

Financial Statements of

**LOGAN LAKE COMMUNITY  
FOREST CORPORATION**

And Independent Auditors' Report thereon

Year ended December 31, 2024

# LOGAN LAKE COMMUNITY FOREST CORPORATION

Balance Sheet

December 31, 2024, with comparative information for 2023

	2024	2023
<b>Assets</b>		
Current assets:		
Cash	\$ 2,063,655	\$ 245,611
Investments and marketable securities (note 2)	1,356,202	1,249,312
Accounts receivable (note 3)	151,739	91,257
Prepaid expenses	4,345	12,813
	<u>\$ 3,575,941</u>	<u>\$ 1,598,993</u>

## Liabilities and Shareholder's Equity

Current liabilities:		
Accounts payable and accrued liabilities	\$ 284,452	\$ 437,507
<u>Current portion of silviculture liability (note 4)</u>	<u>455,583</u>	<u>314,532</u>
	740,035	752,039
<u>Accrued silviculture liability (note 4)</u>	<u>1,815,513</u>	<u>736,532</u>
	2,555,548	1,488,571
Shareholder's equity:		
Share capital (note 5)	120	120
<u>Retained earnings</u>	<u>1,020,273</u>	<u>110,302</u>
	1,020,393	110,422
<u>Related party transactions (note 6)</u>		
	<u>\$ 3,575,941</u>	<u>\$ 1,598,993</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, 2024, with comparative information for 2023

	2024	2023
Revenue:		
Logging	\$ 2,909,939	\$ 285,026
Project	1,482,450	670,865
	<u>4,392,389</u>	<u>955,891</u>
Expenses:		
Administrative	36,952	38,324
Consulting fees	564,019	745,118
Fire prevention	1,789	-
Forest licence fees	8,140	8,880
Implementation services	897,189	407,579
Professional fees	19,406	18,463
Roads	-	1,195
Silviculture	1,868,045	322,483
Stumpage and supplies	146,709	622
Travel	-	751
	<u>3,542,249</u>	<u>1,543,415</u>
Earnings (loss) before the undernoted items	850,140	(587,524)
Other income (expenses):		
Gain on sale of investments	13,059	1,517
Investment income	55,060	38,465
Investment management fees	(12,637)	(12,981)
Project sponsorships	(47,076)	(139,486)
Unrealized gain from investments and marketable securities measured at fair value	51,425	48,851
	<u>59,831</u>	<u>(63,634)</u>
Net earnings (loss) for the year	909,971	(651,158)
Retained earnings, beginning of year	110,302	761,460
Retained earnings, end of year	<u>\$ 1,020,273</u>	<u>\$ 110,302</u>

See accompanying notes to financial statements.

# LOGAN LAKE COMMUNITY FOREST CORPORATION

## Statement of Cash Flows

Year ended December 31, 2024, with comparative information for 2023

	2024	2023
Cash provided by (used in):		
Operations:		
Net earnings (loss) for the year	\$ 909,971	\$ (651,158)
Items not involving cash:		
Unrealized gain from investments and marketable securities measured at fair value	(51,425)	(48,851)
Gain from sale of investments and marketable securities	(13,059)	(1,517)
Change in non-cash operating working capital:		
Accounts receivable	(60,482)	107,711
Prepaid expenses	8,468	(1,816)
Accounts payable and accrued liabilities	(153,055)	330,974
Silviculture liability	1,220,032	(112,218)
	<u>1,860,450</u>	<u>(376,875)</u>
Investing:		
Purchase of investments and marketable securities	(55,043)	(538,450)
Proceeds on disposal of investments and marketable securities	12,637	312,981
	<u>(42,406)</u>	<u>(225,469)</u>
Increase (decrease) in cash	1,818,044	(602,344)
Cash, beginning of year	245,611	847,955
Cash, end of year	<u>\$ 2,063,655</u>	<u>\$ 245,611</u>

See accompanying notes to financial statements.

# LOGAN LAKE COMMUNITY FOREST CORPORATION

Notes to Financial Statements

Year ended December 31, 2024

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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, 2024

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## 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, 2024

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## 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.

	2024	2023
Balance, beginning of year	\$ 1,249,312	\$ 973,475
Purchases	55,043	538,450
Disposals	422	(311,464)
Fair value adjustment	51,425	48,851
Balance, end of year	\$ 1,356,202	\$ 1,249,312

# LOGAN LAKE COMMUNITY FOREST CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2024

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### 3. Accounts receivable:

Included in accounts receivable are amounts owing from the District of Logan Lake of \$46,750 (2023 - \$nil).

### 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.

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	2024	2023
Silviculture liability, beginning of year	\$ 1,051,064	\$ 1,163,282
Silviculture costs incurred during the year	(648,013)	(434,701)
Change in provision during the year, net of accretion	1,868,045	322,483
Reforestation obligation at end of year	2,271,096	1,051,064
Less: current portion of reforestation obligation	455,583	314,532
	<u>\$ 1,815,513</u>	<u>\$ 736,532</u>

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The total undiscounted amount of the estimated future expenditures required to settle the reforestation obligation at December 31, 2024 is \$2,663,641 (2023 - \$1,201,920). The reforestation expenditures are expected to occur over the next 1 to 17 years and have been discounted at a long-term risk-free interest rate of 4.37% (2023 - 4.99%).

# LOGAN LAKE COMMUNITY FOREST CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2024

## 5. Share capital:

	2024	2023
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 \$46,750 (2023 - \$13,780) from the District of Logan Lake for reimbursement of Wildfire Resiliency Plan project costs and paid administrative expenses of \$2,099 (2023 - \$913). The Corporation also donated \$nil (2023 - \$40,000) 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 prior year.

# LOGAN LAKE COMMUNITY FOREST CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2024

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## 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 prior year.

### (c) Concentration of risk:

During the year, the Corporation earned 100% of its logging income from three 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 prior year.