

Sunshine Coast Community Forest Ltd.

Financial Statements

December 31, 2023

(In Canadian dollars)

Sunshine Coast Community Forest Ltd.

Financial Statements (In Canadian dollars)

December 31, 2023

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Independent Auditors' Report

To the Board of Directors of Sunshine Coast Community Forest Ltd.

Opinion

We have audited the financial statements of Sunshine Coast Community Forest Ltd., which comprise the statement of financial position as at December 31, 2023, and the statements of operations and comprehensive loss, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company 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.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Independent Auditors' Report (continued)

Auditors' 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 auditors' 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 these 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ◆ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We 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.

**Sechelt, Canada
March 11, 2024**

Crowe Mackay LLP

Chartered Professional Accountants

Sunshine Coast Community Forest Ltd.

Statement of Operations and Comprehensive Loss (In Canadian dollars)

For the year ended December 31,	2023	2022
Logging revenue	\$ 1,609,420	\$ 2,093,800
Cost of sales		
Logging (note 5)	1,074,878	782,362
Silviculture (note 10)	47,801	35,328
	1,122,679	817,690
Gross margin (30.2%, 2022 60.9%)	486,741	1,276,110
Expenses		
Accounting and legal	47,607	26,038
Advertising and communications	11,502	12,716
Board and committee (note 17)	32,461	36,795
Community donations	13,046	27,194
Community engagement	117,012	189,955
Depreciation	5,522	3,454
Forestry projects	119,802	73,826
Insurance	4,859	3,598
Interest and bank charges	4,386	1,010
Management and administration	246,679	176,207
Office	29,089	43,438
Rent	16,635	13,552
Road maintenance	30,230	15,696
Special events	1,171	2,165
Travel	17,395	8,782
	697,396	634,426
Income before other items	(210,655)	641,684
Other income (expense)		
Loss on sale of property and equipment	(712)	-
Interest and other income	66,905	31,878
Miscellaneous income (note 8)	53,301	7,920
	119,494	39,798
Net and comprehensive income (loss)	\$ (91,161)	\$ 681,482

Sunshine Coast Community Forest Ltd.

Statement of Changes in Equity (In Canadian dollars)

For the year ended December 31,

	Share capital	Contributed surplus	Retained earnings	Total
Balance, December 31, 2021	\$ 172,600	\$ 49,770	\$ 1,952,823	\$ 2,175,193
Net income and comprehensive income	-	-	681,482	681,482
Dividends paid	-	-	(525,890)	(525,890)
Balance, December 31, 2022	172,600	49,770	2,108,415	2,330,785
Net loss and comprehensive loss	-	-	(91,161)	(91,161)
Dividends paid	-	-	(275,890)	(275,890)
December 31, 2023	\$ 172,600	\$ 49,770	\$ 1,741,364	\$ 1,963,734

Dividend per share for 2023 is \$15.98 (2022 - \$30.46)

Sunshine Coast Community Forest Ltd.

Statement of Financial Position (In Canadian dollars)

December 31,	2023	2022
Assets		
Current		
Cash	\$ 690,263	\$ 1,536,423
Short term investment (note 4)	416,922	-
Accounts receivable	-	378,521
GST receivable	19,596	7,659
Inventories (note 5)	246,861	367,971
Prepaid operational costs (note 6)	172,727	212,125
	1,546,369	2,502,699
Investments (note 4)	587,714	-
Prepaid operational costs (note 6)	236,016	196,735
Property and equipment (note 7)	28,284	23,842
	\$ 2,398,383	\$ 2,723,276

Sunshine Coast Community Forest Ltd.

Statement of Financial Position (continued) (In Canadian dollars)

December 31,	2023	2022
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Liabilities

Current

Accounts payable and accrued liabilities	\$ 80,693	\$ 97,743
Dividends payable	25,890	25,890
Due to shareholder (note 8)	97,572	-
Deferred revenue (note 9)	46,269	41,794
Current portion of accrued silvicultural costs (note 10)	66,465	65,836
Current portion of accrued road deactivation costs (note 11)	15,177	12,012
	332,066	243,275
Accrued silvicultural costs (note 10)	99,210	121,972
Accrued road deactivation costs (note 11)	3,373	27,244
	434,649	392,491

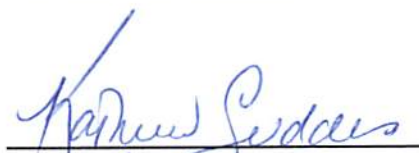
Shareholder's equity

Share capital (note 12)	172,600	172,600
Contributed surplus (note 13)	49,770	49,770
Retained earnings	1,741,364	2,108,415
	1,963,734	2,330,785
	\$ 2,398,383	\$ 2,723,276

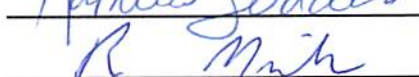
Nature of operations (note 1)

Commitments (note 14)

Approved and authorized by the Board of Directors on March 11, 2024, signed on behalf of the Board:



Director



Director

Sunshine Coast Community Forest Ltd.

Statement of Cash Flows (In Canadian dollars)

For the year ended December 31,	2023	2022
Cash provided by (used in)		
Operating activities		
Net and comprehensive income (loss)	\$ (91,161)	\$ 681,482
Items not affecting cash		
Depreciation	5,522	3,454
Accrued interest from investments	(41,266)	-
Loss on sale of property and equipment	712	-
Decrease in accrued silvicultural costs	(22,133)	(32,029)
Decrease in accrued road deactivation costs	(20,706)	(19,667)
	(169,032)	633,240
Change in non-cash working capital items		
Accounts receivable	378,521	(147,407)
GST	(11,937)	(4,253)
Inventories	121,110	(169,717)
Prepaid operational costs	118	(130,131)
Accounts payable and accrued liabilities	(17,049)	(4,616)
Deferred revenue	4,475	41,794
	306,206	218,910
Financing activities		
Advances from shareholder	97,572	-
Dividends paid	(275,890)	(525,890)
	(178,318)	(525,890)
Investing activities		
Purchase of investments	(963,370)	-
Purchase of property and equipment	(12,388)	(20,047)
Proceeds on disposal of property and equipment	1,710	-
	(974,048)	(20,047)
Decrease in cash	(846,160)	(327,027)
Cash, beginning of year	1,536,423	1,863,450
Cash, end of year	\$ 690,263	\$ 1,536,423
Supplemental cash flow information		
The Company had the following cash transactions:		
Interest received	\$ 25,639	\$ 31,878

Sunshine Coast Community Forest Ltd.

Notes to the Financial Statements (In Canadian dollars)

December 31, 2023

1. Nature of operations

Sunshine Coast Community Forest Ltd. (the "Company") was incorporated on March 8, 2005, under the laws of the Province of British Columbia and its major activity is utilizing certain timber rights pursuant to a Community Forest Agreement (K3F) dated May 30, 2011.

The address of the Company's corporate office and principal place of business is 213-5710 Teredo St., Sechelt, British Columbia, V0N 3A0.

The sole shareholder of the Company is the District of Sechelt.

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

2. Basis of preparation

a) Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Issues Committee ("IFRIC"), effective for the Company's reporting for the year ended December 31, 2023.

b) Basis of measurement

The financial statements have been prepared on a historical cost basis, except for financial instruments measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3(i).

Sunshine Coast Community Forest Ltd.

Notes to the Financial Statements (In Canadian dollars)

December 31, 2023

3. Material accounting policies

These financial statements are prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board. The material accounting policies are detailed as follows:

(a) Standards adopted in the current year

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

These amendments continue the IASB's clarifications on applying the concept of materiality. These amendments help companies provide useful accounting policy disclosures, and they include: requiring companies to disclose their material accounting policies instead of their significant accounting policies; clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and do not need to be disclosed; and clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material.

The IASB also amended IFRS Practice Statement 2 to include guidance and examples on applying materiality to accounting policy disclosures. The amendments to IAS1 provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date.

These amendments are effective for reporting periods beginning on or after January 1, 2023.

There is no significant impact on the financial statements expected from the adoption of the amendments.

Definition of Accounting Estimates (Amendments to IAS 8)

These amendments clarifies how companies distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on the definition of and clarifications on accounting estimates. The distinction between the two is important because changes in accounting policies are applied retrospectively, whereas changes in accounting estimates are applied prospectively. Further, the amendments clarify that accounting estimates are monetary amounts in the financial statements subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

These amendments are effective for reporting periods beginning on or after January 1, 2023.

There is no significant impact on the financial statements from the adoption of the amendments.

Sunshine Coast Community Forest Ltd.

Notes to the Financial Statements (In Canadian dollars)

December 31, 2023

3. Material accounting policies (continued)

(b) Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined under the weighted average cost method. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and estimated selling costs. Cost of inventories includes materials, direct labour, manufacturing overhead and other costs incurred in bringing the inventories to their present location and condition.

Inventories are written down to net realizable value when the cost of inventories is not estimated to be recoverable. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed (the reversal is limited to the amount of the original write-down).

(c) Property and equipment

Recognition and Measurement

On initial recognition, property and equipment are valued at cost, being the purchase price and directly attributable costs of acquisition of the asset. Property and equipment is subsequently recorded at cost plus any costs of betterment less accumulated depreciation. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Subsequent costs

The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized and the corresponding loss is recognized in the Company's income or loss for the year. The costs of the day-to-day servicing of property and equipment are recognized in income or loss as incurred.

Gains and losses

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized in income or loss.

The company depreciates its roads over 25 years using straight-line method and its furniture and fixtures at 20% double declining balance.

The estimated useful lives of assets are reviewed by management and adjusted if necessary.

Sunshine Coast Community Forest Ltd.

Notes to the Financial Statements (In Canadian dollars)

December 31, 2023

3. Material accounting policies (continued)

(d) Impairment of non-financial assets

Non-financial assets are subject to impairment tests at least annually and whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

When it is not possible to estimate the recoverable amount of an asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. The Company has one cash generating unit for which impairment testing is performed.

An impairment loss is charged to profit or loss, except to the extent that they reverse gains previously recognized in other comprehensive income or loss.

(e) Provisions

Accrued silvicultural costs

The Company is subject to requirements relating to the reforestation under its timber forest license and recognizes a provision when timber is harvested. The estimated provision is based on the expected future cash flows discounted at the risk-free rate. Upon harvesting the timber, the related silvicultural costs are recorded as a liability with the related expenses being recorded in cost of sales - silviculture.

In periods subsequent to the initial measurement, changes in the liability resulting from revisions to estimated future costs are recognized in cost of sales - silvicultural as they occur. The unwinding of the discount associated with the provision to reflect the passage of time is recognized in profit or loss for the period. All subsequent expenditures relating to the reforestation of these cut blocks are recorded against the related liability.

Road deactivation costs

The Company is subject to requirements to deactivate logging roads once they are no longer in use. The Company accrues the related deactivation costs at the time the road is completed and available for use. Upon completion of the logging roads the estimated deactivation costs are recorded as a liability with the related expense being recorded in cost of sales - logging. All subsequent expenditures are recorded against the related liability.

The related liabilities are adjusted for subsequent changes in estimates.

Sunshine Coast Community Forest Ltd.

Notes to the Financial Statements (In Canadian dollars)

December 31, 2023

3. Material accounting policies (continued)

(f) Revenue recognition

Revenue is comprised of the sale of raw logs. Logging revenue is recognized based on contracts with customers and is measured net of brokerage fees and recognized upon delivery to the customer, provided collectability is reasonable assured. The Company satisfies its performance obligation when control of the raw logs has passed to the customer.

Interest income is recognized when earned and accrued if payment has not yet been received by the company.

Grant revenue is recognized when the amount is measurable, collection is reasonably assured and the Company has complied with the conditions of the grant.

(g) Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(h) Critical accounting estimates and judgments

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgment are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in accounting estimate is recognized prospectively by including it in profit or loss in the period of change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical accounting estimates in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

Sunshine Coast Community Forest Ltd.

Notes to the Financial Statements (In Canadian dollars)

December 31, 2023

3. Material accounting policies (continued)

(h) Critical accounting estimates and judgments (continued)

Expected timber volumes from certain cut blocks

Expected timber volumes from certain cut blocks are determined initially by third party engineers who assess the expected timber supply in each cut block. The associated engineering and road building costs for each block are recorded as inventory and expensed as these cut blocks are logged with reference to the expected volumes. These estimates are reviewed and updated annually by management with any changes being applied prospectively. The estimated volume from cut blocks may differ from the actual timber volume.

Accrued silvicultural costs

The Company accrues the discounted estimated cost of reforestation required under its timber forest licence at the time the timber is harvested. The estimated costs are determined by management based on the Company's operational plans, past experience, and independent expert analysis. The assessment is based on the location and terrain of the specific cut blocks and may differ from the actual costs associated with reforestation of the cut blocks. The cash flow timing, discount rate, and inflation rate are also estimates determined by management.

Road deactivation costs

Road deactivation costs are based on managements estimates of such costs based on the standard cost per meter of road. These estimates are based on historical data and past experiences with the costs associated with the deactivation of the roads and consist mainly of subcontractor costs. These costs are accrued at the time of completion of the service roads. Subsequent to the recording of the deactivation costs all related expenditures reduce the liability as incurred.

(i) Financial instruments

Classification

Financial assets are classified at initial recognition as one of the following: at amortized cost, fair value through profit or loss ("FVTPL"), or fair value through other comprehensive income ("FVTOCI"). The classification depends on the Company's business model for managing the financial assets and the contractual cash flow characteristics. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income ("OCI").

Fair value through profit or loss ("FVTPL") – Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the income statement. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in the income statement in the period in which they arise. Derivatives are also categorized as FVTPL unless they are designated as hedges.

Sunshine Coast Community Forest Ltd.

Notes to the Financial Statements (In Canadian dollars)

December 31, 2023

3. Material accounting policies (continued)

(i) Financial instruments (continued)

Fair value through other comprehensive income ("FVTOCI") - Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Financial assets at amortized cost - A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date and are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

The Company has classified cash, accounts receivable and investments as financial assets at amortized cost.

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL or the Company has opted to measure at FVTPL.

The Company has classified accounts payable and accrued liabilities, due to shareholder and dividends payable as financial liabilities at amortized cost.

Accounts payables and accrued liabilities represent liabilities for goods and services provided to the Company prior to the end of the period which are unpaid. Accounts payable and accrued liabilities amounts are unsecured and are usually paid within 30 days of recognition.

Dividends payable represent distributions of the Company's retained earnings to the shareholder. These payments have been declared payable on December 31, 2023 and will be distributed to the shareholder subsequent to year end.

Measurement

Financial assets and liabilities at FVTPL are initially recognized at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets or liabilities held at FVTPL are included in profit or loss in the period in which they arise. Where the Company has opted to designate a financial liability at FVTPL, any changes associated with the Company's credit risk will be recognized in OCI.

Financial assets and liabilities at amortized cost are initially recognized at fair value, and subsequently carried at amortized cost less any impairment.

Impairment

The Company assesses on a forward-looking basis the expected credit loss ("ECL") associated with financial assets measured at amortized cost, and contract assets and debt instruments carried at FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Sunshine Coast Community Forest Ltd.

Notes to the Financial Statements (In Canadian dollars)

December 31, 2023

3. Material accounting policies (continued)

(i) Financial instruments (continued)

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(j) Standards issued but not yet effective

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

The amendments to IAS 1 provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date.

These amendments are effective for reporting periods beginning on or after January 1, 2024.

4. Investments

Current:

1 year non-redeemable at 4.45%, maturing on January 14, 2024	\$ 416,922
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Non-Current:

	2023
2 year non-redeemable at 4.50%, maturing on January 17, 2025	\$ 208,581
5 year non-redeemable at 4.55%, maturing on January 17, 2028	379,133
	\$ 587,714

5. Inventories

Inventories consist of the following:

	2023	2022
Finished goods	\$ 66,812	\$ 367,971
Work in progress	180,049	-
	\$ 246,861	\$ 367,971

Sunshine Coast Community Forest Ltd.

Notes to the Financial Statements (In Canadian dollars)

December 31, 2023

5. Inventories (continued)

In 2023, a total of \$1,122,679 (2022 - \$817,690) of inventories was included in profit or loss as an expense.

6. Prepaid operational costs

Management has identified certain engineering and temporary road building costs incurred that relate to the anticipated activities for certain areas and amounts of timber that have not completed and as such, these costs have been deferred and are brought into inventory as the anticipated volumes for those areas are realized.

	2023	2022
Total prepaid operational costs	\$ 408,743	\$ 408,861
Non-current portion	(236,016)	(196,736)
	\$ 172,727	\$ 212,125

7. Property and equipment

	2023		2022	
	Cost	Accumulated amortization	Net book value	Net book value
Vehicle	\$ 1	\$ -	\$ 1	\$ 1
Furniture and fixtures	56,789	28,506	28,283	23,841
Roads	306,827	306,827	-	-
	\$ 363,617	\$ 335,333	\$ 28,284	\$ 23,842

8. Due to shareholder

(a) Transactions

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

	2023	2022
Miscellaneous income - District of Sechelt	\$ 32,775	\$ -
Dividends - District of Sechelt	\$ 275,890	\$ 525,890

Sunshine Coast Community Forest Ltd.

Notes to the Financial Statements (In Canadian dollars)

December 31, 2023

8. Due to shareholder (continued)

(b) Due to shareholder:

	2023	2022
District of Sechelt	\$ 97,572	\$ -

9. Deferred revenue

	Balance, beginning of year	Received	Recognized	Balance, end of year
	\$ 41,794	\$ 25,000	\$ (20,525)	\$ 46,269

Funding was received from the Sunshine Coast Tourism Society for the purpose of completing the Big Trees Recreation Area project.

10. Accrued silvicultural costs

The Company accrues silvicultural costs based on the volume of production measured in cubic metres.

	2023	2022
Beginning of year	\$ 187,808	\$ 219,837
Expensed	(47,801)	(35,328)
Accrued	25,668	3,299
Current portion	(66,465)	(65,836)
End of year	\$ 99,210	\$ 121,972

The silviculture accrual rate is \$3.56/m³ (2022 - \$3.75/m³).

Sunshine Coast Community Forest Ltd.

Notes to the Financial Statements (In Canadian dollars)

December 31, 2023

11. Accrued road deactivation costs

The Company accrues road deactivation costs at the completion of the construction of the logging road based on estimated costs to restore the roads and vegetation.

	2023	2022
Beginning of year	\$ 39,256	\$ 58,923
Expensed	(34,119)	(34,930)
Accrued	13,413	15,263
Current portion	(15,177)	(12,012)
End of year	\$ 3,373	\$ 27,244

The road deactivation accrual rate is \$3.56 per meter of road constructed.

12. Share capital

	2023	2022
Authorized		
Unlimited common shares with no par value		
Issued and outstanding		
17,260 Common shares	\$ 172,600	\$ 172,600

13. Contributed surplus

The shareholder of the Company received a SICEAI Grant of \$49,770 from the Community Futures Development Corporation in 2004 and expended those monies on behalf of the Company in conjunction with the application for the Probationary Community Forest Agreement.

14. Commitments

The Company leases the office under an agreement which expires in 2026 and requires monthly payments of \$1,232. Lease payments in the next three years are as follows:

2024	\$ 14,784
2025	14,784
2026	14,784
	\$ 44,352

Sunshine Coast Community Forest Ltd.

Notes to the Financial Statements (In Canadian dollars)

December 31, 2023

15. Comparative amounts

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.

16. Capital disclosure

The Company considers the net and unencumbered financial assets held to be capital for the purposes of this section. Capital is calculated by adding cash, accounts receivable, short-term term deposits and GST receivable then deducting total current liabilities.

The Company's objective in managing capital is to ensure sufficient capital is available during the year and on an on going basis to fund current operations, to provide for future liabilities and contingencies and to provide a reasonable rate of return to the shareholder. The Company's capital management is done by management in conjunction with the Board by budgeting, regular review of financial reporting and longer term capital planning. As at December 31, 2023, the Company's capital was \$804,714 (2022 - \$1,679,328).

There were no changes in the Company's approach to capital management during the year ended December 31, 2023. The Company was not subject to externally imposed covenants.

17. Related party transactions

Key management compensation

During the year, the Company paid honorariums totaling \$12,000 (2022 - \$12,361) to the Chair.

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18. Financial instruments

The following sections describe the Company's financial risk management objectives and policies and the Company's financial risk exposures.

(a) Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and accounts receivable.

The Company limits its exposure to credit loss by placing its cash with major financial institutions and invests only in short-term obligations that are guaranteed by the Canadian government or by a British Columbia Credit Union. The Company's maximum exposure to credit risk for cash and is the amount disclosed in the statement of financial position.

The Company has established a credit policy to assess the credit risk of new customers before entering contracts. The Company's exposure to credit loss is limited as the accounts receivable are from one customer, A&A Trading Ltd., and have been collected subsequent to the year-end. There is no risk in the December 31, 2023 year end given there is no accounts receivable balance at year end.

Management believes that the credit risk concentration with respect to financial instruments included in cash and accounts receivable is minimal.

(b) Fair value

The Company estimates the fair value of its financial instruments based on current interest rates, market value and pricing of financial instruments with comparable terms. Unless otherwise indicated, the carrying value of these financial instruments approximates their fair market value because of the near maturity of those instruments.

Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1: valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: valuation techniques based on inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. There were no transfers between levels of the fair value hierarchy during the year.

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18. Financial instruments (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to evaluate current and expected liquidity requirements under both normal and stressed conditions to ensure that it maintains sufficient reserves of cash or have an available credit facility to meet its liquidity requirements in the short and long term.

As at December 31, 2023, the Company had a cash balance of \$690,263 (2022 - \$1,536,423) to settle current liabilities of \$332,067 (2022 - \$243,275). All of the Company's financial liabilities are classified as current and are anticipated to mature within the following fiscal year. The Company intends to settle these with funds from its positive working capital position.

(d) Market Risk

Market risk incorporates a range of risks. Movement in risk factors, such as market price risk and currency risk, affect the fair values of financial assets and liabilities. The Company is exposed to these risks as the ability of the Company to develop or market its products and the future profitability of the Company is related to the market price of logs.

i) Foreign currency risk

The Company does not have assets held in foreign currencies as at December 31, 2023 and 2022 and therefore is not exposed to foreign currency risk.

ii) Price risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

iii) Interest rate risk

The Company is exposed to interest rate risk to the extent that the cash maintained at the financial institution is subject to a floating rate of interest. The interest rate risk on cash and investments is not considered significant.