

Financial Statements of

**LOGAN LAKE COMMUNITY
FOREST CORPORATION**

And Independent Auditors' Report thereon

Year ended December 31, 2023

LOGAN LAKE COMMUNITY FOREST CORPORATION

Balance Sheet

December 31, 2023, with comparative information for 2022

	2023	2022
Assets		
Current assets:		
Cash	\$ 245,611	\$ 847,955
Investments and marketable securities (note 2)	1,249,312	973,475
Accounts receivable	91,257	198,968
Prepaid expenses	12,813	10,997
	<u>\$ 1,598,993</u>	<u>\$ 2,031,395</u>
Liabilities and Shareholder's Equity		
Current liabilities:		
Accounts payable and accrued liabilities (note 3)	\$ 437,507	\$ 106,533
Current portion of silviculture liability (note 4)	314,532	355,331
	<u>752,039</u>	<u>461,864</u>
Accrued silviculture liability (note 4)	736,532	807,951
	<u>1,488,571</u>	<u>1,269,815</u>
Shareholder's equity:		
Share capital (note 5)	120	120
Retained earnings	110,302	761,460
	<u>110,422</u>	<u>761,580</u>
Related party transactions (note 6)		
	<u>\$ 1,598,993</u>	<u>\$ 2,031,395</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, 2023, with comparative information for 2022

	2023	2022
Revenue:		
Project	\$ 670,865	\$ 499,756
Logging	285,026	1,466,270
	<u>955,891</u>	<u>1,966,026</u>
Expenses:		
Administrative	38,324	22,890
Consulting fees	745,118	692,776
Forest licence fees	8,880	8,880
Implementation services	407,579	282,436
Professional fees	18,463	16,643
Roads	1,195	-
Silviculture	322,483	418,340
Stumpage and supplies	622	150,680
Travel	751	466
	<u>1,543,415</u>	<u>1,593,111</u>
(Loss) earnings before the undernoted items	(587,524)	372,915
Other income (expenses):		
Gain on sale of investments	1,517	51,123
Investment income	38,465	26,140
Investment management fees	(12,981)	(12,352)
Project sponsorships	(139,486)	(44,445)
Unrealized gain (loss) from investments and marketable securities measured at fair value	48,851	(196,609)
	<u>(63,634)</u>	<u>(176,143)</u>
(Loss) net earnings for the year	(651,158)	196,772
Retained earnings, beginning of year	761,460	564,688
Retained earnings, end of year	<u>\$ 110,302</u>	<u>\$ 761,460</u>

See accompanying notes to financial statements.

LOGAN LAKE COMMUNITY FOREST CORPORATION

Statement of Cash Flows

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

	2023	2022
Cash provided by (used in):		
Operations:		
Net (loss) earnings for the year	\$ (651,158)	\$ 196,772
Items not involving cash:		
Unrealized (gain) loss from investments and marketable securities measured at fair value	(48,851)	196,609
Gain from sale of investments and marketable securities	(1,517)	(51,123)
Change in non-cash operating working capital:		
Accounts receivable	107,711	(127,379)
Prepaid expenses	(1,816)	10
Accounts payable and accrued liabilities	330,974	(303,396)
Silviculture liability	(112,218)	202,531
	(376,875)	114,024
Investing:		
Purchase of investments and marketable securities	(538,450)	(334,456)
Proceeds on disposal of investments and marketable securities	312,981	720,677
	(225,469)	386,221
(Decrease) increase in cash	(602,344)	500,245
Cash, beginning of year	847,955	347,710
Cash, end of year	\$ 245,611	\$ 847,955

See accompanying notes to financial statements.

LOGAN LAKE COMMUNITY FOREST CORPORATION

Notes to Financial Statements

Year ended December 31, 2023

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, 2023

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:

(i) Initial measurement:

Financial instruments are measured at fair value on origination or acquisition, adjusted by, in the case of financial instruments that will not be subsequently measured at fair value, financing fees and transaction costs. All other transaction costs are recognized in net income in the year incurred.

When the Corporation issues a financial instrument that contains both a liability and an equity element, it measures the equity component as zero and allocates the entire proceeds to the liability component.

(ii) Subsequent to initial recognition:

Investments in equity instruments that are quoted in an active market and free standing derivatives that are not designated in a qualifying hedging relationship are measured at fair value without any adjustment for transaction costs that may be incurred on sale or other disposal. Changes in fair value are recognized in net income in the period incurred. Investments in equity instruments that are not quoted in an active market are measured at cost, less any reduction for impairment. Other financial instruments are measured at amortized cost.

LOGAN LAKE COMMUNITY FOREST CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(e) Financial instruments (continued):

(iii) Impairment:

At year end, the Corporation assesses whether there are any indications that a financial asset measured at cost or amortized cost may be impaired. For purposes of impairment testing, each individually significant asset is assessed individually; the balance of the assets are grouped on the basis of similar credit risk characteristics. When there is an indication of impairment, the Corporation determines whether a significant adverse change has occurred during the year in the expected timing or amount of future cash flows from the financial asset. When there has been a significant adverse change, the carrying amount of the asset is reduced to the highest of the present value of expected cash flows; the amount that could be realized by selling the asset; and the amount that could be realized by exercising the Corporation's right to any collateral held as security.

When the extent of impairment decreases and the decrease can be related to an event occurring after the impairment was recognized, the impairment is reversed to the extent of the improvement in the year the reversal occurs.

(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.

	2023	2022
Balance, beginning of year	\$ 973,475	\$ 1,505,182
Purchases	538,450	334,456
Disposals	(311,464)	(669,554)
Fair value adjustment	48,851	(196,609)
Balance, end of year	\$ 1,249,312	\$ 973,475

LOGAN LAKE COMMUNITY FOREST CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2023

3. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$nil (2022 - \$316).

4. Accrued silviculture liability:

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

	2023	2022
Silviculture liability at the beginning of year	\$ 1,163,282	\$ 960,751
Silviculture costs incurred during the year	(434,701)	(207,763)
Change in provision during the year, net of accretion	322,483	410,294
Reforestation obligation at end of year	1,051,064	1,163,282
Less: current portion of reforestation obligation	314,532	355,331
	<u>\$ 736,532</u>	<u>\$ 807,951</u>

The total undiscounted amount of the estimated future expenditures required to settle the reforestation obligation at December 31, 2023 is \$1,201,920 (2022 - \$1,326,388). The reforestation expenditures are expected to occur over the next 1 to 13 years and have been discounted at a long-term risk-free interest rate of 4.99 percent (2022 - 4.38 percent).

LOGAN LAKE COMMUNITY FOREST CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2023

5. Share capital:

	2023		2022	
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 \$13,870 (2022 - \$23,010) from the District of Logan Lake for reimbursement of Wildfire Resiliency Plan project costs and paid administrative expenses of \$913 (2022 - \$1,437). The Corporation also donated \$40,000 (2022 - \$nil) 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 2022.

LOGAN LAKE COMMUNITY FOREST CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2023

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 2022.

(c) Concentration of risk:

During the year, the Corporation earned 100% of its logging income from two companies. 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 2022.

8. Comparative figures:

Certain 2022 comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.