

Community Forests International
Financial Statements
October 31, 2023

Independent Auditor's Report	2 - 4
Financial Statements	
Operations	5
Changes in Net Assets	6
Cash Flows	7
Financial Position	8
Notes to Financial Statements	9 - 14
Schedules	15
Pemba Fund	16



**Raymond Chabot
Grant Thornton**

Independent Auditor's Report

To the Directors of
Community Forests International

**Raymond Chabot
Grant Thornton LLP**
507 Victoria Street
Edmundston, New Brunswick
E3V 2K9

T 506-739-1144

Qualified opinion

We have audited the financial statements of Community Forests International (hereafter "the Organization"), which comprise the statement of financial position as at October 31, 2023, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to financial statements, including a summary of significant accounting policies, and the schedules.

In our opinion, except for the possible effects of the matter described in the "Basis for qualified opinion" section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at October 31, 2023, 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.

Basis for qualified opinion

In common with many not-for-profit organizations, the Organization derives revenue from donations and Pemba fund revenues, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these contributions was limited to the amounts recorded in the records of the Organization. Therefore, we were unable to determine whether any adjustments might be necessary to donations and Pemba fund revenues, excess of revenues over expenses and cash flows from operating activities for the year ended October 31, 2023 and 2022, current assets as at October 31, 2023 and 2022 and net assets as at November 1, 2023 and 2022 and October 31, 2023 and 2022. The predecessor auditor expressed a qualified opinion on the financial statements for the year ended October 31, 2022 because of the possible effects of the similar limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Organization 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 qualified opinion.

Other matter – Comparative information audited by a predecessor auditor

The financial statements of the Organization for the year ended October 31, 2022 were audited by another auditor who expressed, in respect of those statements on April 25, 2023, a qualified opinion for the reason described in "Basis for qualified opinion" section

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 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.

In preparing the financial statements, management is responsible for assessing the Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization'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 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 Organization'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 Organization'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 Organization 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.

Raymond Chabot Grant Thornton LLP

Chartered Professional Accountants

Community Forests International Operations

Year ended October 31, 2023

	2023	2022
	\$	\$
Revenues (Schedule A)	2,289,577	1,774,894
Expenses		
Salaries and employee benefits	667,868	543,400
Pemba Fund	224,823	82,111
Tree planting	231,634	258,000
Projects and workshops	24,242	20,820
Training	2,081	726
Insurance	6,379	5,040
Property taxes	5,837	4,663
Rental expenses	12,000	12,000
Repairs and maintenance		414
Travel	38,954	50,337
Meals	5,877	2,244
Educational expenses	78,964	
Advertising and promotion	33,592	15,780
Office supplies and expenses	18,951	14,093
Membership fees	969	1,982
Professional fees	16,211	67,019
Consulting fees	141,038	124,132
Bank charges	7,416	5,077
Interest on long-term debt	1,239	2,147
Amortization of tangible capital assets	6,514	6,829
Amortization of deferred contributions related to tangible capital assets	(1,709)	(1,913)
	1,522,880	1,214,901
	766,697	559,993
Other revenues (expenses)		
Interest on investments	30,397	1,914
Loss on disposal of tangible capital assets	(543)	
Other revenue	11,876	20,803
	41,730	22,717
Excess of revenues over expenses	808,427	582,710

The accompanying notes and schedules are an integral part of the financial statements.

Community Forests International

Changes in Net Assets

Year ended October 31, 2023

			2023	2022
	General Fund	Stewardship	Total	Total
	\$	\$	\$	\$
Balance, beginning of year	2,559,732	178,817	2,738,549	1,392,631
Excess of revenues over expenses	808,427		808,427	582,710
Internal affectation	(228,115)	228,115		
Land contributions (Note 14)	1,173,632		1,173,632	763,208
Balance, end of year	<u>4,313,676</u>	<u>406,932</u>	<u>4,720,608</u>	<u>2,738,549</u>

The accompanying notes and schedules are an integral part of the financial statements.

Community Forests International

Cash Flows

Year ended October 31, 2023

	2023	2022
	\$	\$
<i>OPERATING ACTIVITIES</i>		
Excess of revenues over expenses	808,427	582,710
Non-cash items		
Amortization of tangible capital assets	6,514	6,829
Amortization of deferred contributions related to tangible capital assets	(1,709)	(1,913)
Loss on disposal of tangible capital assets	<u>543</u>	
	813,775	587,626
Net change in working capital and deferred revenues (Note 3)	266,866	61,928
Cash flows from operating activities	1,080,641	649,554
<i>INVESTING ACTIVITIES</i>		
Term deposits	(1,128,803)	(350,000)
Acquisition of tangible capital assets	(2,331)	(5,370)
Disposal of tangible capital assets	205	
Acquisition of protected land	<u>(1,173,632)</u>	<u>(790,612)</u>
Cash flows from investing activities	(2,304,561)	(1,145,982)
<i>FINANCING ACTIVITIES</i>		
Land contributions	1,173,632	763,208
Repayment of long-term debt	<u>(39,942)</u>	<u>(19,036)</u>
Cash flows from financing activities	1,133,690	744,172
Net increase (decrease) in cash	(90,230)	247,744
Cash, beginning of year	1,050,962	803,218
Cash, end of year	960,732	1,050,962

The accompanying notes and schedules are an integral part of the financial statements.

Community Forests International

Financial Position

October 31, 2023

	2023	2022
	\$	\$
ASSETS		
Current		
Cash	960,732	1,050,962
Term deposits	1,071,871	171,183
Trade and other receivables (Note 4)	107,049	81,407
Grants receivable	258,767	33,417
Prepaid expenses	8,438	5,883
	<u>2,406,857</u>	1,342,852
Long-term		
Investments (Note 5)	411,932	183,817
Tangible capital assets (Note 6)	46,559	51,490
Protected land	<u>2,842,223</u>	1,668,591
	<u>5,707,571</u>	3,246,750
LIABILITIES		
Current		
Trade payables and other operating liabilities (Note 7)	110,637	356,049
Deferred revenues (Note 8)	811,825	46,000
Current portion of long-term debt	<u>50,002</u>	19,941
	<u>972,464</u>	421,990
Long-term		
Long-term debt (Note 9)		70,003
Deferred contributions related to tangible capital assets (Note 10)	<u>14,499</u>	16,208
	<u>986,963</u>	508,201
NET ASSETS		
General fund	4,313,676	2,559,732
Stewardship Endowment fund	<u>406,932</u>	178,817
	<u>4,720,608</u>	2,738,549
	<u>5,707,571</u>	3,246,750

The accompanying notes and schedules are an integral part of the financial statements.

On behalf of the Board,

Signed by:



1545AAT963D1406...

Director

DocuSigned by:



27B0C08897884CA...

Director

Community Forests International

Notes to Financial Statements

October 31, 2023

1 - GOVERNING STATUTES AND PURPOSE OF THE ORGANIZATION

The Organization was incorporated under the Canada Not-for-profit Corporations Act for the purpose of fostering environmental stewardship internationally by establishing community forests, promoting sustainable forestry techniques and initiating environmental education. It is a registered charity under the Income Tax Act.

2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The Organization's financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Accounting estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts recorded in the financial statements, notes to financial statements and schedules. These estimates are based on management's best knowledge of current events and actions that the Organization may undertake in the future. Actual results may differ from these estimates.

Revenue recognition

Contributions

The Organization follows the deferral method of accounting for contributions. Under this method, contributions restricted for future period expenses are deferred and are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Moreover, the Organization recognizes contributed supplies when the fair value of these contributions can reasonably estimated and if it would have had otherwise acquire these supplies and services for its normal operations.

Carbon offsets revenue

Revenue from carbon offsets is recognized in the same period the offsets are retired. In order for carbon offset to be retired, it must have been created through appropriate activities and then retired by application to a purchase contract. Carbon offsets cannot be retired more than once.

Consulting revenues

Consulting revenues are recognized as revenue in accordance with the agreement between the parties, when the consulting services takes place, fees are fixed or determinable and collection is reasonably assured. The liability relating to the received but unearned portion of revenues from consulting revenues is recognized in the statement of financial position as deferred revenues.

Community Forests International

Notes to Financial Statements

October 31, 2023

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets and liabilities

Initial measurement

Upon initial measurement, the Organization's financial assets and liabilities from transactions not concluded with related parties and those from transactions with parties whose sole relationship with the entity is in the capacity of management (and members of the immediate family) are measured at fair value, which, in the case of financial assets or financial liabilities that will be measured subsequently at amortized cost, is increased or decreased by the amount of the related financing fees and transaction costs. The Company's financial assets and liabilities from related party transactions are measured at cost.

Subsequent measurement

At each reporting date, the Organization measures its financial assets and liabilities from transactions not concluded with related parties at amortized cost (including any impairment in the case of financial assets), whereas those from related party transactions are measured using the cost method (including any impairment in the case of financial assets).

With respect to financial assets measured at amortized cost or using the cost method, the Organization assesses whether there are any indications of impairment. When there is an indication of impairment, and if the Organization determines that during the year there was a significant adverse change in the expected timing or amount of future cash flows from a financial asset, it will then recognize a reduction as an impairment loss in earnings. The reversal of a previously recognized impairment loss on a financial asset measured at amortized cost or using the cost method is recognized in earnings in the year the reversal occurs.

Cash and cash equivalents

The Organization's policy is to present in cash and cash equivalents bank balances, including bank overdrafts whose balances fluctuate frequently from being positive to overdrawn, and investments with a maximum maturity of three months from the acquisition date or redeemable at any time without penalty.

Tangible capital assets and protected land

Tangible capital assets and protected land acquired are recorded at cost. When the Organization receives contributions of capital assets, their cost is equal to their fair value at the contribution date plus all costs directly attributable to the acquisition of the tangible capital assets, or at a nominal value if fair value cannot be reasonably determined.

Amortization

Tangible capital assets are amortized over their estimated useful lives according to the diminishing balance method at the following annual rates:

	Rates
Buildings	10%
Farm equipment	20%
Office equipment	20%
Computer equipment	20%

Community Forests International

Notes to Financial Statements

October 31, 2023

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tangible capital assets and protected land (Continued)

Write-down

When conditions indicate that a tangible capital asset or protected land is impaired, the net carrying amount of the tangible capital asset or protected land is written down to the tangible capital asset's or protected land's fair value or replacement cost. The write-down is accounted for in the statement of operations and cannot be reversed.

3 - INFORMATION INCLUDED IN THE STATEMENT OF CASH FLOWS

The net change in working capital items is detailed as follows:

	2023	2022
	\$	\$
Trade and other receivables	(25,643)	50,815
Grants receivable	(225,349)	(33,417)
Prepaid expenses	(2,555)	(2,088)
Trade payables and other operating liabilities	(245,412)	304,567
Deferred revenues	<u>765,825</u>	<u>(257,949)</u>
	<u>266,866</u>	<u>61,928</u>

4 - TRADE AND OTHER RECEIVABLES

	2023	2022
	\$	\$
Trade accounts receivable (a)	12,638	586
Pemba receivables	39,339	
Indirect taxes receivable	39,030	78,922
Accrued interest	<u>16,042</u>	<u>1,899</u>
	<u>107,049</u>	<u>81,407</u>

(a) As at October 31, 2023, two customers represent 48% and 40% respectively of total trade accounts receivable (The Company had no significant concentration of credit risk as at October 31, 2022).

5 - INVESTMENTS

	2023	2022
	\$	\$
Preferred shares of a private company	5,000	5,000
Term deposits	<u>406,932</u>	<u>178,817</u>
	<u>411,932</u>	<u>183,817</u>

Community Forests International

Notes to Financial Statements

October 31, 2023

6 - TANGIBLE CAPITAL ASSETS

		2023	2022
	Cost	Accumulated amortization	Net carrying amount
	\$	\$	\$
Buildings	101,390	66,580	34,810
Farm equipment	26,380	24,325	2,055
Office equipment	14,102	6,610	7,492
Computer equipment	8,848	6,646	2,202
	150,720	104,161	46,559
			51,490

7 - TRADE PAYABLES AND OTHER OPERATING LIABILITIES

	2023	2022
	\$	\$
Trade accounts	34,338	284,606
Salaries and vacation payable	60,860	59,280
Government remittances	15,439	12,163
	110,637	356,049

8 - DEFERRED REVENUES

The deferred revenues represent the contributions received during the year to cover operating expenses for the following year.

	2023	2022
	\$	\$
General Fund		
Balance, beginning of year	46,000	303,949
Amount recognized as revenue	(46,000)	(303,949)
Amount received relating to the following year	811,825	46,000
Balance, end of year	811,825	46,000

9 - LONG-TERM DEBT

	2023	2022
	\$	\$
Note payable, secured by protected land with a net carrying amount of \$248,263 as at October 31, 2023, 6%, payable in monthly blended instalments of \$1,765, maturing in January 2024	10,002	29,944
Loan, secured by the government of Canada, non-interest bearing until January 18, 2024 (a)	40,000	60,000
	50,002	89,944
Current portion	50,002	19,941
	-	70,003

Community Forests International

Notes to Financial Statements

October 31, 2023

9 - LONG-TERM DEBT (Continued)

(a) The Organization received a \$60,000 loan under the Canada Emergency Business Account program, which gave right to government assistance of \$20,000 that was recognized in earnings during the year. Subsequent to year-end, the Organization repaid the \$40,000 loan which enabled it to benefit from the partial write-off of \$20,000 corresponding to the previously recognized government assistance.

10 - DEFERRED CONTRIBUTIONS RELATED TO TANGIBLE CAPITAL ASSETS

	2023	2022
	\$	\$
Tree nursery (Shed)		
Balance, beginning of year	747	830
Amortization	75	83
Balance, end of year	672	747
Whaelghinbran Farm (Building and equipment)		
Balance, beginning of year	3,530	4,034
Amortization	441	504
Balance, end of year	3,089	3,530
Nature Cabin (Building)		
Balance, beginning of year	11,931	13,257
Amortization	1,193	1,326
Balance, end of year	10,738	11,931
	14,499	16,208

11 - FINANCIAL RISKS

Credit risk

The Organization is exposed to credit risk regarding the financial assets recognized in the statement of financial position. The Organization has determined that the financial assets with more credit risk exposure are trade accounts and other receivables (excluding indirect taxes receivable), since failure of any of these parties to fulfil their obligations could result in significant financial losses for the Organization.

Market risk

The Organization's financial instruments expose it to market risk, in particular, currency risk, interest rate risk and other price risk, resulting from its operating, investing and financing activities:

Interest rate risk

The Organization is exposed to interest rate risk with respect to financial assets and liabilities bearing fixed interest rates.

The term deposits and the note payable bear interest at a fixed rate and the Organization is, therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuations.

Community Forests International

Notes to Financial Statements

October 31, 2023

11 - FINANCIAL RISKS (Continued)

Market risk (Continued)

Other price risk

The Organization is exposed to other price risk due to investments in preferred shares of a Canadian private company since changes in market prices could result in changes in the fair value or cash flows of these instruments.

Liquidity risk

The Organization's liquidity risk represents the risk that the Organization could encounter difficulty in meeting obligations associated with its financial liabilities. The Organization is, therefore, exposed to liquidity risk with respect to all of the financial liabilities recognized on the statement of financial position.

12 - RELATED PARTY TRANSACTIONS

Transactions in the normal course of operations

	2023	2022
	\$	\$
Expenses		
Rental expenses to an administrator	12,000	12,000

This transaction was measured at the exchange amount, excluding the resulting financial instruments.

13 - SHARE OPTIONS

The Organization hold the option to purchase 10,000 common shares of Jaza Energy Inc. These options vest at the rate of 25% per grant anniversary. Currently, all 10,000 of these options have vested. The Organization has not recorded these options in the financial statements as they were acquired for \$0 and are not quoted in an active market.

14 - LAND CONTRIBUTIONS

Government grants and other contributions applicable to the acquisition of land and other non-depreciable capital assets are recorded as a credit to the General Fund on the Statement of Changes in Net Assets.

15 - COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the presentation adopted in the current year.

The main reclassifications as at October 31, 2022 and for the year then ended are as follows:

- Term deposits in the amount of \$178,817 has been accounted for as Investments.

Community Forests International

Schedules

Year ended October 31, 2023

SCHEDULE A

	2023	2022
	\$	\$
REVENUES		
Contributions		
Donations	355,866	973,070
Pemba Fund	109,897	51,511
Other contributions	692,811	146,058
Grants		
Federal government	945,442	405,236
Provincial government	170,179	50,181
Carbon offsets	746	95,815
Consulting	14,636	53,023
	<u>2,289,577</u>	<u>1,774,894</u>

**Community Forests International
Pemba Fund**

Year ended October 31, 2023

	2023	2022
	\$	\$
Revenues		
Donations	109,897	51,511
Expenses		
Contributions	198,196	67,980
Travel	19,183	9,621
Project supplies	7,444	4,509
	224,823	82,110
Deficiency of revenues over expenses	(114,926)	(30,599)
