

Special-purpose Financial Statements of

**VALEMOUNT COMMUNITY FOREST  
LIMITED PARTNERSHIP**

And Independent Auditor's Report thereon

Year ended December 31, 2023

**KPMG LLP**

177 Victoria Street, Suite 400  
Prince George, BC V2L 5R8  
Canada  
Telephone 250 563 7151  
Fax 250 563 5693

## **INDEPENDENT AUDITOR'S REPORT**

To the Partners of Valemount Community Forest Limited Partnership

***Opinion***

We have audited the special-purpose financial statements of Valemount Community Forest Limited Partnership (the "Partnership"), which comprise:

- the balance sheet as at December 31, 2023
- the statement of operations for the year then ended
- the statement of partners' equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the special-purpose 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 December 31, 2023 are prepared, in all material respects, in accordance with the financial reporting framework described in Note 1(a).

***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 Special-Purpose Financial Statements"** section of our auditor's report.

We are independent of the Partnership 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(a) to the financial statements, which describes the applicable financial reporting framework and the purpose of the financial statements. As a result, the financial statements may not be suitable for another purpose.

Our opinion is not modified in respect to this matter.



### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the basis of accounting described in Note 1(a) to the financial statements; this includes determining that the applicable financial framework is an acceptable basis for the preparation of the financial statements in the circumstances, 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 Partnership'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 Partnership or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Partnership'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 Partnership's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



Page 3

- 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 Partnership'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 Partnership 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants

Prince George, Canada

June 27, 2024

# VALEMOUNT COMMUNITY FOREST LIMITED PARTNERSHIP

Special-purpose Balance Sheet

December 31, 2023, with comparative information for 2022

	2023	2022
<b>Assets</b>		
Current assets:		
Cash	\$ 1,207,301	\$ 2,154,835
Accounts receivable	1,410,247	869,626
Guaranteed investment certificates	1,090,523	1,047,985
Log inventory (note 2)	107,407	84,812
Prepaid expenses	176,260	99,321
	3,991,738	4,256,579
Due from related party (note 3)	-	2,400,000
Property and equipment (note 4)	146,257	167,579
Forest licences and contracts (note 5)	1,200,516	1,270,366
Undistributed patronage allocations - Four Rivers Co-op	3,070	3,070
	\$ 5,341,581	\$ 8,097,594

## Liabilities and Partners' Equity

Current liabilities:		
Accounts payable and accrued liabilities (note 6)	\$ 674,626	\$ 480,806
Due to partner (note 7)	2,407,853	2,407,853
Current portion of silviculture obligation (note 8)	349,320	314,618
	3,431,799	3,203,277
Silviculture obligation (note 8)	295,843	265,298
Provision for road decommissioning	21,530	21,530
	3,749,172	3,490,105
Partners' equity	1,592,409	4,607,489
	\$ 5,341,581	\$ 8,097,594

See accompanying notes to special-purpose financial statements.

On behalf of the Board:

\_\_\_\_\_ Partner \_\_\_\_\_ Partner

# VALEMOUNT COMMUNITY FOREST LIMITED PARTNERSHIP

Special-purpose Statement of Operations

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

	2023	2022
Revenue:		
Logging	\$ 12,530,246	\$ 13,167,685
Direct expenses:		
Amortization	21,323	25,617
Amortization - forest licences	69,850	71,986
Log purchases	251,267	139,166
Log yard	158,171	135,535
Other	11,083	62,557
Salaries and benefits	361,919	389,914
Silviculture	554,342	437,782
Stumpage	717,103	640,912
Subcontracting - logging and roads	9,937,694	8,991,690
Supplies	34,101	8,516
Timber development	97,675	64,399
	12,214,528	10,968,074
Operating margin	315,718	2,199,611
Expenses:		
Advertising	9,562	7,180
Consulting - forest inventory	19,734	25,709
Courier	262	-
Forest licence rent	18,130	51,172
Grant writing fees	50	8,000
Insurance	2,204	2,030
Meals and entertainment	5,716	2,786
Memberships and dues	15,000	10,780
Office and general	70,047	40,008
Planning	43,099	57,031
Professional fees	52,662	95,076
Rent	75,000	75,000
Grants	114,500	32,212
Telephone	4,832	5,104
Vehicles	65,702	48,562
	496,500	460,650
(Loss) earnings from operations before other income (expense)	(180,782)	1,738,961
Other income (expense):		
Gain on disposal of property and equipment and contract	-	44,265
Interest on guaranteed investment certificates	42,550	24,942
Loss on write down of amount due from related party	(2,900,000)	-
Miscellaneous	23,152	3,739
	(2,834,298)	72,946
Net (loss) earnings	\$ (3,015,080)	\$ 1,811,907

See accompanying notes to special-purpose financial statements.

# VALEMOUNT COMMUNITY FOREST LIMITED PARTNERSHIP

Special-purpose Statement of Partners' Equity

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

2023	Partnership interest %	Balance, beginning of year	Net loss	Balance, end of year
Valemount Community Forest Company Ltd.	0.01	\$ 461	\$ (301)	\$ 160
The Corporation of the Village of Valemount	99.99	4,607,028	(3,014,779)	1,592,249
	100.00	\$ 4,607,489	\$ (3,015,080)	\$ 1,592,409

  

2022	Partnership interest %	Balance, beginning of year	Net earnings	Balance, end of year
Valemount Community Forest Company Ltd.	0.01	\$ 280	\$ 181	\$ 461
The Corporation of the Village of Valemount	99.99	2,795,302	1,811,726	4,607,028
	100.00	\$ 2,795,582	\$ 1,811,907	\$ 4,607,489

See accompanying notes to special-purpose financial statements.

# VALEMOUNT COMMUNITY FOREST LIMITED PARTNERSHIP

## Special-purpose 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	\$ (3,015,080)	\$ 1,811,907
Items not involving cash:		
Amortization	21,323	25,617
Gain on disposal of property and equipment and contract	-	(44,265)
Amortization - forest licences	69,850	71,986
Loss on write down of amount due from related party	2,900,000	-
Silviculture accrual	554,342	437,782
Reversal of Evergreen contract termination liability	-	(98,667)
	530,435	2,204,360
Change in non-cash operating working capital:		
Accounts receivable	(540,621)	(114,164)
Log inventory	(22,595)	330,540
Prepaid expenses	(76,939)	6,395
Accounts payable and accrued liabilities	193,818	(349,709)
Silviculture obligations paid	(489,094)	(319,012)
Provision for road decommissioning	-	16,112
	(404,996)	1,774,522
Financing:		
Advances repaid to partner	-	(103,833)
Proceeds from repayment of Evergreen contract termination	-	281,905
	-	178,072
Investing:		
Guaranteed investment certificates	(42,538)	(24,942)
Advances to related party	(500,000)	(500,000)
Acquisition of property and equipment	-	(139,984)
Proceeds from disposal of property and equipment	-	6,500
	(542,538)	(658,426)
(Decrease) increase in cash	(947,534)	1,294,168
Cash, beginning of year	2,154,835	860,667
Cash, end of year	\$ 1,207,301	\$ 2,154,835

See accompanying notes to special-purpose financial statements.



# VALEMOUNT COMMUNITY FOREST LIMITED PARTNERSHIP

Notes to Special-purpose Financial Statements

December 31, 2023

---

## Nature of operations:

Valemount Community Forest Limited Partnership (the "Partnership") was created under the British Columbia Partnership Act on January 14, 2019. The Partnership has Community Forest Agreements and other forest tenure agreements in the Valemount, B.C. area.

## 1. Significant accounting policies:

### (a) Basis of preparation:

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") as their financial reporting framework. The Partnership is considered to be a GBE under Canadian Public Sector Accounting Standards and should be preparing general-purpose financial statements in accordance with IFRS Accounting Standards.

Valemount Community Forest Limited Partnership has not prepared general-purpose financial statements. Rather, these financial statements have been prepared in accordance with the recognition, measurement, disclosure and presentation principles in Part II of the CPA Canada Handbook – Accounting (Canadian Accounting Standards for Private Enterprises "ASPE") which have not been designed for the use of GBEs. Therefore, these financial statements are special-purpose financial statements designed for the purpose and sole use of the Partners to assist them in oversight of the Partnership and its financial performance.

As a result, the special-purpose financial statements may not be suitable for another purpose.

### (b) Log inventory:

Log inventory consists of logs held for resale. Log inventory is valued at the lower of estimated cost and net realizable value.

### (c) Property and equipment:

Property and equipment is stated at cost, less accumulated amortization. Amortization is provided using the declining balance method and following annual rates:

---

Asset	Rate
Computer and software	30%
Vehicles	20%

---

# VALEMOUNT COMMUNITY FOREST LIMITED PARTNERSHIP

Notes to Special-purpose Financial Statements (continued)

December 31, 2023

## 1. Significant accounting policies (continued):

### (d) Forest licences:

Forest licences include forest licences with the Province of British Columbia. Forest licences are carried at cost less accumulated amortization. Non-renewable licences are amortized over the period of the licence.

	Years
Forest licence - A93987	25
Forest licence - Community Forest Agreement K2T	25
Forest licence - Community Forest Agreement K5Q	25
Woodlot licence - WL 277	25
Evergreen Contract	3

### (e) Use of estimates:

The preparation of the 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. Items subject to such estimates and assumptions include the silviculture obligation, accrued liabilities, carrying value of forest licences and contracts, property and equipment, log inventory and accounts receivable. Actual results could differ from those estimates.

### (f) Impairment of long-lived assets:

Long-lived assets, including property and equipment and forest licences are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. When quoted market prices are not available, the Partnership uses the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the asset as an estimate of fair value.

Assets to be disposed of would be separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer amortized. The asset and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the balance sheet.

# VALEMOUNT COMMUNITY FOREST LIMITED PARTNERSHIP

Notes to Special-purpose Financial Statements (continued)

December 31, 2023

---

## 1. Significant accounting policies (continued):

### (g) Revenue recognition:

The Partnership recognizes revenue from log sales based on the volume of wood delivered and scaled and at the time the customer takes ownership, assumes the risk of loss, and collection of the relevant receivable is probable.

Grant revenues are recognized when earned. Revenue unearned in the current period is reported on the balance sheet as deferred revenue.

Interest income is reported as revenue in the period that it is earned.

### (h) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. 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 Partnership 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, which are amortized using the effective interest rate method.

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 Partnership 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 Partnership 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.

In the case of financial instruments that originate as a result of related party transactions, initial measurement will be at exchange amount of carrying value in accordance with Section 3840, Related Party Transactions, rather than a 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.

# VALEMOUNT COMMUNITY FOREST LIMITED PARTNERSHIP

Notes to Special-purpose Financial Statements (continued)

December 31, 2023

## 1. Significant accounting policies (continued):

### (i) Silviculture obligation:

The Partnership harvests timber under Community Forest Agreements (note 5) with the Province of British Columbia. Estimated future timber reforestation and silviculture obligations are accrued and expensed based on the volume of timber removed.

### (j) Related party transactions:

Monetary related party transactions and non-monetary related party transactions that have commercial substance are measured at the exchange amount when they are in the normal course of business, except when the transaction is an exchange of a product of property held for sale in the normal course of operations. Where the transaction is not in the normal course of operations, it is measured at the exchange amount when there is a substantive change in the ownership of the item transferred and there is independent evidence of the exchange amount. All other related party transactions are measured at the carrying amount.

## 2. Log inventory:

	2023	2022
Opening inventory balance	\$ 84,812	\$ 415,352
Harvesting costs	9,960,289	8,661,150
Cost of goods sold	(9,937,694)	(8,991,690)
Ending inventory balance	\$ 107,407	\$ 84,812

## 3. Due from related party:

The balance due from Valemount Industrial Park Limited Partnership, related by way of common ownership, is unsecured and has no specified terms of repayment. In 2023, it has been written down to net realizable value.

	2023	2022
Valemount Industrial Park Limited Partnership	\$ 2,900,000	\$ 2,400,000
Less write down to net realizable value	(2,900,000)	-
	\$ -	\$ 2,400,000

# VALEMOUNT COMMUNITY FOREST LIMITED PARTNERSHIP

Notes to Special-purpose Financial Statements (continued)

December 31, 2023

## 4. Property and equipment:

				2023	2022
	Cost	Accumulated amortization		Net book value	Net book value
Computer and software	\$ 23,536	\$ 6,073	\$	17,464	\$ 19,537
Vehicles	224,976	96,181		128,793	148,042
	\$ 248,512	\$ 102,254	\$	146,257	\$ 167,579

## 5. Forest licences and contracts:

The Partnership has entered into four Community Forest Tenure Agreements with the Province of British Columbia. The Agreements are for a twenty-five year term respectively and give the Partnership the right to harvest certain levels of timber on an annual basis and in total over the terms of the Agreements. The Evergreen Contract provides the right to harvest a specified annual amount of timber from the Partnership's Community Forest License K5Q and Forest License A93987.

	Cost	Accumulated amortization		Net book value 2023	Net book value 2022
Forest licence - A93987	\$ 85,893	\$ 19,521	\$	66,372	\$ 70,276
Forest licence - Community Forest Agreement K2T	1	-		1	1
Forest licence - Community Forest Agreement K5Q	1,307,072	297,062		1,010,010	1,069,422
Woodlot licence - WL277	156,800	32,667		124,133	130,667
	\$ 1,549,766	\$ 349,250	\$	1,200,516	\$ 1,270,366

## 6. Accounts payable and accrued liabilities:

		2023	2022
Trade payables	\$	574,149	\$ 344,891
Logging holdbacks		63,217	25,421
Wages payable		37,260	93,722
Sales tax payable		-	16,772
	\$	674,626	\$ 480,806

# VALEMOUNT COMMUNITY FOREST LIMITED PARTNERSHIP

Notes to Special-purpose Financial Statements (continued)

December 31, 2023

## 7. Due to partner:

The balance due to Valemount Community Forest Company Ltd. is unsecured, has no specified terms of repayment and is due on demand.

## 8. Silviculture obligation:

	2023	2022
Silviculture obligation, beginning of year	\$ 579,916	\$ 461,145
Increase in accrual due to current year logging	554,342	543,687
Actual silviculture costs paid in the year	(489,095)	(424,916)
Silviculture obligation, end of year	645,163	579,916
Less: current portion	(349,320)	(314,618)
Long-term portion	\$ 295,843	\$ 265,298

The silviculture obligation is in respect of harvesting undertaken subsequent to the transfer of the timber licenses to the Partnership.

## 9. Related party transactions:

During the course of the year the Partnership had the following transactions with related parties that were conducted within the normal course of business and were valued at exchange value, which is the amount agreed to by the parties.

	2023	2022
Ainslie Jackman, Director of the general partner:		
Accounts payable	\$ -	\$ 519
Contracting	1,766	6,181
The Corporation of the Village of Valemount, partner:		
Advertising	\$ (100)	\$ (125)
Grant writing fees	50	8,000
Grants expense	-	4,000
Cliff Jackman Contracting Ltd., owned by the spouse of a Director of the general partner:		
Subcontracting - road building/maintenance	\$ 370,092	\$ 314,269
Accounts payable	81,770	-
Road Construction	-	191,587

# VALEMOUNT COMMUNITY FOREST LIMITED PARTNERSHIP

Notes to Special-purpose Financial Statements (continued)

December 31, 2023

## 9. Related party transactions (continued):

	2023	2022
Valemount Industrial Park Limited Partnership, related by way of common ownership:		
Rent	\$ 75,000	\$ 75,000
Accounts receivable	(911,127)	(363,681)
Miscellaneous	317	174
Road Bridges	12,510	568
Scales	7,059	8,553
Log sort year	-	1,600
Swift Creek Holdings, owned by a Director of the general partner:		
Subcontracting - logging and roads	\$ 3,563	\$ 27,156

## 10. Financial risks and concentration of risk:

The Partnership's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, silviculture obligation and provision for road decommissioning. In management's opinion, the Partnership is not subject to interest rate risk and currency risk as they do not make purchases denominated in foreign currency.

Financial risks:

### (a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Partnership deals with creditworthy counterparties to mitigate the risk of financial loss from defaults.

### (b) Liquidity risk:

Liquidity risk is the risk that the Partnership will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Partnership manages its liquidity risk by monitoring its operating requirements.

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

# VALEMOUNT COMMUNITY FOREST LIMITED PARTNERSHIP

Notes to Special-purpose Financial Statements (continued)

December 31, 2023

---

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

Concentration of risk:

(a) Industry:

The Partnership sells logs as part of its agreement with the Province of British Columbia. A decline in economic conditions or other adverse conditions could lead to reduced revenue and gross margin.

(b) Limited counterparties:

A substantial portion of the Partnership's operating revenue is derived from the sale of products to one customer. Sales to this customer accounted for 59(2022 - 66 of revenue. The loss of this relationship would have a significant impact on the Partnership's revenue.

## **11. Comparative information:**

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.