

**Forest Enhancement Society of BC**

**2022/23**

**Annual Service Plan Report**

**August 2023**



For more information on the Forest Enhancement Society of BC, please contact us at:

101-925 McMaster Way, Kamloops B.C., V2C 6K2

1-877-225-2010 or [office@fesbc.ca](mailto:office@fesbc.ca)

Or visit our website at: <https://fesbc.ca/>

Published by the Forest Enhancement Society of BC

## Board Chair's Accountability Statement



The Forest Enhancement Society of BC 2022/23 Annual Service Plan Report compares the organization's actual results to the expected results identified in the 2022/23 - 2024/25 Service Plan published in 2022. The Board is accountable for those results as reported.

Signed on behalf of the Board by:

A handwritten signature in blue ink that reads "Dave Peterson".

Dave Peterson  
Board Chair, Forest Enhancement Society of BC  
August 11, 2023

# Table of Contents

Board Chair’s Accountability Statement .....	3
Letter from the Board Chair .....	5
Purpose of the Annual Service Plan Report .....	6
Strategic Direction .....	6
Purpose of the Organization .....	6
Operating Environment .....	8
Economic Statement .....	9
Report on Performance: Goals, Objectives, and Results .....	10
Financial Report .....	16
Appendix A: Progress on Mandate Letter Priorities .....	18
Appendix B: Auditor’s Report and Audited Financial Statements .....	20

## Letter from the Board Chair

This Report covers the Service Plan period April 1, 2022, to March 31, 2023.

I am pleased to share the work accomplished through the Forest Enhancement Society of BC (FESBC) in this report. In the fiscal year ending March 2023, FESBC funded project work totalling \$7.215 million on 90 projects, of which 60 were fully completed. This work was achieved while keeping forest worker safety as a paramount priority.

We are achieving Government's priorities established for FESBC related to the health of our forests, including:

- Increasing participation of Indigenous communities in the forest economy,
- Assisting with wildfire recovery efforts and risk reduction,
- Contributing to the achievement of greenhouse gas emission reduction targets,
- Improving habitat for wildlife,
- Improving the recovery of fibre, and
- Adding to the environmental sustainability of B.C.'s natural resources.

Going forward, FESBC will continue to contribute to the achievement of Government's priorities by supporting forest improvement projects across British Columbia.

I want to thank the Government of B.C., the FESBC Board of Directors, the staff at FESBC, and the many local project leaders for their enthusiastic commitment to our Society, which is key to the success of delivering these significant benefits for British Columbians, now and for generations to come.



David Peterson  
Chair, Board of Directors  
Forest Enhancement Society of BC  
August 11, 2023

## Purpose of the Annual Service Plan Report

This annual service plan report has been developed to meet the requirements of the *Budget Transparency and Accountability Act* (BTAA), which sets out the legislative framework for planning, reporting and accountability for Government organizations. Under the BTAA, a Minister Responsible for a government organization is required to make public a report on the actual results of that organization's performance related to the forecasted targets stated in the service plan for the reported year.

## Strategic Direction

The strategic direction set by Government in 2020 and expanded upon in the Board Chair's [2021/22 Mandate Letter](#) and [Letter of Direction](#) from the Minister Responsible shaped the goals, objectives, performance measures and financial plan outlined in the Forest Enhancement Society of BC 2022/23 – 2024/25 Service Plan and the actual results reported on in this annual report.

## Purpose of the Organization

FESBC contributes to the achievement of Government's strategic priorities through the delivery of its constitutional purposes:

- Prevent and mitigate the impact of wildfire,
- Improve damaged or low-value forests,
- Improve habitat for wildlife,
- Support the use of fibre from damaged and low-value forests, and
- Treat forests to improve the management of greenhouse gas (GHG) emissions.

FESBC operates on a proponent-driven model, periodically inviting project funding applications which are then reviewed with input from the Ministry of Forests. Technical staff ensure project proposals are aligned with FESBC's purposes and the provincial government's priorities.

FESBC works with service delivery partners to ensure project implementation and treatment on the land base is timely, efficient and provides value for money. As of January 31st 2023, FESBC has allocated \$260 million of provincial investments to support funding of 305 projects.

In addition to advancing FESBC's constitutional purposes, FESBC contributes to the achievement of the [Minister of Forest's Mandate Letter](#) priorities by reducing the wildfire risk to communities, accelerating B.C.'s transition to a larger bioeconomy, and reducing greenhouse gas emissions from forestry activity. In 2022/23, FESBC-funded projects included thinning of dense forests and the reduction of fuel loading adjacent to communities and infrastructure, reducing the wildfire risk in these areas. When feasible, the residual fibre is utilized for energy and other forest products rather than being burned. In addition FESBC is working with the secondary manufacturers in the province to make use of uneconomic low value fibre that would otherwise be burned. Together, these activities create multiple

economic, social and environmental benefits such as generating employment in the natural resource sector, including jobs in secondary forest industries, while also supporting the achievement of provincial and federal climate change objectives, including those identified in the Province's [CleanBC Roadmap to 2030](#) plan.

FESBC will continue to ensure successful and efficient completion of projects. Effective and diligent oversight of projects will ensure FESBC continues to align with the Province's strategic priorities of putting people first, meaningful reconciliation with Indigenous Peoples, and supporting a strong, sustainable economy in B.C. FESBC will continue to communicate its plans and achievements to stakeholders and the general public, recognizing the contributions by the provincial government and Ministry of Forests staff to the success of the program.

FESBC supports the implementation of the [Declaration on the Rights of Indigenous Peoples Act](#), the [United Nations Declaration of the Rights of Indigenous Peoples](#) and the objectives outlined in the Province's [Stronger BC Economic Plan](#). Projects approved through FESBC support true and lasting reconciliation by increasing Indigenous Peoples' participation in the forest economy.

## Operating Environment

FESBC is aware of a host of external factors that may impact the environment in which project proponents operate in, and influence their ability to achieve project objectives.

The economic challenges facing the forest sector continued to impact forestry dependent communities across B.C. in 2022/23. Operational uncertainties related to worker shortages, inflationary pressures and surges in energy costs are ongoing. These uncertainties can impact project proponents' ability to complete projects within the specified timeframes, and achieve desired/expected outcomes. To help mitigate this, FESBC closely monitors projects and re-allocates funds to project proponents impacted by these issues where necessary.

FESBC-funded projects play an important role in supporting the long-term economic health of B.C.'s rural and forest-dependent communities, so they are more resilient to economic challenges and shifts. For example, FESBC projects are supporting operational innovation and economic diversification by funding projects that utilize post-harvest fibre, creating job opportunities for workers in rural communities.

Climate change continues to have a significant impact on B.C.'s land base and communities, including having a significant influence on wildfire activity and the potential for flood events in the future. The impact of catastrophic disturbances such as wildfires, floods, and pests such as the mountain pine beetle, and the resulting losses to timber supply, are reducing the overall forest asset value in the province.

In response, FESBC works collaboratively with provincial agencies, local governments, Indigenous communities and partners, and rural communities to support both wildfire risk reduction and mitigation activities. Proactive wildfire risk reduction treatments and [FireSmart](#) projects aimed to mitigate the negative impact of wildfires on rural and Indigenous communities were funding priorities for FESBC in 2022/23.

Indigenous Peoples have shown a desire to more fully participate in B.C.'s forest economy and FESBC funding supports the acceleration of this transition. In 2022/23 First Nations-owned companies received 67% of the funds that were awarded for the purpose of wildfire risk reduction. All of these projects produce an array of environmental, economic and social benefits which are important as FESBC looks to fulfill the obligations under the [Declaration Act Action Plan](#).

Approximately 99 per cent of FESBC projects developed prior to March 2022 were completed by March 31, 2023. FESBC targeted most of the funds received in 2022 to projects that reduce wildfire risk near communities and where possible utilize residual fibre associated with those projects. Some projects started in 2022/23 will carry forward into 2023/24, and be completed by March 2024. To ensure FESBC projects are delivered on time and bring the desired benefits to the citizens and communities in B.C., FESBC uses enhanced and rigorous project management systems to track and quantify the benefits of these investments in B.C.



## Economic Statement

After rebounding rapidly in 2021, British Columbia's economy saw slower yet strong growth in 2022. B.C.'s real GDP growth of 3.6 per cent last year was the fourth highest among provinces (tied with Ontario) and grew at the same pace as the national average, following growth of 6.2 per cent in 2021. Growth in B.C.'s real GDP was mostly supported by service-producing industries such as transportation and warehousing, accommodation and food services, and professional, scientific and technical services. Goods-producing industries also experienced growth led by construction.

While B.C.'s recovery broadened in 2022, it remained uneven as sectors such as transportation and warehousing; accommodation and food services; and arts, entertainment and recreation have yet to fully recover to pre-pandemic levels. B.C.'s labour market continued to grow in 2022, with employment growth of 3.2 per cent and an average unemployment rate of 4.6 per cent, while wages and salaries increased by 10.8 per cent. Consumer spending on goods grew slowly after a rapid expansion at the beginning of the recovery and nominal retail sales posted overall growth of 3.1 per cent. Last year, prices rose dramatically as strong demand for goods and services was met with lingering supply-chain challenges and high prices for global commodities following Russia's invasion of Ukraine.

In 2022, B.C.'s inflation rate averaged 6.9 per cent, the fastest annual rate since 1982, and up from 2.8 per cent in 2021. B.C. housing starts totalled 46,721 units in 2022, down 1.9 per cent compared to the previous year. Despite the decline, housing starts in 2022 were the second highest on record. Home sales fell sharply in 2022 as they adjusted to higher mortgage rates not seen since 2008. B.C. MLS home sales decreased by 35.2 per cent in 2022 compared to 2021. Meanwhile the MLS average home sale price rose by 7.4 per cent in 2022 because of strength early in the year, despite monthly declines in 9 of the last 10 months of the year.

On the external front, B.C.'s international merchandise exports grew by 20.4 per cent, boosted by strong commodity prices in the first half of 2022.

# Report on Performance: Goals, Objectives, and Results

## Goal 1: Prevent and Mitigate the Impact of Wildfire

### Objective 1.1: Enhance wildfire risk reduction activities for B.C. communities and improve ecosystem resiliency

By investing in planning and developing treatment alternatives on the land-base that surround B.C. communities, forest fuel hazards can then be modified in a way that improves ecosystem resiliency to fire, insects, and future impacts from climate change. The strategy of returning forests to their normal historical fire regimes through treatments can minimize future wildfire effects.

#### Key results

- Continued to support the BC FireSmart Committee by contributing to the implementation of its [2022 – 2025 Strategic Plan](#).
- Enabled over 25 communities to conduct wildfire risk reduction treatments in adjacent forested areas, reducing wildfire risks to their citizens, civic infrastructure, residential homes, and commercial investments.
- Completed 60 wildfire risk reduction projects and reduced wildfire risk on approximately 4,400 hectares of forest adjacent to communities and high value infrastructure.

#### Summary of progress made in 2022/23

In 2022/23, FESBC continued to focus on its goal of preventing and mitigating the impact of wildfire through investments in fuel management treatments and reducing wildfire risk to B.C. communities. FESBC completed 60 wildfire risk reduction projects over the course of 2022/23.

#### Performance measures and related discussion

Performance Measure	2021/22 Actual	2022/23 Target <sup>2</sup>	2022/23 Actual <sup>3</sup>
1.1a Priority area of fuel management treatment activities completed (hectares) <sup>1</sup>	4,000 ha	2,550 ha	4,420 ha

Data source: PwC financial data, FESBC Information Management System (FESIMS) Data, and FESBC staff input.

<sup>1</sup>Performance measure 1.1a targets for 2023/24 and 2024/25 were stated in the 2022/23 service plan as 3,150 ha and 0 ha, respectively. For forward-looking planning information, including current targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget](#) website.

<sup>2</sup>Target is based on an estimated average cost of \$4,000/ha for wildfire risk reduction treatment activities.

Performance Measure	2021/22 Actual	2022/23 Target <sup>2</sup>	2022/23 Actual
1.1b Priority area of fuel management planning activities completed (hectares) <sup>1</sup>	N/A	2,850 ha	2,890 ha

Data source: FESBC Information Management System (FESIMS) Data, and FESBC staff input.

<sup>1</sup>Performance measure 1.1b targets for 2023/24 and 2024/25 were stated in the 2022/23 service plan as 1,950 ha and 0 ha, respectively. This measure was not continued in the 2023/24-2025/25 service plan. For forward-looking planning information, please see the latest service plan on the [BC Budget](#) website.

<sup>2</sup>Target is based on an estimated average cost of \$700/ha for wildfire risk reduction planning activities.

Performance Measure	2021/22 Actual	2022/23 Target <sup>2</sup>	2022/23 Actual
1.1c Volume of residual fibre utilized (cubic metres) <sup>1</sup>	180,230 m <sup>3</sup>	25,500 m <sup>3</sup>	1,480 m <sup>3</sup>

Data source: FESBC Information Management System (FESIMS) Data and FESBC staff input.

<sup>1</sup>Performance measure 1.1c targets for 2023/24 and 2024/25 were stated in the 2022/23 service plan as 31,500 m<sup>3</sup> and 0 m<sup>3</sup>, respectively. For forward-looking planning information, including current targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget](#) website.

<sup>2</sup>Target is based on an estimated average of 10m<sup>3</sup> of recovered and utilized residual fibre per hectare of area with wildfire risk reduction treatments completed.

Performance Measure	2021/22 Actual	2022/23 Target	2022/23 Actual
1.1d Number of higher risk communities with wildfire risk reduction activities <sup>1,2</sup>	45	36	25

Data source: FESBC Data and staff input.

<sup>1</sup>Performance measure 1.1d targets for 2023/24 and 2024/25 were stated in the 2022/23 service plan as 34 and 0, respectively. For forward-looking planning information, including current targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget](#) website.

<sup>2</sup>Higher risk communities include: Indigenous communities, treaty settlement lands, municipalities and unincorporated areas within regional districts located within a Wildland Urban Interface risk Class 1 or 2 area or have a locally approved plan that has been identified high or extreme threat areas.

Performance measures 1.1a and 1.1b demonstrate progress towards FESBC’s goal of preventing and mitigating the impact of wildfire through investments in fuel management planning and treatments in high priority areas near communities, Indigenous communities, and critical infrastructure. Performance measure 1.1a was exceeded as crews were able to attend to work that could not be completed in the previous year, mainly hazard abatement activities. Performance measure 1.1b was largely met and reflects the full slate of pre and post work planning required to implement fuel management activities on the land base including outreach, reconnaissance, and prescription writing.

Performance measure 1.1c identifies the projected opportunity for recovery and utilization of residual fibre as pulp or biofuel, and the associated reduction of greenhouse gas emissions. This measure was not achieved as projects did not incorporate utilization activities as much as was anticipated due in part to higher than expected costs attributed to the small scale of operations, and poor market conditions.

Performance measure 1.1d tracks the number of communities around which wildfire risk reduction activities have occurred. While FESBC did not meet the target, 60 wildfire risk reduction projects were completed in and around communities throughout both the north and southern interior regions of B.C. Some communities had multiple projects completed. Some projects were completed around infrastructure and houses outside municipal boundaries, benefiting citizens of communities nearby.

## Goal 2: Improve Damaged or Low-Value Forests

### Objective 2.1: Improve sustainable and reliable timber supply

By identifying damaged and low-value stands that are not sufficiently restocked and scheduling site preparation treatments that will enable the establishment of new plantations, future timber supply pressures can be addressed. When fibre from these projects can be utilized rather than burned, further benefits to local economies can be realized.

#### Key results

- Supported three stand improvement projects focused on the rehabilitation and restoration of wildfire and mountain pine beetle-killed stands in the Skeena and Cariboo-Chilcotin regions of the province.
- Improved the potential growth of overly dense hemlock and amabilis fir stands in the Skeena region near Terrace, B.C. by thinning trees to appropriate residual densities. This will help bring these stands to a merchantable size sooner, improving the mid-term timber supply in the area.

#### Summary of progress made in 2022/23

There are various ways to restore damaged stands including understory planting and relying on natural regeneration. Using mechanical site preparation techniques is just one tool available to B.C. forest professionals that can be applied to specific site or stand conditions that will assist in establishing new healthy and climate adapted forests.

Through its mandate, FESBC supports projects which improve the viability of low-value and damaged forests throughout the Interior of B.C. In 2022/23, FESBC-funded projects supported a variety of forest management activities and investments to improve damaged or low-value forests including the salvage harvesting of uneconomic mountain pine beetle and fire-impacted stands, spacing of second growth stands and riparian (stream-side) restoration.

#### Performance measure and related discussion

Performance Measure	2021/22 Actual	2022/23 Target <sup>2</sup>	2022/23 Actual
2.1 Area (hectares) of low-value and damaged forest enhanced through FESBC-funded projects <sup>1</sup>	368 ha	327 ha	256 ha

Data source: PwC financial data, FESBC Information Management System (FESIMS) Data, and FESBC staff input.

<sup>1</sup>Performance measure 2.1 targets for 2023/24 and 2024/25 were stated in the 2022/23 service plan as 0 ha and 0 ha, respectively. This measure was not continued in the 2023/24-2025/25 service plan. For forward-looking planning information, please see the latest service plan on the [BC Budget](#) website.

<sup>2</sup>Target is based on spending forecasts for the associated business area measure and an analysis of reported actual average treatment costs to date of \$1,500/ha.

This performance measure demonstrates how FESBC supports the implementation of projects that improve low-value and damaged forests throughout the B.C. Interior and assists in the revitalization of B.C.'s forests. These damaged or currently low-value forest areas are important for rural sustainability and require intensive forest management activities and investments to realize their maximum benefits.

The total area of low-value and damaged forest enhancement was lower than the target as projects were reduced in size and scope, in agreement with project proponents, due to a reduction of low-value fibre utilization opportunities available on the ground upon project implementation.

## Goal 3: Improve Habitat for Wildlife

### Objective 3.1: Improve terrestrial wildlife habitat and populations

Many species of wildlife provide environmental, economic, social, and cultural value to the people of British Columbia. Investing in projects that create well-connected and functioning habitats with properly functioning ecosystem processes, can have lasting impacts on wildlife populations.

#### Key results

- Co-funded 27 projects with the [Habitat Conservation Trust Foundation](#) (HCTF) aimed at enhancing the habitat of threatened or at-risk species in British Columbia.
- Directly supported one additional project focused on habitat improvement work in Haida Gwaii.

#### Summary of progress made in 2022/23

Through its relationship with the HCTF, FESBC leverages technical expertise, and co-funds the highest priority and value-for-money projects to support achievement of FESBC's wildlife habitat improvement goal. This co-funding agreement, results in an expanded scope of habitat improvement projects in the province, helping ensure that suitable wildfire habitat is available and the abundance and distribution of wildlife in the province is maintained.

In 2022/23, co-funded projects were completed across many regions of the province, helping to support the enhancement of wildlife habitat for a multitude of species. The 27 completed projects enhanced the habitat for a variety of species-at-risk including Bighorn Sheep and Elk (southeastern B.C.), Vancouver Island Marmot and Roosevelt Elk (Southwestern B.C.) and Lynx and bats throughout B.C.

## Performance measure and related discussion

Performance Measure	2021/22 Actual	2022/23 Target <sup>2</sup>	2022/23 Actual
3.1 Funding allocated for improving wildlife populations and their habitat <sup>1</sup>	\$0.03 Million	\$0.8 Million	\$0.9 Million

Data source: FESBC Letter of Agreement with HCTF dated March 11, 2019, HCTF annual approved project list, PwC Financials and FESIMS data.

<sup>1</sup>Performance measure 3.1 targets for 2023/24 and 2024/25 were stated in the 2022/23 service plan as \$0 and \$0, respectively. For forward-looking planning information, including current targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget](#) website.

<sup>2</sup>Target is based on associated FESBC financial forecasts and spending plans.

In 2022/23, delivery of wildlife habitat improvement projects were higher than target due to carry over of work from 2021/22 into 2022/23, and completion of Goshawk habitat improvement work on Haida Gwaii.

FESBC commits funding each year to HCTF to co-fund project delivery, based on HCTF projections. The actual expenditures for the HCTF portion of this performance measure can vary significantly from what was projected as it is dependent on what the project proponents are actually able to deliver during the fiscal year.

## Goal 4: Enhanced Utilization and the Reduction of GHG Emissions

### Objective 4.1: Maximize fibre utilization and reduce emissions from forest activities

Fibre from conventional timber harvesting that is not economic to use is usually piled and burned in the forest. This fibre is too small to make higher value wood products such as lumber, it can have defects such as rot, large knots, is crooked, or the distance to facilities that will accept this wood is too expensive to transport. FESBC aims to fund the additional transportation costs needed to have this material shipped to secondary forest products facilities. Partnerships with the secondary industry help create economic activity, preserve forest sector jobs while making a significant contribution to the forest industries efforts to mitigate management caused GHG emissions.

#### Key results

- Completed three fibre utilization projects and advanced an additional 11 projects.
- Utilized over 76,000 m<sup>3</sup> of wood that would have otherwise been burned.

#### Summary of progress made in 2022/23

The recovery and utilization of low-grade residual fibre resulting from wildfire risk reduction activities were a priority for funding in 2022/23. Wildfire risk reduction treatments that result in restoring a forest structure more consistent with historical natural disturbance are more fire

resilient and hydrologically stable in the long term. In addition, any waste fibre that is directed for use as opposed to open burning presents an opportunity to reduce B.C.'s carbon footprint.

In 2022/23, FESBC delivered projects and programs that support the Province's goal to increase fibre supply aimed at keeping people working and local mills running, while also mitigating wildfire risks and reducing carbon emissions. Projects included the bush grinding of waste and the delivery of hog fuel to energy plants, the delivery of pulp logs from Haida Gwaii to the South Coast and the delivery of low-value pulp logs to Interior pulp mills.

These projects are designed to reduce GHG emissions through the utilization of post-harvest residual fibre that would otherwise have been burned. These actions are in alignment with the provincial [Forest Carbon Strategy](#), [CleanBC](#), and the [Forest Carbon Initiative](#).

### Performance measure and related discussion

Performance Measure	2021/22 Actual	2022/23 Target <sup>2</sup>	2022/23 Actual
4.1 Enhanced utilization of cubic metres (m <sup>3</sup> ) of roadside fibre to avoid forest carbon emissions <sup>1</sup>	1,137,000 m <sup>3</sup>	42,000 m <sup>3</sup>	76,000 m <sup>3</sup>

Data source: PwC financial data, FESBC Information Management System (FESIMS) Data and FESBC staff input.

<sup>1</sup>Performance measure 4.1 targets for 2023/24 and 2024/25 were stated in the 2022/23 service plan as 0 m<sup>3</sup> and 0 m<sup>3</sup>, respectively. This measure was not continued in the 2023/24-2025/25 service plan. For forward-looking planning information, please see the latest service plan on the [BC Budget](#) website.

<sup>2</sup>Target is based on spending forecasts for the associated business area measure and projected average costs of \$14/m<sup>3</sup>.

To support forest-dependent communities and encourage diverse and innovative economies throughout B.C., FESBC supports the implementation of fibre recovery and utilization projects throughout the province. This performance measure tracks the volume of fibre utilized through those activities.

FESBC exceeded its target in 2022/23 by reallocating to additional projects funds that became available from either surplus from completed projects or from cancelled projects.

## Financial Report

For the auditor's report and audited financial statements, see [Appendix B](#). These documents can also be found on the Forest Enhancement Society of BC website.

## Discussion of Results

FESBC's revenue recognition policy is set out in the attached financial statements and is linked to expenditures.

Financial risks were managed by following auditor recommendations and having clear separation of duties. This implies that multiple people within the organization are required to sign off before money is transacted.

## Financial Summary

(\$000s)	2021/22 Actual	2022/23 Budget	2022/23 Actual	2022/23 Variance
<b>Revenues</b>				
Contributions from Province	50,845	14,542	7,215	(7,327)
Other Income & Recoveries	2,849	2,400	1,802	(598)
<b>Total Revenue</b>	<b>53,694</b>	<b>16,942</b>	<b>9,017</b>	<b>(7,925)</b>
<b>Expenses</b>				
Grants	50,845	14,542	7,215	(7,327)
Administration	2,837	2,391	1,792	(599)
Capital Asset Amortization	12	9	10	1
<b>Total Expenses</b>	<b>53,694</b>	<b>16,942</b>	<b>9,017</b>	<b>(7,925)</b>
<b>Annual Surplus (Deficit)</b>	<b>0,000</b>	<b>0,000</b>	<b>0,000</b>	<b>0,000</b>
<b>Total Debt</b>	<b>0,000</b>	<b>0,000</b>	<b>0,000</b>	<b>0,000</b>
<b>Accumulated Surplus (Deficit)</b>	<b>0,000</b>	<b>0,000</b>	<b>0,000</b>	<b>0,000</b>
<b>Capital Expenditures</b>	<b>0,000</b>	<b>0,000</b>	<b>0,000</b>	<b>0,000</b>

**Note 1:** The above financial information was prepared based on current Generally Accepted Accounting Principles.

**Note 2:** 2022/23 expenses include purchases from the Province for project delivery (Grants - \$6k) and seconded employees (Administration - \$364k).



## Variance and Trend Analysis

Grant expenditures and corresponding revenue recognition were \$7.3 million less than forecasted. Spending changes and drivers of these changes by goal are as follows:

- 16 projects were completed under budget, resulting in \$0.3 million surplus.
- 12 active projects experienced operational delays due to factors including proponent capacity, contractor availability, the prolonged fire season and difficult winter conditions. \$3.2 million in planned work was delayed and rescheduled for completion in 2023/24.
- New wildfire risk reduction projects were not approved until August 8, 2022, due to administrative delays in receiving funds and starting intakes. The spring work window was missed and work did not commence until the late fall, and as a result, \$0.74 million of planned project expenditures was over estimated.
- \$0.9 million was not spent on projects to be delivered through partner programs with the Union of BC Municipalities due to operational delays, primarily contractor capacity and weather.
- \$2.16 million was received from an unexpected GST rebate for previous years.
- Staff shortages in 2022/23 also affected administration costs.

## Risks and Uncertainties

FESBC project delivery can be affected by economic and environmental uncertainties affecting the forest sector. These are addressed, where possible, by being nimble and flexible so as to capitalize on the opportunities as they arise. Operations may also be affected by disruptive events such as wildfires, prolonged fire seasons and cold weather or heavy snow conditions. These were mitigated by planning and timing of projects and continual evaluation and adjustments to projects as required.

Investment income, a function of interest rates and funds on deposit, has fluctuated as deferred contributions are utilized or received and is also subject to interest rate changes.

## Appendix A: Progress on Mandate Letter Priorities

The following is a summary of progress made on priorities as stated in the April 2021 Mandate Letter and May 2022 letter of direction from the Minister Responsible.

2021/22 Mandate Letter Priority	Status as of March 31, 2023
<p>Contribute to B.C.'s economic recovery and support strong, resilient rural communities by prioritizing FESBC investments to projects that generate good paying, sustainable jobs to meet the purposes of FESBC and the Forest Carbon Initiative objectives.</p>	<ul style="list-style-type: none"> <li>• This mandate letter priority is in progress.</li> <li>• Approved projects continue to be implemented.</li> <li>• A majority of these projects are located adjacent to rural communities and tap into the local forestry workforce, keeping the social and economic benefits close to rural British Columbia.</li> <li>• For more information see <a href="#">Objective 1.1</a>.</li> </ul>
<p>Implement a plan and determine measurable outcomes to ensure all funded projects are completed safely and effectively on the ground, and bring lasting economic, environmental, and social benefits to the people of British Columbia.</p>	<ul style="list-style-type: none"> <li>• This mandate letter priority is in progress.</li> <li>• Applicants are tasked with following proper safe work procedures when implementing projects.</li> <li>• Working with partners, FESBC ensures that the work is completed to acceptable industry standards and as planned to ensure the benefits of the work are realized.</li> </ul>
<p>Deliver a comprehensive communications strategy to demonstrate how the achievements of FESBC have fulfilled its purposes, successfully contributed to the Province's economic recovery, and led to continued economic and environmental benefits for B.C.'s forests, Indigenous Peoples, and communities.</p>	<ul style="list-style-type: none"> <li>• This mandate letter priority is ongoing.</li> <li>• In conjunction with Ministry of Forests and project partners, numerous journalism articles about FESBC projects have been published.</li> <li>• In 2022/23, FESBC was recognized as a B.C. Cleantech Awards 2023 Finalist for Funder of the Year, as an organization or individual offering capital support or funding to support cleantech ventures as they grow and scale.</li> <li>• In 2022/23 FESBC was the recipient of the 2022 MUSE Creative and Design Award for the FESBC video titled "B.C. Forestry Workers are Climate Change Heroes," which is an educational video that tells personal accounts of the work that people have completed with FESBC support.</li> </ul>

May 2022 Letter of Direction Priority	Status as of March 31, 2023
<p>Identify and fund projects to reduce wildfire risks to communities.</p>	<ul style="list-style-type: none"> <li>• This letter of direction priority is in progress.</li> <li>• 60 wildfire risk reduction projects were completed in 2022/23.</li> <li>• Work in 2022/23 reduced wildfire risk on approximately 4,400 hectares of forest adjacent to communities and high value infrastructure.</li> <li>• For more information <a href="#">see Objective 1.1</a>.</li> </ul>
<p>Optimize the recovery and utilization of low-value residual fibre resulting from wildfire risk reduction treatments.</p>	<ul style="list-style-type: none"> <li>• This letter of direction priority is in progress.</li> <li>• 1,480 m<sup>3</sup> of residual fibre was utilized in 2022/23 as a result of wildfire reduction projects supported by FESBC.</li> <li>• Where practicable, FESBC assisted in utilizing fibre generated from these projects by the secondary manufacturing facilities.</li> <li>• For more information see <a href="#">Objective 1.1</a> and <a href="#">Objective 4.1</a>.</li> </ul>

## Appendix B: Auditor's Report and Audited Financial Statements

Financial Statements of

**FOREST ENHANCEMENT SOCIETY  
OF BC**

And Independent Auditor's Report thereon

Year ended March 31, 2023

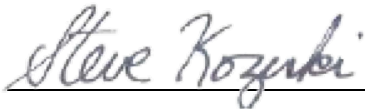
## MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying financial statements of Forest Enhancement Society of BC ("FESBC") are the responsibility of FESBC's management and have been prepared in compliance with legislation, and in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia. A summary of the significant accounting policies are described in Note 1 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

FESBC's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board meets with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The financial statements have been audited by KPMG LLP, independent external auditors appointed by FESBC. The accompanying Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on FESBC's financial statements.



---

Steve Kozuki  
Executive Director



KPMG LLP  
St. Andrew's Square II  
800-730 View Street  
Victoria BC V8W 3Y7  
Canada  
Telephone 250-480-3500  
Fax 250-480-3539

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Forest Enhancement Society of BC, and  
To the Minister of Forests

### ***Opinion***

We have audited the financial statements of Forest Enhancement Society of BC (the "Society"), which comprise:

- the statement of financial position as at March 31, 2023
- the statement of operations for the year then ended
- the statement of changes in net debt for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements as at and for the year ended March 31, 2023 of the Society are prepared, in all material respects, in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



### ***Emphasis of Matter – Financial Reporting Framework***

We draw attention to note 1 to the financial statements which describes the applicable financial reporting framework and the significant differences between that financial reporting framework and Canadian public sector accounting standards.

Our opinion is not modified in respect of this matter.

### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation of the financial statements in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia 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.

In preparing the financial statements, management is responsible for assessing the Society's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.





We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Society to cease to continue as a going concern.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## **Report on Other Legal and Regulatory Requirements**

As required by the *Societies Act (British Columbia)*, we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia have been applied on a basis consistent with that of the preceding year.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Professional Accountants

Victoria, Canada  
May 19, 2023

# FOREST ENHANCEMENT SOCIETY OF BC

## Statement of Financial Position

March 31, 2023, with comparative information for 2022

	2023	2022
Financial assets:		
Cash and cash equivalents (note 2)	\$ 20,774,602	\$ 22,173,228
Investments (note 3)	13,245,452	-
Accounts receivable (note 4)	2,484,023	29,986
	<u>36,504,077</u>	<u>22,203,214</u>
Liabilities:		
Accounts payable and accrued liabilities	3,082,992	6,652,476
Deferred contributions (note 5)	35,954,156	18,931,686
	<u>39,037,148</u>	<u>25,584,162</u>
Net debt	(2,533,071)	(3,380,948)
Non-financial assets:		
Tangible capital assets (note 6)	23,945	28,647
Prepaid expenses and grants (note 7)	2,509,126	3,352,301
	<u>2,533,071</u>	<u>3,380,948</u>
Commitments (note 11)		
Accumulated surplus	\$ -	\$ -

See accompanying notes to financial statements.

Approved by the Board:

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

# FOREST ENHANCEMENT SOCIETY OF BC

## Statement of Operations

Year ended March 31, 2023, with comparative information for 2022

	Budget (note 8)	2023	2022
Revenues:			
Deferred contributions recognized	\$ 16,940,936	\$ 9,016,100	\$ 53,693,945
Other	-	223	253
Gain on disposal of tangible capital assets	1,064	1,064	-
	16,942,000	9,017,387	53,694,198
Expenses:			
Amortization	9,500	9,790	11,774
Grants issued	14,542,000	7,214,942	50,844,921
Grant administration	1,385,000	855,871	1,704,796
Occupancy	57,600	49,532	51,303
Office and general	89,671	106,468	75,831
Professional fees	206,529	213,633	273,644
Salaries and benefits	563,400	524,677	687,897
Travel and transportation	88,300	42,474	44,032
	16,942,000	9,017,387	53,694,198
Annual surplus	\$ -	\$ -	\$ -

See accompanying notes to financial statements.

# FOREST ENHANCEMENT SOCIETY OF BC

## Statement of Changes in Net Debt

Year ended March 31, 2023, with comparative information for 2022

	Budget (note 8)	2023	2022
Annual surplus	\$ -	\$ -	\$ -
Acquisition of tangible capital assets	-	(5,124)	(1,062)
Amortization of tangible capital assets	9,500	9,790	11,774
Proceeds on disposal of tangible capital assets	-	1,100	-
Gain on disposal of tangible capital assets	(1,064)	(1,064)	-
	8,436	4,702	10,712
Decrease of prepaid expenses	-	843,175	128,719
Change in net debt	8,436	847,877	139,431
Net debt, beginning of year	(3,380,948)	(3,380,948)	(3,520,379)
Net debt, end of year	\$ (3,372,512)	\$ (2,533,071)	\$ (3,380,948)

See accompanying notes to financial statements.

# FOREST ENHANCEMENT SOCIETY OF BC

## Statement of Cash Flows

Year ended March 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ -	\$ -
Items not involving cash:		
Amortization	9,790	11,774
Gain on disposal of tangible capital assets	(1,064)	-
Deferred contributions recognized	(9,016,100)	(53,693,945)
Changes in non-cash operating working capital		
Accounts receivable	(2,454,037)	43,673
Prepaid expenses	843,175	128,719
Accounts payable and accrued liabilities	(3,569,484)	(4,647,822)
Deferred contributions received	25,010,759	7,379
Interest earned on deferred contributions	1,027,811	326,026
	11,850,850	(57,824,196)
Capital activities:		
Purchase of tangible capital assets	(5,124)	(1,062)
Proceeds on disposal of tangible capital assets	1,100	-
	(4,024)	(1,062)
Investing activities:		
Purchase of investments	(13,245,452)	-
Decrease in cash and cash equivalents	(1,398,626)	(57,825,258)
Cash and cash equivalents, beginning of year	22,173,228	79,998,486
Cash and cash equivalents, end of year	\$ 20,774,602	\$ 22,173,228

See accompanying notes to financial statements.

# FOREST ENHANCEMENT SOCIETY OF BC

Notes to Financial Statements

Year ended March 31, 2023

---

Forest Enhancement Society of BC (“FESBC” or “Society”) was incorporated on February 16, 2016 under the *Society Act* (British Columbia) and transitioned to the new *Societies Act* (British Columbia) on June 9, 2017. Its principal activity is to advance and advocate for the environmental and resource stewardship of BC’s forests.

## 1. Significant accounting policies:

### (a) Basis of accounting:

The financial statements have been prepared in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia supplemented by Regulations 198/2011 issued by the Province of British Columbia Treasury Board. The Budget Transparency and Accountability Act requires that the financial statements be prepared in accordance with the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada, or if the Treasury Board makes a regulation, the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada as modified by the alternate standard or guideline or part thereof adopted in the regulation.

Regulation 198/2011 requires that restricted contributions received or receivable other than for acquiring or developing a depreciable tangible capital asset or contributions in the form of a depreciable tangible capital asset be treated as a deferred contribution and the associated liability reduced, and revenue recognized, in the fiscal period during which the stipulation or restriction the contribution is subject to is met.

For British Columbia tax-payer supported organizations, these contributions include government transfers and externally restricted contributions.

The accounting policy requirements under Regulation 198/2011 are significantly different from the requirements of Canadian public sector accounting standards which requires that

- government transfers, which do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with public sector accounting standard PS3410;
- externally restricted contributions be recognized as revenue in the period in which the resources are used for the purpose or purposes specified in accordance with public sector accounting standard PS3100.

As a result, revenue recognized in the statement of operations and deferred contributions would be recorded differently under Canadian Public Sector Accounting Standards.

# FOREST ENHANCEMENT SOCIETY OF BC

Notes to Financial Statements

Year ended March 31, 2023

---

## 1. Significant accounting policies (continued):

### (b) Revenue recognition:

Externally restricted contributions are recognized as revenue depending on the nature of the restrictions on the use of the funds by the contributors as described in note 1(a).

Investment income is reported in the period earned. When required by the funding party or related Act, investment income earned on deferred revenue is added to the deferred revenue balance.

### (c) Deferred contributions:

Deferred contributions includes contributions received with stipulations that meet the description of restricted contributions in the Restricted Contributions Regulation 198/2011 issued by Treasury Board. When restrictions are met, deferred revenue is recognized as revenue in the fiscal period in a manner consistent with the circumstances and evidence used to support the initial recognition of the contributions received as a liability as detailed in note 1(a).

### (d) Cash and cash equivalents:

Cash and cash equivalents include highly liquid investments with terms to maturity of three months or less at the date of purchase and redeemable investments.

### (e) Investments:

Investments include fixed rate investments with maturity dates greater than three months at the time of acquisition. Investments are reported at cost plus accrued interest.

### (f) Tangible capital assets:

Tangible capital assets acquired are recorded at cost which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets.

Amortization is provided on a declining balance basis over the estimated useful life of the assets using the following annual rates:

Asset	Basis	Rate
Furniture and fixtures	Declining balance	20%
Computer equipment	Declining balance	55%
Vehicles	Declining balance	30%
Telephones	Declining balance	20%
Leasehold improvements	Straight line	3 years

One-half of the annual rate is used in the year of acquisition.

# FOREST ENHANCEMENT SOCIETY OF BC

Notes to Financial Statements

Year ended March 31, 2023

---

## 1. Significant accounting policies (continued):

### (f) Tangible capital assets (continued):

Tangible capital assets are written down to residual value when conditions indicate they no longer contribute to the ability of FESBC to provide services or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The write-downs are accounted for as expenses in the Statement of Operations. Intangible assets are not recorded as assets in these financial statements.

### (g) Asset retirement obligations:

An asset retirement obligation is recognized when, as at the financial reporting date, all of the following criteria are met:

- There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

There are no asset retirement obligations during the periods presented.

### (h) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market and derivative contracts that are not designated in a qualifying hedging relationship are subsequently measured at fair value and all changes in the fair value are recognized in the statement of operations in the period incurred. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. FESBC has not elected to carry any financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal period if there are indicators of impairment. If there is an indicator of impairment, FESBC determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount FESBC expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.



# FOREST ENHANCEMENT SOCIETY OF BC

Notes to Financial Statements

Year ended March 31, 2023

---

## 1. Significant accounting policies (continued):

(i) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

(j) Adoption of new accounting policy:

On April 1, 2021, the Entity adopted Canadian public sector accounting standard PS 3280 *Asset Retirement Obligations*. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in retired buildings by public sector entities. There were no asset retirement obligations identified on adoption of the new standard.

## 2. Cash and cash equivalents:

	2023	2022
Cash in bank	\$ 16,234,840	\$ 13,672,344
Cash on deposit	4,539,762	8,500,884
	\$ 20,774,602	\$ 22,173,228

# FOREST ENHANCEMENT SOCIETY OF BC

Notes to Financial Statements

Year ended March 31, 2023

### 3. Investments:

Investments consist of Guaranteed Investment Certificates bearing interest at rates varying between 5.00% and 5.25% and maturity dates between June 19, 2023 and October 31, 2023.

### 4. Accounts receivable:

	2023	2022
Accrued interest receivable	\$ -	\$ 3,520
GST receivable	2,484,023	26,466
	<u>\$ 2,484,023</u>	<u>\$ 29,986</u>

### 5. Deferred contributions:

On March 31, 2016, the Province provided FESBC with a grant of \$85,000,000 to be used to further FESBC's purposes, aims, and objectives in collaboration with stakeholders, including the provincial government. On February 24, 2017, the Province provided FESBC with a further grant of \$150,000,000 for the same purpose.

On November 13, 2020 FESBC entered into an agreement to receive \$3,000,000 in funding provided under the Province's *Stronger BC for Everyone: BC's Economic Recovery Plan*. The agreement required repayment of contributions not spent by March 31, 2022. As of March 31, 2022, the funding had been fully expended on costs eligible under the agreement.

On May 17, 2022, FESBC entered into an agreement to receive \$25,000,000 in funding from the Province. The purpose of the funding is to support reduction of wildfire risk and optimize recovery.

If any of the contributions from the Province cannot be actively committed to achieving FESBC's stated purposes and objectives, they must be returned to the Province. The grants were recognized as deferred contributions and are used to fund the operating expenses and grants issued by FESBC. Interest earned on the grants is deferred and used to fund eligible expenses incurred by FESBC.

	2023	2022
Balance, beginning of year	\$ 18,931,686	\$ 72,292,226
Restricted interest income	1,027,811	326,026
Contributions received – Province	25,000,000	-
Contributions received – Other	10,759	7,379
Amount recognized as revenue in the year	(9,016,100)	(53,693,945)
Balance, end of year	<u>\$ 35,954,156</u>	<u>\$ 18,931,686</u>

# FOREST ENHANCEMENT SOCIETY OF BC

Notes to Financial Statements

Year ended March 31, 2023

## 6. Tangible capital assets:

March 31, 2023	Cost	Accumulated amortization	Net book value
Furniture and fixtures	\$ 18,872	\$ 14,361	\$ 4,511
Computer equipment	17,140	12,779	4,361
Vehicles	57,122	42,272	14,850
Telephones	947	724	223
Leasehold improvements	15,071	15,071	-
	<u>\$ 109,152</u>	<u>\$ 85,207</u>	<u>\$ 23,945</u>

March 31, 2022	Cost	Accumulated amortization	Net book value
Furniture and fixtures	\$ 18,871	\$ 13,231	\$ 5,640
Computer equipment	17,320	15,805	1,515
Vehicles	57,121	35,907	21,214
Telephones	947	669	278
Leasehold improvements	15,072	15,072	-
	<u>\$ 109,331</u>	<u>\$ 80,684</u>	<u>\$ 28,647</u>

## 7. Prepaid expenses and grants:

	2023	2022
Funds advanced to grant administrators	\$ 2,501,803	\$ 3,346,527
Other	7,323	5,774
	<u>\$ 2,509,126</u>	<u>\$ 3,352,301</u>

## 8. Budget:

The budget figures presented were approved by the Board in February 2022.

# FOREST ENHANCEMENT SOCIETY OF BC

Notes to Financial Statements

Year ended March 31, 2023

---

## 9. Employee benefits:

The Society and its employees contribute to the Public Service Pension Plan (a jointly trustee pension plan). The board of trustees, representing plan members and employers, is responsible for administering the plan, including investment of assets and administration of benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. The plan has about 68,000 active members.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plan. The actuary's calculated contribution rate is based on the entry age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plan. This rate may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

The most recent actuarial valuation for the Plan as at March 31, 2020 indicated a \$2,667 million surplus for basic pension benefits on a going concern basis.

The Society paid \$12,161 (2022 - \$21,978) for employer contributions and employees paid \$10,308 (2022 - \$18,631) to the plan in fiscal 2023.

The next valuation will be as of March 31, 2023 with results available later in 2023.

Employers participating in the plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plan records accrued liabilities and accrued assets for the plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plan.

## 10. Financial risks and concentration of risk:

### (a) Interest rate risk:

Interest rate risk refers to the adverse consequences of interest rate changes in FESBC's cash flows, financial position and annual surplus. Cash in the bank earns interest on a variable rate based on Prime and Bank of Canada rates. FESBC manages interest rate risk by forecasting cash flow needs and investing in fixed rate guaranteed investment certificates set to mature when cash expenditures are forecasted to occur.

# FOREST ENHANCEMENT SOCIETY OF BC

Notes to Financial Statements

Year ended March 31, 2023

---

## 10. Financial risks and concentration of risk (continued):

### (b) Liquidity risk:

Liquidity risk is the risk that FESBC will be unable to fulfill its obligations on a timely basis or at a reasonable cost. FESBC manages its liquidity risk by monitoring its operating requirements. FESBC prepares budget and cash flow forecasts to ensure it has sufficient funds to fulfill its obligations.

### (c) Currency risk:

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign exchange rates. FESBC is not exposed to currency risk, as all transactions are denominated in Canadian dollars.

### (d) Credit risk:

Credit risk refers to the risk of financial loss due to a counterparty failing to meet its contractual obligations. The Society deals with creditworthy counterparties to mitigate the risk of financial loss. Accounts receivable are owing entirely from government entities.

There have been no changes to the risk exposures from 2022.

## 11. Commitments:

FESBC has entered into a contract with a third party for administration services related to the delivery and implementation of FESBC's Forest Enhancement Program. The minimum fees are \$835,000 per annum.

FESBC has entered into a Letter of Agreement with The Habitat Conservation Trust Foundation ("HCTF") to jointly assess projects for co-funding that meet each agency's desired goals. FESBC committed total funds up to \$5,482,417 from 2017-2023 to co-fund projects of shared interest. The fees payable to HCTF for administration are 7.5% based on the value of grants under administration.

FESBC has entered into a Letter of Agreement with The Union of BC Municipalities ("UBCM") to contribute funding of \$1,956,247 towards projects administered through the FireSmart Community Funding & Supports program. The fees payable to UBCM for administration are 5% based on the value of grants under administration.

FESBC has entered into an operating lease commitment for premises with monthly payments of \$1,497 until July 2024.

Approved and unadvanced grants at March 31, 2023 were \$33,327,682 (2022 - \$15,238,556).

# FOREST ENHANCEMENT SOCIETY OF BC

Notes to Financial Statements

Year ended March 31, 2023

---

## 12. Remuneration paid to directors, employees and contractors:

Under the new British Columbia Societies Act, effective November 28, 2016, FESBC is required to disclose in the annual financial statements all remuneration paid to directors and the annual remuneration paid to employees and contractors receiving greater than \$75,000 (up to a maximum of 10 individuals).

FESBC paid \$505,185 to one consultant and three employees including secondments (2022 - \$735,043 to five) for services, each of whom received total annual remuneration of \$75,000 or greater.

During the year, FESBC paid total remuneration of \$12,100 (2022 - \$6,325) to directors. For director remuneration, the requirement is to disclose all remuneration paid to directors.

---

Director	\$ 1,650
Director	2,250
Director	3,675
Director	1,800
Director	600
Director	900
Director	1,225
	<hr/>
	\$ 12,100

---

## 13. Related party transactions:

FESBC is related to all Provincial ministries, agencies, school districts, health authorities, colleges, universities, and crown corporations in the Province. Transactions with these entities, unless disclosed separately, are considered to be in the normal course of operations and are recorded at the exchange amount.

During the year, two of five directors of the Board were employees of the Province. FESBC purchased services from related parties through employee secondment from the Province. These services were purchased on a cost recovery basis and totaled \$363,720 (2022 - \$381,903).

During the year, grants of \$6,733 (2022 - \$5,241,851) were issued to recipients through the Province, Ministry of Forests.