b>	300,226
	\$ 419,023	\$ 121,844	\$ 540,867	\$ 396,434

COMMITMENTS (Note 4)

**ON BEHALF OF THE BOARD**

\_\_\_\_\_ Director \_\_\_\_\_ Director

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**COMMUNITY FORESTS INTERNATIONAL**

**Statement of Revenues and Expenditures**

**Year Ended October 31, 2016**

	General Fund 2016	Pemba Fund 2016	Total 2016	Total 2015
<b>REVENUES</b>				
Donations (Notes 9, 10)	\$ 160,801	\$ 37,071	\$ 197,872	\$ 195,621
Grants (Notes 6, 9, 11)	90,848	67,094	157,942	73,960
Other revenue	3,456	-	3,456	15,494
Workshop fees	595	-	595	780
Fundraising	544	-	544	1,076
Consulting (Note 9)	33,173	-	33,173	30,830
	<u>289,417</u>	<u>104,165</u>	<u>393,582</u>	<u>317,761</u>
<b>EXPENSES</b>				
Advertising and promotion	2,596	-	2,596	3,992
Fundraising	329	-	329	-
Insurance	1,573	-	1,573	1,581
Interest and bank charges	1,760	-	1,760	1,021
Interest on long term debt	3,319	-	3,319	2,669
Memberships	1,201	-	1,201	1,037
Office	7,085	-	7,085	4,562
Pemba contributions	-	28,347	28,347	-
Professional fees	9,867	-	9,867	8,870
Projects, workshops (Note 9)	15,810	-	15,810	20,134
Property taxes	2,140	-	2,140	1,452
Rent (Note 9)	12,000	-	12,000	12,000
Repairs and maintenance	2,895	-	2,895	3,419
Salaries and wages	203,747	-	203,747	208,761
Training and conventions	10,950	1,488	12,438	939
Travel	19,173	15,552	34,725	27,973
	<u>294,445</u>	<u>45,387</u>	<u>339,832</u>	<u>298,410</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FROM OPERATIONS</b>	<u>(5,028)</u>	<u>58,778</u>	<u>53,750</u>	<u>19,351</u>
<b>OTHER INCOME</b>				
Carbon offsets	44,460	-	44,460	103,755
Amortization of deferred capital donations (Note 8)	1,177	-	1,177	1,344
Amortization	(8,809)	(1,274)	(10,083)	(10,127)
Gain (loss) on sale of investments	(2,298)	-	(2,298)	1,080
	<u>34,530</u>	<u>(1,274)</u>	<u>33,256</u>	<u>96,052</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<u>\$ 29,502</u>	<u>\$ 57,504</u>	<u>\$ 87,006</u>	<u>\$ 115,403</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**COMMUNITY FORESTS INTERNATIONAL**

**Statement of Changes in Net Assets**

**Year Ended October 31, 2016**

	General Fund 2016	Pemba Fund 2016	Total 2016	Total 2015
<b>NET ASSETS - BEGINNING OF YEAR</b>	\$ 235,886	\$ 64,340	\$ 300,226	\$ 174,223
Excess of revenues over expenses	29,502	57,504	87,006	115,403
Contributions to acquire land (Note 8)	44,000	-	44,000	10,600
<b>NET ASSETS - END OF YEAR</b>	\$ 309,388	\$ 121,844	\$ 431,232	\$ 300,226

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**COMMUNITY FORESTS INTERNATIONAL**

**Statement of Cash Flows**

**Year Ended October 31, 2016**

	General Fund	Pemba Fund	<b>Total 2016</b>	Total 2015
<b>OPERATING ACTIVITIES</b>				
Cash receipts from donors	\$ 129,338	\$ 110,941	\$ 240,279	\$ 228,265
Cash received from government funding	88,299	-	<b>88,299</b>	21,824
Cash paid to suppliers and employees	(293,410)	(45,387)	<b>(338,797)</b>	(291,728)
Cash flow from operating activities	(75,773)	65,554	<b>(10,219)</b>	(41,639)
<b>INVESTING ACTIVITIES</b>				
Purchase of land, buildings and equipment	(61,652)	-	<b>(61,652)</b>	(24,500)
Deposit on land purchase	(5,100)	-	<b>(5,100)</b>	-
Contributions to acquire land, building and equipment	66,450	-	<b>66,450</b>	17,678
Proceeds from sale of donated shares	129,595	-	<b>129,595</b>	133,080
Cash flow from investing activities	129,293	-	<b>129,293</b>	126,258
<b>FINANCING ACTIVITIES</b>				
Repayment of related party loan	-	-	-	(10,000)
Transfers between funds	65,554	(65,554)	-	-
Repayment of long term debt	(26,200)	-	<b>(26,200)</b>	(25,090)
Cash flow from (used by) financing activities	39,354	(65,554)	<b>(26,200)</b>	(35,090)
<b>INCREASE IN CASH FLOW</b>	92,874	-	<b>92,874</b>	49,529
Cash - beginning of year	63,227	-	<b>63,227</b>	13,698
<b>CASH - END OF YEAR</b>	\$ 156,101	\$ -	\$ 156,101	\$ 63,227

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS



# COMMUNITY FORESTS INTERNATIONAL

## Notes to Financial Statements

Year Ended October 31, 2016

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### 1. PURPOSE OF THE ORGANIZATION

Community Forests International (the "organization") is a not-for-profit organization incorporated federally under the Canada Not-for-profit Corporations Act. The purpose of the organization is to foster environmental stewardship internationally by establishing community forests, promoting sustainable forestry techniques and initiating environmental education. As a registered charity the organization is exempt from the payment of income tax under Section 149(1) of the Income Tax Act.

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and includes the following significant accounting policies:

#### Revenue recognition and fund accounting

Community Forests International follows the restricted fund method of accounting for contributions.

The General Fund recognizes as income undesignated donations and fundraising. Costs incurred in the administration of the organization and for projects and workshops are expensed in this Fund. Undesignated funds may be allocated at the discretion of the Board.

The Pemba Fund recognizes as income restricted donations made to support the organization's assistance of Community Forests Pemba. Donations of cash and materials to Community Forests Pemba and travel costs are expensed in this Fund.

Restricted contributions and grants related to general operations are recognized as revenue of the General Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund. Restricted contributions received for the purchase of assets not subject to amortization are a direct increase to net assets in the year of purchase or the year received if the assets were previously purchased.

Unrestricted contributions and grants are recognized as revenue of the General Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Fundraising, workshop fees and tree planting and nursery services revenue are recognized in the General fund when the service is provided.

Revenue from carbon offsets is recognized in the same period the offsets are retired. In order for a carbon offset to be retired, it must have been created through appropriate activities and then retired by application to a purchase contract. Carbon offsets cannot be retired more than once.

Revenue from consulting is recorded in the period it is earned and when collection is reasonably assured.

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# COMMUNITY FORESTS INTERNATIONAL

## Notes to Financial Statements

Year Ended October 31, 2016

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Donated goods and services

Donated goods are recorded at the time of donation when the fair market value can be readily determined and the goods would otherwise be purchased for use in the normal course of operations. During the year the total value of donated goods recorded was \$nil (2015 - \$nil). Donated goods of \$4,000 were received but not recorded as they would not have otherwise been purchased.

Volunteers contribute a significant amount of their time each year. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

#### Land, buildings and equipment

Land, buildings and equipment are stated at cost or deemed cost less accumulated amortization. Buildings and equipment are amortized over their estimated useful lives at the following rates and methods:

Land		non-amortizable
Buildings	10%	declining balance method
Farm equipment	20%	declining balance method
Office equipment	20%	declining balance method

The organization regularly reviews its land, buildings and equipment to eliminate obsolete items.

Building and equipment acquired during the year but not placed into use are not amortized until they are placed into use.

#### Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates include the collectibility of accounts receivable, providing amortization of buildings and equipment and the amount of carbon offsets retired to earn revenue. Actual results could differ from these estimates.

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# COMMUNITY FORESTS INTERNATIONAL

## Notes to Financial Statements

Year Ended October 31, 2016

### 3. GRANTS AND OTHER RECEIVABLES

	2016	2015
<b>General fund</b>		
Government grants receivable	\$ 12,300	\$ 5,534
Other receivables	6,524	11,588
	<u>18,824</u>	<u>17,122</u>
<b>Pemba fund</b>		
Other receivables	-	6,776
Grand total	<u>\$ 18,824</u>	<u>\$ 23,898</u>

There is no allowance for doubtful accounts in 2016 or 2015. All receivables have either been received subsequent to year end, or arrangements have been made for collection.

### 4. COMMITMENTS

As at October 31, 2016, the organization had a commitment of \$45,900 for the acquisition of land in addition to the deposit of \$5,100 already paid. The balance is payable by December 2016 in the form of cash or private mortgage.

### 5. LAND, BUILDINGS AND EQUIPMENT

	Cost	Accumulated amortization	2016 Net book value	2015 Net book value
Land	\$ 268,583	\$ -	\$ 268,583	\$ 224,226
Buildings	101,390	28,612	72,778	61,648
Equipment	26,380	16,580	9,800	12,250
Office equipment	2,186	1,408	778	973
Computers - Pemba fund	7,078	1,982	5,096	6,370
	<u>\$ 405,617</u>	<u>\$ 48,582</u>	<u>\$ 357,035</u>	<u>\$ 305,467</u>

A building addition of \$17,295 in 2016 has not been amortized as it was not complete or in use as of October 31, 2016.

COMMUNITY FORESTS INTERNATIONAL

Notes to Financial Statements

Year Ended October 31, 2016

6. DEFERRED REVENUE

Contributions restricted for specific purposes are recognized as grant or donation revenue in the same period the related expenses are recorded. Unspent portions of the funds received are deferred.

	<u>2015 balance</u>	<u>Received</u>	<u>Recognized as revenue</u>	<u>2016 balance</u>
Acadian Forest Carbon Initiative	\$ -	\$ 62,500	\$ 44,006	\$ 18,494

7. LONG TERM DEBT

	<u>2016</u>	<u>2015</u>
Private mortgage bearing interest at prime plus 1%; repayable in monthly blended payments of \$2,471, with one monthly payment to be paid by delivery of 12 cords of hardwood. The mortgage matures in April 2018 and is secured by land with a book value of \$204,151.	\$ 42,630	\$ 70,030
Amounts payable within one year	(28,500)	(27,400)
	<u>\$ 14,130</u>	<u>\$ 42,630</u>

Principal repayment terms are approximately:

2017	\$ 28,500
2018	14,130
	<u>\$ 42,630</u>

# COMMUNITY FORESTS INTERNATIONAL

## Notes to Financial Statements

Year Ended October 31, 2016

### 8. DEFERRED CAPITAL CONTRIBUTIONS

	Opening balance	Contributions received	Recognized as revenue	2016
Shed and tree nursery	\$ 1,563	\$ -	\$ 156	\$ 1,407
Whaelghinbran Farm	8,885	-	1,021	7,864
Nature Cabin	-	22,450	-	22,450
	<u>\$ 10,448</u>	<u>\$ 22,450</u>	<u>\$ 1,177</u>	<u>\$ 31,721</u>

A grant was received in 2011 to assist with the costs of building a shed and tree nursery. The grant is being deferred and recognized as revenue at the same rate the buildings are amortized.

Restricted donations were received in 2011 and 2012 to assist with the purchase of Whaelghinbran Farm, which took place in 2012. The portion of the donations used for the land purchase were credited directly to net assets. The portion related to the purchase of buildings and equipment is recognized as revenue at the same rate the assets are amortized.

In 2016 grants and donations were received to assist with the construction of a nature cabin on Whaelghinbran Farm. As of year end, the cabin was not completed. The grants and donations are being deferred and recognized as revenue at the same rate the building is amortized.

### 9. RELATED PARTY TRANSACTIONS

Community Forests Pemba was established to act as an agent for Community Forests International in Pemba, Zanzibar, Tanzania. The organization was incorporated under the Laws of Zanzibar as a Non-Government Organization. The net assets of the Pemba Fund are to be transferred to Community Forests Pemba on an as-needed basis and used for purposes to be agreed upon by Community Forests International and Community Forests Pemba. The organization received consulting revenue of \$33,173 (2015 - \$30,830) for services provided to Community Forests Pemba. A grant of \$11,413 was recorded in the Pemba Fund as reimbursement for travel to Pemba (2015 - \$33,499).

A donation of \$36,000 (2015 - \$10,600) was received from Community Forests Canada (operating as Ecoscape), a private company in which the organization's Executive Director has share ownership. This donation was restricted for the acquisition of land and was recorded as a direct increase in net assets of the General Fund. Community Forests Canada also provided services at a cost of \$9,185 which is recorded in projects and workshops.

The organization leases office space from the Executive Director at a cost of \$1,000 per month or \$12,000 annually (2015 - \$12,000). The lease is renewed annually with the most recent one expiring October 31, 2017.

All related party transactions are recorded at market value.

### 10. DONATIONS

The organization received a donation of investments with an aggregate market value on the date of donation of \$131,892 (2016 - \$132,000) from a single donor.

# COMMUNITY FORESTS INTERNATIONAL

## Notes to Financial Statements

Year Ended October 31, 2016

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### 11. GRANTS

	2016	2015
<b>General fund</b>		
Federal grants	\$ 47,734	\$ 8,386
Provincial grants	28,837	18,972
Other grants	14,277	13,103
	<u>90,848</u>	<u>40,461</u>
<b>Pemba fund</b>		
Other grants	<u>67,094</u>	<u>33,499</u>
Grand total	<u>\$ 157,942</u>	<u>\$ 73,960</u>

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### 12. FINANCIAL INSTRUMENTS

The organization is exposed to various risks through its financial instruments. The following analysis provides information about the organization's risk exposure and concentration as of October 31, 2016.

#### **(a) Currency risk**

Currency risk is the risk to the company's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The organization is exposed to foreign currency exchange risk on grants and consulting revenue in U.S. dollars and Euros from Community Forests Pemba. The organization does not use derivative instruments to reduce its exposure to foreign currency risk.

#### **(b) Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the organization manages exposure through its normal operating and financing activities. The organization is exposed to interest rate risk primarily through its floating interest rate private mortgage.

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### 13. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

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