

ISLAND CORRIDOR FOUNDATION

FINANCIAL STATEMENTS

(UNAUDITED)

Partners

Grant McDonald, CPA, CA*

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*incorporated



INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

To the members of the Island Corridor Foundation

We have reviewed the financial statements of **Island Corridor Foundation** that comprise the statement of financial position as at **December 31, 2022**, and the statement of operations, changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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.

Practitioner's responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

Basis for qualified conclusion

The Foundation's tangible capital assets include \$16,363,301 of track for which conditions indicate that the track assets may be impaired, requiring that the net carrying amount of the tangible capital asset be written down to the assets' fair value. In addition, included in amortization expense is \$ \$2,016,355 of amortization for tracks that are not in use. We were unable to evaluate the impact of this possible impairment and related amortization adjustment as management did not prepare an analysis and estimate the assets' fair value as at **December 31, 2022** and possible related impairment for the year ended **December 31, 2022**. Consequently, we were unable to perform the procedures we considered necessary.

Independent Practitioner's Review Engagement Report

(Continued)

Qualified conclusion

Based on our review, except for the effects of the matter described in the above paragraph, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of Island Corridor Foundation as at **December 31, 2022** and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Empahsis of matter - restated comparative information

We draw attention to Note 14 to the financial statements, which explains that certain comparative information presented for the year ended December 31, 2021 has been restated. Our opinion is not modified in respect of this matter.

As part of the review engagement of the 2022 financial statements, we also reviewed the adjustments described in Note 14 that were applied to amend the 2021 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2021 financial statements of the Foundation other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form assurance on the 2021 financial statements taken as a whole.

Other matter

Without modifying our conclusion, we draw attention to Note 1 of the financial statements which indicates that as at December 31, 2022 uncertainty exists with respect to the Foundation's ability to obtain future funding to meet one of its' mandates of continuing to develop railway assets. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Foundation's ability to continue as a going concern.

The financial statements for the year ended December 31, 2021 were reviewed by another accountant who expressed a qualified opinion on those financial statements on May 26, 2022 prior to the amendment noted above.

Church Pickard

CHURCH PICKARD
Chartered Accountants

Nanaimo, BC
May 15, 2023

ISLAND CORRIDOR FOUNDATION

STATEMENT OF FINANCIAL POSITION as at **December 31, 2022**

(unaudited)

	Operating Fund	Capital Funds	Total 2022	Total 2021 (Restated)
Assets				
Current				
Cash and equivalents - Note 4	\$ 104,637	\$ -	\$ 104,637	\$ 135,115
Accounts receivable	118,258	-	118,258	10,215
Prepaid expenses	15,123	-	15,123	20,500
Interfund receivable (payable)- Note 4	<u>(21,101)</u>	<u>21,101</u>	<u>-</u>	<u>-</u>
	216,917	21,101	238,018	165,830
Tangible capital assets - Note 5	-	311,981,998	311,981,998	315,469,098
Deferred leasing costs - Note 6	<u>9,213</u>	<u>-</u>	<u>9,213</u>	<u>1,181</u>
	<u>\$ 226,130</u>	<u>\$ 312,003,099</u>	<u>\$ 312,229,229</u>	<u>\$ 315,636,109</u>
Liabilities				
Current				
Accounts payable	\$ 68,089	\$ -	\$ 68,089	\$ 98,206
Callable debt due in one year - Note 7	-	71,694	71,694	81,758
Current portion of long term debt - Note 8	24,000	-	24,000	24,000
Deferred revenue	1,087	-	1,087	1,087
GST payable	3,468	-	3,468	1,598
Accrued interest payable - Note 8	<u>62,710</u>	<u>3,906</u>	<u>66,616</u>	<u>64,720</u>
	159,354	75,600	234,954	271,369
Callable debt, due thereafter - Note 7	-	610,707	610,707	672,336
Long term debt - Note 7	49,000	-	49,000	73,000
Deferred revenue	<u>173,578</u>	<u>-</u>	<u>173,578</u>	<u>11,955</u>
	<u>381,932</u>	<u>686,307</u>	<u>1,068,239</u>	<u>1,028,660</u>
Net assets	<u>(155,802)</u>	<u>311,316,792</u>	<u>311,160,990</u>	<u>314,607,449</u>
	<u>\$ 226,130</u>	<u>\$ 312,003,099</u>	<u>\$ 312,229,229</u>	<u>\$ 315,636,109</u>

Approved on Behalf of the Board:

Aaron Stone

Daniel Arbou

ISLAND CORRIDOR FOUNDATION

STATEMENT OF OPERATIONS

For the year ended **December 31, 2022**

	Operating Fund	Capital Fund	Total 2022	Total 2021
Revenue				
Donations and grants - Note 11	\$ 352,718	\$ -	\$ 352,718	\$ 352,460
Crossings, leases and fees	258,550	-	258,550	406,311
Rental income - Note 9	<u>88,775</u>	<u>-</u>	<u>88,775</u>	<u>97,257</u>
	<u>700,043</u>	<u>-</u>	<u>700,043</u>	<u>856,028</u>
Expenditures				
Wages and benefits	255,786	-	255,786	256,652
Repairs and maintenance	77,037	-	77,037	169,324
Legal fees	73,710	-	73,710	244,430
Board expenses	45,064	-	45,064	19,256
Insurance	33,414	-	33,414	35,719
Interest on short-term debt	-	33,261	33,261	24,960
Professional fees	28,193	-	28,193	24,855
Utilities	24,401	-	24,401	23,698
Management and administration services	24,000	-	24,000	24,000
Communications	18,801	-	18,801	12,160
Advertising and promotion	17,652	-	17,652	14,850
Consulting fees and engineering	12,600	-	12,600	15,356
Interest and bank charges	5,735	-	5,735	4,986
Travel	3,767	-	3,767	7,860
Office	3,436	-	3,436	3,210
Public relations	<u>695</u>	<u>-</u>	<u>695</u>	<u>701</u>
	<u>624,291</u>	<u>33,261</u>	<u>657,552</u>	<u>882,017</u>
Excess of revenues over expenses (expenses over revenues) before undernoted items	75,752	(33,261)	42,491	(25,989)
Amortization	<u>-</u>	<u>3,488,950</u>	<u>3,488,950</u>	<u>3,486,111</u>
Excess of revenues over expenses (expenses over revenues)	<u>\$ 75,752</u>	<u>\$ (3,522,211)</u>	<u>\$ (3,446,459)</u>	<u>\$ (3,512,100)</u>

ISLAND CORRIDOR FOUNDATION

STATEMENT OF CHANGES IN NET ASSETS

For the year ended **December 31, 2022**

		Operating Fund	Capital Fund	Total 2022	Total 2021 (Restated)
Balance, beginning of the year	\$	(126,645)	\$ 314,734,094	\$ 314,607,449	\$ 318,119,549
Excess (deficiency) of revenue over expenses		75,752	(3,522,211)	(3,446,459)	(3,512,100)
Interfund loans and repayment of debt		<u>(104,909)</u>	<u>104,909</u>	<u>-</u>	<u>-</u>
Balance, end of the year	\$	<u>(155,802)</u>	<u>\$ 311,316,792</u>	<u>\$ 311,160,990</u>	<u>\$ 314,607,449</u>

ISLAND CORRIDOR FOUNDATION

STATEMENT OF CASH FLOWS

For the year ended **December 31, 2022**

(unaudited)

	2022	2021
Cash provided (used):		
Operating activities		
Excess of (expenses over revenues)	\$ (3,446,459)	\$ (3,512,100)
Items not involving cash		
Amortization	<u>3,488,950</u>	<u>3,486,111</u>
	42,491	(25,989)
Changes in non-cash operating accounts		
(Increase) decrease in accounts receivable	(108,043)	7,910
(Increase) decrease in prepaid expenses	(2,655)	6,158
(Decrease) increase in accounts payable and accrued liabilities	(26,352)	57,629
Increase (decrease) in deferred revenue	161,623	(1,087)
Repayment of triple net deposit	<u>-</u>	<u>(8,022)</u>
	67,064	36,599
Investing activities		
Purchase of tangible capital assets	<u>(1,848)</u>	<u>(104,787)</u>
Financing activities		
Repayment of long term debt	(24,000)	(24,000)
Repayment of callable debt	(71,694)	(71,067)
Advance of callable debt	<u>-</u>	<u>75,000</u>
	<u>(95,694)</u>	<u>(20,067)</u>
Decrease in cash	(30,478)	(88,255)
Cash, beginning of the year	<u>135,115</u>	<u>223,370</u>
Cash, end of the year	<u>\$ 104,637</u>	<u>\$ 135,115</u>

ISLAND CORRIDOR FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended **December 31, 2022**

(unaudited)

Nature of operations

Island Corridor Foundation ("the Foundation") was incorporated under the laws of the Government of Canada on January 01, 2004 and was continued under the Canada Not-for-Profit Corporations Act. As a registered charity, the Foundation is exempt from the payment of income tax under Section 149(1) of the Income Tax Act and able to issue donation receipts for income tax purposes. In order to maintain the status of a charitable organization under the Act, the Foundation must meet certain requirements within the Act, which, in the opinion of the management, have been met.

The Foundation's primary purposes are to preserve the use of the corridor in perpetuity for the connection and the benefit for all Island communities and First Nations along the corridor; to preserve historical landmarks; to create trails, parks and other public areas; to preserve and develop the assets on the Island Corridor and to contribute to rail services along the rail corridor. The members of the Foundation are eleven First Nations and five Regional Districts. They assumed ownership of the 319-kilometre rail corridor in 2006 on behalf of communities of Vancouver Island.

1. Going concern

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations which contemplate the continuation of the Foundation as a going concern including the realization of assets and the settlement of liabilities in the ordinary course of operations. However, certain conditions may cast significant doubt on the validity of this assumption.

The ability of the Foundation to meet one of its mandates of continuing to develop the railway assets located on the Island Corridor including certain tracks and bridges is dependent on the Foundation's ability to retain the commitment of a railway provider and to obtain grant funding to repair the bridges and tracks.

The Foundation has a Strategic Priorities & Operation Plan which outlines the Foundation's Key Focus Areas including multi-infrastructure plan for Rail. The Foundation remains optimistic regarding long-term upgrades and, in conjunction with Southern Railway of Vancouver Island (SVI), have identified and costed a series of Phase 1 rail infrastructure options that may be pursued.

The Foundation continues to maintain its infrastructure and pursue new property lease agreements and park developments as it awaits funding from the BC Government. The Province of BC released the Island Rail Corridor Condition Assessment Summary Report completed by WSP Canada Group Ltd. in April 2020. The summary identifies the railway corridor overall as being in Poor to Fair condition. The summary provides a conceptual cost estimate in support of three Improvement Phases evaluated: Initial, Intermediate and Ultimate. These phased cost estimates are separated between Victoria Subdivision and Port Alberni Subdivision and further divided into six geographical segments. In addition, the BC Government has completed the South Vancouver Island Transportation Strategy report of which rail featured prominently as a long-term investment.

ISLAND CORRIDOR FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended **December 31, 2022**

(unaudited)

1. **Going concern** - cont.

Vital to the rail operations of the Foundation is the involvement with SVI. The Foundation entered into an agreement with Southern Railway of Vancouver Island (SVI) in which SVI will pay a license fee to the Foundation of \$2,000 per month and the Foundation will pay monthly loan payments of \$2,000 to SVI. As long as the Foundation pays the monthly payments, SVI has agreed to grant a waiver of interest on the remaining unpaid principal amount of the loan.

The Foundation has incurred a net loss of \$3,446,459 (2021 - \$3,512,100) which includes amortization of \$3,488,950 (2021- \$3,486,111) for the year and as of December 31, 2021. The Foundation's current liabilities exceed its current assets by \$607,643 (2021 - \$777,875). Of this amount \$626,411 (2021 - \$685,046) is the mortgage on the Nanaimo Station building. The Nanaimo station is not included in current assets but the mortgage on the building is included in current liabilities which is the reason current liabilities exceed current assets.

On March 14, 2023 the federal and provincial governments announced that 10-plus acres of the land used by the Corridor be returned the Snaw-Naw-As First Nation. Without making any promises about that concept, the federal and provincial government announced support for future planning on the corridor.

These financial statements do not reflect the adjustments to the carrying amounts of reported assets and liabilities, revenues and expenses and balance sheet classifications which might be necessary should the going concern assumption not be appropriate. Such adjustments could be material.

2. **Significant accounting policies**

These financial statements have been prepared in accordance with the Canadian accounting standards for not-for-profit organizations and are in accordance with Canadian generally accepted accounting principles.

- Fund accounting

Island Corridor Foundation uses the restricted fund method of accounting for contributions and maintains two funds - Operating Fund and Capital Fund.

The Operating Fund accounts for assets, liabilities, revenues and expenses related to the Foundation's program delivery in the preservation of the railway corridor and its administrative activities.

The Capital Fund reports the assets, liabilities, revenues and expenses related to Island Corridor Foundation's capital assets, including acquisitions and disposals and debt commitments.

ISLAND CORRIDOR FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended **December 31, 2022**

(unaudited)

2. Significant accounting policies - cont

- Revenue recognition

The Foundation recognized donations when received. Grant revenue is recognized over the period that the service is performed, as specified by the grantor. Interest revenue is recognized when earned. Revenue from crossing departments and lease agreements is recognized over the term of the agreement. Rental income is recognized as earned over the term of the lease. Fundraising revenue is recognized when received. File opening fees for crossing agreements are recorded when an agreement is in place and their collectibility is reasonably assured.

- Contributed materials and services

Contributions of services and materials are recognized both as contributions and expenses in the statement of operations when a fair value can be reasonably estimated and when the services and materials are used in the normal course of the Foundation's operations and would otherwise have been purchased.

- Financial instruments

The Foundation considers any contract creating a financial asset or liability as a financial instrument, except in certain limited circumstances. The Foundation accounts for the following as financial instruments:

- Cash
- Accounts receivable
- Accounts payable
- Callable debt
- Long term debt

A financial asset or liability is recognized when the Foundation becomes party to contractual provisions of the instrument.

The Foundation initially measures its financial assets and liabilities at fair value. The Foundation subsequently measures all of its financial assets and financial liabilities from arm's length transactions at cost or amortized cost less any reduction for impairment.

Financial assets measured at cost or amortized cost less any reduction for impairment include cash and accounts receivable. Financial liabilities measured at amortized cost include accounts payable, callable debt, and long term debt.

ISLAND CORRIDOR FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended **December 31, 2022**

(unaudited)

2. Significant accounting policies - cont.

Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

The Foundation removes financial liabilities, or a portion thereof, when the obligation is discharged, cancelled or expires.

A financial asset (or group of similar financial assets) measured at cost or amortized cost are tested for impairment when there are indicators of impairment. Impairment losses are recognized in the statement of operations. Previously recognized impairment losses are reversed to the extent of the improvement provided provided the asset is not carried at an amount, at the date of the reversal, greater than the amount paid that would have been the carrying amount had no impairment loss been recognized properly. The amount of any write-downs or reversals are recognized in net income.

- Tangible capital assets

Tangible capital assets are recorded at cost. The Foundation provides for amortization using the straight-line method at rates designed to amortize the cost of the tangible capital assets over their estimated useful lives. The annual amortization rates are as follows

Railway stations	Straight line	20years
Equipment	Straight line	5years
Fences	Straight line	10years
Track	Straight-line	21.5-27years
Railway signals	Straight line	8.8 years
Culverts	Straight-line	20years
Bridges and tunnels	Straight-line	40years

- Callable debt

The Foundation's demand loans are classified as current liabilities because the lender has the right to demand repayment within one year.

- Measurement uncertainty

The preparation of the financial statements in conformity with the Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they they become known. Actual results could differ from these estimates.

Significant areas requiring the use of management estimates include accounts receivable, amortization and accrued liabilities.

ISLAND CORRIDOR FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended **December 31, 2022**

(unaudited)

2. Significant accounting policies - cont.

Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of capital assets, as outlined above. Accrued liabilities are based on management estimates.

These estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

3. Financial instruments

The Foundation is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Foundations' risk exposure and concentration as of December 31, 2022.

a) Credit risk

Credit risk from the potential that a counter party will fail to perform its obligations. The Foundation is exposed to credit risk from customers. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information.

The credit risk regarding cash is considered to be negligible because it is held by a reputable financial institution with an investment grade external credit rating.

b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Foundation is exposed to this risk mainly in respect of its receipt of funds from its customers and other related sources, callable debt, long-term debt and accounts payable.

c) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in interest rates. In seeking to minimize the risks from interest rate fluctuations, the Foundation manages exposure through its normal operating and financial activities. The Foundation is exposed to interest rate risk primarily through its variable rate callable debt and variable rate long term debt.

Unless otherwise noted, it is management's opinion that the Foundation is not exposed to significant other price risks arising from these financial instruments.

ISLAND CORRIDOR FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended **December 31, 2022**

(unaudited)

4. Externally restricted cash and net assets

Included in cash is \$21,101 (2021- \$21,101) of grants and donations from the Courtenay Rotary Club and other donors. The use of the funds is restricted for the future construction of the Courtenay train station and trailways along the corridor in the Nanaimo region.

5. Tangible capital assets

	Cost	Accumulated Amortization	Net 2022	Net 2021
Land	\$ 274,470,628	\$ -	\$ 274,470,628	\$ 274,470,628
Track	4,782,419	3,220,038	1,562,381	1,739,330
Bridges and tunnels	29,630,124	12,500,187	17,129,937	17,870,690
Culverts	7,872,370	6,640,305	1,232,065	\$ 1,625,683
Fences	34,556	5,184	29,372	32,828
Equipment	44,467	21,935	22,532	28,167
Computer equipment	4,529	3,199	1,330	162
Railway stations	3,030,052	1,859,601	1,170,451	1,321,954
Railway signals	5,723,000	5,723,000	\$ -	-
Track- not in use	<u>50,901,904</u>	<u>34,538,602</u>	<u>16,363,302</u>	<u>18,379,656</u>
	<u>\$ 376,494,049</u>	<u>\$ 64,512,051</u>	<u>\$ 311,981,998</u>	<u>\$ 315,469,098</u>

The Foundation's tangible capital assets include track assets for which conditions indicate that the assets may be impaired because they no longer have long term service potential. Management has estimated that approximately 91.41% of the track requires upgrades to the railway ties. The railway ties represent a approximately 30% of the track net book value.

6. Deferred leasing costs

Deferred leasing costs include commissions paid to Pemberton Homes Ltd for acquiring a tenant for the Nanaimo train station. The amount is amortized over the life of the related lease.

ISLAND CORRIDOR FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended **December 31, 2022**

(unaudited)

7. Callable debt

	2022	2021
CIBC non-revolving installment loan bearing interest at prime rate plus 1% per annum, repayable in monthly blended payments of \$7,500. The loan matures on December 31, 2031 and is secured by an agreement granting first security interest over chattel owned by the Foundation, registered assignment of rents and a \$1.1 million registered first charge over the Nanaimo Train Station property. The net book value of Nanaimo Train Station Building is \$ 1,027,291	\$ 626,411	\$ 685,045
CIBC non-revolving installment loan, bearing interest at prime plus 2% per annum, repayable in monthly blended payments of \$1,425. The loan matures on July 22, 2026 and is secured by an agreement granting first security in all property owned by the Foundation	55,990	69,049
Less principal due in one year	<u>(71,694)</u>	<u>(81,758)</u>
	<u>\$ 610,707</u>	<u>\$ 672,336</u>

Principal repayments terms are approximate, assuming the loan continues under the same terms, are as follows :

2023	\$ 57,015
2024	60,086
2025	64,698
2026	67,872
2027	<u>57,761</u>
	<u>\$ 307,432</u>

ISLAND CORRIDOR FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended **December 31, 2022**

(unaudited)

8. Long-term debt

	2022	2021
Southern Railway of Vancouver Island ("SVI") loan bearing interest at prime plus 1% per annum, repayable annually by \$24,000 plus interest. The loan is secured by promissory note and a second charge over all of the Foundation's assets	\$ 73,000	\$ 97,000
Less: Principal due in one year	<u>(24,000)</u>	<u>(24,000)</u>
	<u>\$ 49,000</u>	<u>\$ 73,000</u>

Principal re-payments terms are approximate, assuming the loan continues under the same terms, are as follows :

2023	\$ 24,000
2024	24,000
2025	24,000
2026	<u>1,000</u>
	<u>\$ 73,000</u>

On October 1, 2018 the Foundation signed a Freight Operations Agreement which expires on September 30, 2023. Under the terms of the agreement, SVI will pay a license fee to the Foundation of \$2,000 per month and the Foundation will pay monthly loan payments of \$2,000 to SVI. As long as the Foundation pays the monthly payments. SVI has agreed to grant a waiver of interest on the remaining principal amount of the loan. Included in the interest payable is \$62,710 (2021-\$62,710) related to this loan.

9. Rental income

Rental revenue and expenses related to the Nanaimo and Courtenay Train Stations are as follows:

	2022	2021
Commercial rent	\$ 111,510	\$ 114,027
Recoveries from tenant	\$ 33,175	\$ 30,641
Rental expense	<u>\$ (58,412)</u>	<u>\$ (49,888)</u>
	<u>\$ 86,273</u>	<u>\$ 94,780</u>

ISLAND CORRIDOR FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended **December 31, 2022**

(unaudited)

10. Contingencies

On September 10, 2020, the Foundation filed a statement of claim against the Performing Equities Ltd. regarding costs of remediation for a slide in Shawnigan Lake. This lawsuit remains at an early state and as litigation is subject to many uncertainties it is not possible to predict the ultimate outcome of this lawsuit or to estimate the costs of such. The Foundation has filed to recover all costs of the incurred as well as the cost of further remediation of the slide. As of the date of the Financial Statement, there is still no court ruling on this case.

11. Economic dependence

One of the Foundation's primary source of revenue is from an annual donation received from the Canadian Pacific Railway of \$352,255 (2021-\$352,255) per year. The amount is based on an agreement regarding payments from Telus to the Canadian Pacific Railway and then donated to the Foundation regarding land use for Fibre Optic Cable. The Foundations ability to continue viable operations is dependent upon the continued support of this entity.

12. Related party transactions

Property taxes and utility rates of \$16,140 (2021- \$16,189) were paid to members of the Foundation. Crossings, leases and fees include \$9,100 (2021-\$18,000) received from members of Foundation for land use and sundry fees. These transactions are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Municipal members have provided the Foundation with an exemption from paying property taxes in which case no expense is recorded. Included in accounts receivable is \$11,100 (2021-\$2,000) owing from the members of the Foundation. Included in accounts payable is \$14,797 owed to the members of the Foundation.

Included in salaries and wages are the current Executive Director's salary and benefits for services of \$145,012 (2021-\$138,397). The contract is for the period August 1,2021 to July 31, 2024. The annual committed amount under this contract is \$140,000 plus benefits.

These Transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount which is the amount which is the amount of consideration established and agreed to by the related parties.

ISLAND CORRIDOR FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended **December 31, 2022**

(unaudited)

13. Comparative figures

Certain items of the comparative figures have been reclassified to conform with the current year's presentation.

14. Prior period adjustment

During the current period it was discovered that there was a receivable recorded from the Bell group to recoup expenses paid by the Island Corridor Foundation related to the Shawnigan slide in 2020. The Bell group has not paid the amount as they are awaiting the outcome of the court case. As a result, accounts receivable and the revenues were overstated by \$49,905 for that year.

A prior period adjustment has been recorded to reduce the accounts receivable by \$49,905. The net effect of this prior period adjustment has been the reduction of 2021 net assets by \$49,905.