

Financial Statements of

**LOGAN LAKE
COMMUNITY FOREST
CORPORATION**

And Independent Auditors' Report thereon

Year ended December 31, 2022

LOGAN LAKE COMMUNITY FOREST CORPORATION

Balance Sheet

December 31, 2022, with comparative information for 2021

	2022	2021
Assets		
Current assets:		
Cash	\$ 847,955	\$ 347,710
Investments and marketable securities (note 2)	973,475	1,505,182
Accounts receivable	198,968	71,589
Prepaid expenses	10,997	11,007
	<u>\$ 2,031,395</u>	<u>\$ 1,935,488</u>
Liabilities and Shareholder's Equity		
Current liabilities:		
Accounts payable and accrued liabilities (note 3)	\$ 106,533	\$ 409,929
Current portion of silviculture liability (note 4)	355,331	247,629
	461,864	657,558
Accrued silviculture liability (note 4)	807,951	713,122
	1,269,815	1,370,680
Shareholder's equity:		
Share capital (note 5)	120	120
Retained earnings	761,460	564,688
	761,580	564,808
Related party transactions (note 6)		
	<u>\$ 2,031,395</u>	<u>\$ 1,935,488</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

LOGAN LAKE COMMUNITY FOREST CORPORATION

Statement of Earnings and Retained Earnings

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Revenue:		
Logging	\$ 1,466,270	\$ -
Project	499,756	273,437
	<u>1,966,026</u>	<u>273,437</u>
Expenses:		
Administrative	22,890	17,661
Consulting fees	692,776	829,108
Forest licence fees	8,880	8,821
Implementation services	282,436	256,595
Professional fees	16,643	15,375
Roads	-	548
Silviculture	581,447	350,697
Stumpage and supplies	150,680	598
Travel	466	-
	<u>1,756,218</u>	<u>1,479,403</u>
Earnings (loss) before the undernoted items	209,808	(1,205,966)
Other income (expenses):		
Accretion income	163,107	64,547
Cash donations to the District of Logan Lake	-	(5,000)
Gain on sale of investments	51,123	77,817
Investment income	26,140	54,948
Investment management fees	(12,352)	(19,965)
Project sponsorships	(44,445)	(3,066)
Unrealized loss from investments and marketable securities measured at fair value	(196,609)	(18,832)
	<u>(13,036)</u>	<u>150,449</u>
Net earnings (loss) for the year	196,772	(1,055,517)
Retained earnings, beginning of year	564,688	1,620,205
Retained earnings, end of year	<u>\$ 761,460</u>	<u>\$ 564,688</u>

See accompanying notes to financial statements.

LOGAN LAKE COMMUNITY FOREST CORPORATION

Statement of Cash Flows

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operations:		
Net earnings (loss) for the year	\$ 196,772	\$ (1,055,517)
Items not involving cash:		
Unrealized loss from investments and marketable securities measured at fair value	196,609	18,832
Gain from sale of investments and marketable securities	(51,123)	(77,817)
Accretion income	(163,107)	(64,547)
Change in non-cash operating working capital:		
Accounts receivable	(127,379)	(71,469)
Prepaid expenses	10	1,031
Accounts payable and accrued liabilities	(303,396)	261,196
Silviculture liability	365,638	209,966
	114,024	(778,325)
Investing:		
Purchase of investments and marketable securities	(334,456)	(54,946)
Proceeds on disposal of investments and marketable securities	720,677	994,964
	386,221	940,018
Increase in cash	500,245	161,693
Cash, beginning of year	347,710	186,017
Cash, end of year	\$ 847,955	\$ 347,710

See accompanying notes to financial statements.

LOGAN LAKE COMMUNITY FOREST CORPORATION

Notes to Financial Statements

Year ended December 31, 2022

Logan Lake Community Forest Corporation (the "Corporation") was incorporated on January 25, 2007, under the laws of the Province of British Columbia and its major activity is utilizing certain timber rights pursuant to a permanent Community Forest Agreement issued on December 1, 2011.

1. Significant accounting policies:

(a) Basis of accounting:

Canadian Public Sector Accounting Standards prescribe that government business enterprises ("GBE") must apply Part I of the CPA Canada Handbook - Accounting (International Financial Reporting Standards - "IFRS") in preparing their general purpose financial statements.

The Corporation is considered to be a GBE under Canadian Public Sector Accounting Standards and should be preparing IFRS financial statements. The Corporation has not prepared general purpose IFRS financial statements. Rather, these special purpose financial statements have been prepared in accordance with Part II of the CPA Canada Handbook – Accounting (Canadian Accounting Standards for Private Enterprises – "ASPE") for the purposes of the District of Logan Lake's oversight of the Corporation and its financial performance. As a result, the financial statements may not be suitable for another purpose.

(b) Accrued silviculture liability:

The future estimated silviculture liability is accrued on the basis of the volume of timber cut from which revenue is earned by the Corporation. The obligation is accrued as the Corporation's share of the discounted estimated silviculture costs in the period in which the legal obligation was incurred.

In periods subsequent to the initial measurement, changes in the liability resulting from the passage of time and revisions to fair value calculation are recognized in the statement of operations as they occur.

(c) Revenue recognition:

The Corporation recognizes logging revenue on a fixed fee per cubic meter of scaled sawlog volumes delivered to a production facility, from the timber harvested pursuant to any cutting permits issued to the Corporation pursuant to the Community Forest Agreement ("CFA"). The income earned is recognized upon measurement and delivery to the mill yards, and collection of the receivable is reasonably assured.

Project revenue is recorded when receivable and in the period in which the related expenses are incurred. Project revenue received that relates to future expenses is included in deferred revenue. Investment income is reported as revenue in the period earned.

LOGAN LAKE COMMUNITY FOREST CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(d) Use of estimates:

The preparation of the financial statements, in conformity with ASPE, 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. Significant items subject to such estimates and assumptions include the estimated silviculture liability and the recoverable amount of accounts receivable. Actual results could differ from those estimates.

(e) Financial instruments:

Financial instruments originating in an arm's length transaction are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently measured at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Corporation has not elected to carry any such 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. These costs are amortized using the straight-line method.

In the case of financial instruments that originate as a result of a related party transaction, initial measurement will be at exchange amount or carrying value in accordance with Section 3840, Related Party Transactions, rather than fair value. If the sole relationship is in the capacity of management, the parties involved are deemed to be unrelated for purposes of Section 3856, Financial Instruments, and as such, transactions will be initially measured at fair value.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Corporation 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 the Corporation 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 impairment charge.

LOGAN LAKE COMMUNITY FOREST CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(f) Income taxes:

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

2. Investments and marketable securities:

The Corporation holds various mutual funds and deposit notes. These investments are carried at fair market value.

	2022	2021
Balance, beginning of year	\$ 1,505,182	\$ 2,386,215
Purchases	334,456	54,946
Disposals	(669,554)	(917,147)
Fair value adjustment	(196,609)	(18,832)
Balance, end of year	\$ 973,475	\$ 1,505,182

3. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$316 (2021 - \$8,951).

4. Accrued sericulture liability:

The Corporation's sericulture obligation relates to legislation that requires the Corporation to incur the cost of reforestation on its forest timber licenses and forest tenures.

	2022	2021
sericulture liability at the beginning of year	\$ 960,751	\$ 815,332
Provisions made during the year	365,638	209,966
Accretion income	(163,107)	(64,547)
Reforestation obligation at end of year	1,163,282	960,751
Less: current portion of reforestation obligation	355,331	247,629
	\$ 807,951	\$ 713,122

LOGAN LAKE COMMUNITY FOREST CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2022

5. Share capital:

	2022	2021
Authorized:		
Unlimited Class A common shares, voting, participating, no par value		
Unlimited Class B preferred shares, non-voting, participating, redeemable at \$1,000 per share, no par value		
Issued:		
120 Class A common shares	\$ 120	\$ 120
	\$ 120	\$ 120

6. Related party transactions:

During the year, the Corporation received payment of \$23,010 (2021 - \$nil) from the District of Logan Lake for reimbursement of Wildfire Resiliency Plan project costs and paid administrative expenses of \$1,437 (2021 - \$1,641). The Corporation also donated \$nil (2021 - \$8,066) to the District of Logan Lake for contributions to be used towards community events and various capital projects.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

7. Financial instruments

(a) Credit risk:

Credit risk is the risk the Corporation will suffer a financial loss due to a third party failing to meet its financial contractual obligations with the Corporation. The maximum credit risk exposure for relates to the trade accounts receivable which are due from the Corporation's customers. As there have been no changes to the credit policy, there has been no change to the credit risk exposure from 2021.

LOGAN LAKE COMMUNITY FOREST CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2022

7. Financial instruments (continued):

(b) Liquidity risk:

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they come due. The Corporation prepares budgets to mitigate this risk. The Corporation does not consider its exposure to liquidity risk to be material at this time. There has been no change to the liquidity risk exposure from 2021.

(c) Concentration of risk:

During the year, the Corporation earned 100% of its logging income from one company. The Corporation relies on contracts with private forest companies and other entities in order to operate. The Corporation operates in the forestry sector and a decline in demand for forest products would adversely effect financial results. There have been no significant changes to the risk exposures from 2021.