



Financial Statements

Island Corridor Foundation

December 31, 2024

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Independent Practitioner's Review Engagement Report

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To the Members of the Island Corridor Foundation

We have reviewed the accompanying financial statements of Island Corridor Foundation that comprise the statement of financial position as at December 31, 2024, and the statements 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 \$12,330,591 of track which is no longer in use and for which \$2,016,355 of amortization expense has been recorded for the year ended December 31, 2024. Conditions indicate that the track assets may be impaired, requiring that the net carrying amount of tangible capital assets be written down to the assets' fair value or replacement cost. Management has not prepared an analysis of this impairment which constitutes a departure from ASNPO. We were unable to evaluate the impact of the possible impairment and related amortization adjustments on tangible capital assets as at December 31, 2024, net assets as at January 1, 2024 and December 31, 2024, amortization expense, impairment and deficiency of revenue over expenses for the year ended December 31, 2024 as



management has not prepared the required estimates. Consequently, we were unable to perform the procedures we considered necessary.

Material uncertainty related to going concern

Without modifying our conclusion, we draw attention to Note 2 in the financial statements, which indicates that the Foundation incurred a net loss of \$2,780,767 during the year ended December 31, 2024, and 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 2, indicate the existence of a material uncertainty that may cast significant doubt about the Foundation's ability to continue as a going concern.

Restated comparative information

We draw attention to Note 3 of the financial statements, which explains that certain comparative information for the year ended December 31, 2023, has been restated. The financial statements of Island Corridor Foundation for the year ended December 31, 2023 (prior to the restatement of comparative information described in Note 3 to the financial statements) were reviewed by another practitioner who expressed a qualified conclusion on those financial statements on May 28, 2024. Our conclusion is not modified in respect of this matter.

Nanaimo, Canada
June 4, 2025

A handwritten signature in black ink that reads 'Doane Grant Thornton LLP'.

Chartered Professional Accountants

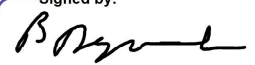
Island Corridor Foundation

Statement of Financial Position

As at December 31

	Operating Fund	Capital Fund	2024	2023 (as restated - Note 3)
Assets				
Current				
Cash and cash equivalents (Note 5)	\$ 567,597	\$ -	\$ 567,597	\$ 641,309
Accounts receivable	145,934	-	145,934	146,973
Current portion of loan receivable (Note 6)	15,739	-	15,739	14,950
Prepaid expenses	16,735	-	16,735	7,664
Interfund receivable (payable) (Note 14)	(21,101)	21,101	-	-
	724,904	21,101	746,005	810,896
Long term				
Loan receivable (Note 6)	51,672	-	51,672	67,285
Deferred leasing costs (Note 7)	4,753	-	4,753	6,983
Tangible capital assets (Note 8)	-	303,592,693	303,592,693	307,078,506
	\$ 781,329	\$ 303,613,794	\$ 304,395,123	\$ 307,963,671
Liabilities				
Current				
Accounts payable and accrued liabilities (Note 16)	\$ 145,759	\$ -	\$ 145,759	\$ 221,807
Callable debt (Note 10)	-	538,837	538,837	627,478
Current portion of long term debt (Note 9)	21,000	-	21,000	24,000
Deferred revenue (Note 17)	113,437	-	113,437	628,229
GST payable	4,829	-	4,829	3,284
Accrued interest payable (Note 9 & 10)	62,710	3,036	65,746	66,782
	347,735	541,873	889,608	1,571,579
Long term				
Long term debt (Note 9)	-	-	-	21,000
Deferred revenue (Note 17)	8,694	-	8,694	9,781
	356,429	541,873	898,302	1,602,360
Net Assets				
Capital fund	-	303,071,922	303,071,922	306,468,057
Operating fund	424,899	-	424,899	(106,746)
	424,899	303,071,922	303,496,820	306,361,311
	\$ 781,329	\$ 303,613,794	\$ 304,395,123	\$ 307,963,671

On behalf of the board

Signed by:  Director

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Island Corridor Foundation

Statement of Operations

Year Ended December 31

	Operating Fund	Capital Fund	2024	2023 (as restated - Note 3)
Revenue				
Crossings, leases and fees	\$ 389,017	\$ -	\$ 389,017	\$ 369,652
Donations and grants (Note 11)	566,053	-	566,053	483,508
Interest	14,261	-	14,261	5,321
Project management	225,201	-	225,201	-
Rental income	131,840	-	131,840	164,433
	<u>1,326,371</u>	<u>-</u>	<u>1,326,371</u>	<u>1,022,913</u>
Expenditures				
Advertising and promotion	28,670	-	28,670	19,772
Board expenses	30,119	-	30,119	21,976
Communicators	13,981	-	13,981	8,986
Consulting fees and engineering	23,171	-	23,171	36,220
Insurance	52,144	-	52,144	48,356
Interest and bank charges	5,255	-	5,255	7,655
Legal fees (Note 14)	211,732	-	211,732	168,359
Management and administration services	-	-	-	18,000
Office	16,416	-	16,416	3,083
Professional fees	21,799	-	21,799	19,005
Project fees	173,895	-	173,895	-
Property taxes	(7,029)	-	(7,029)	1,254
Public relations	443	-	443	1,214
Rental property	76,376	-	76,376	107,710
Repairs and maintenance	114,461	-	114,461	145,426
Shared vision expenses	45,742	-	45,742	-
Travel	4,057	-	4,057	3,833
Utilities	17,854	-	17,854	18,954
Wages and benefits	373,774	-	373,774	280,100
	<u>1,202,860</u>	<u>-</u>	<u>1,202,860</u>	<u>909,903</u>
Excess (deficiency) of revenue over expenses before the undernoted	123,512	-	123,512	113,012
Amortization	-	3,488,002	3,488,002	3,488,102
Reversion of land	-	-	-	1,424,588
Income received on covenant	500,000	-	500,000	-
	<u>500,000</u>	<u>-</u>	<u>500,000</u>	<u>-</u>
Excess (deficiency) of revenue over expenses	<u>\$ 623,512</u>	<u>\$ (3,488,002)</u>	<u>\$ (2,864,491)</u>	<u>\$ (4,799,679)</u>

Island Corridor Foundation
Statement of Changes in Net Assets
Year Ended December 31

	Operating Fund	Capital Fund	2024	2023 (as restated - Note 3)
Balance, beginning of year				
As previously stated	\$ (106,746)	\$ 307,892,645	\$ 307,785,899	\$ 311,160,990
Prior period adjustment	<u>-</u>	<u>(1,424,588)</u>	<u>(1,424,589)</u>	
As restated	(106,746)	306,468,057	306,361,311	311,160,990
Excess (deficiency) of revenues over expenditures	623,512	(3,488,002)	(2,864,491)	(4,799,679)
Interfund loans and repayment of debt	<u>(91,867)</u>	<u>91,867</u>	<u>-</u>	<u>-</u>
Balance, end of year	\$ <u>424,899</u>	\$ <u>303,071,922</u>	\$ <u>303,496,820</u>	\$ <u>306,361,311</u>

Island Corridor Foundation

Statement of Cash Flows

Year Ended December 31

	2024	2023 (as restated - Note 3)
Increase (decrease) in cash		
Operating		
Excess (deficiency) of revenue over expenditures	\$ (2,864,491)	\$ (4,799,679)
Items not affecting cash		
Amortization	3,488,002	3,488,102
Reversion of land	-	1,424,588
	<u>623,512</u>	<u>113,011</u>
Change in non-cash working capital items		
Accounts receivable	1,039	(28,714)
Prepaid expenses	(9,071)	7,459
Accounts payable and accrued liabilities	(76,048)	153,716
Accrued interest payable	(1,035)	165
Deferred leasing costs	2,230	2,230
Deferred revenue	(515,879)	463,345
GST payable	1,545	(183)
	<u>26,292</u>	<u>711,028</u>
Investing		
Loan receivable	14,824	(82,235)
Purchase of tangible capital assets	(2,189)	(9,199)
Financing		
Callable debt	(88,641)	(54,923)
Repayment of long term debt	(24,000)	(28,000)
Net (decrease) increase in cash	(73,712)	536,672
Cash and cash equivalents, beginning of year	<u>641,309</u>	<u>104,637</u>
Cash and cash equivalents, end of year	<u>\$ 567,597</u>	<u>\$ 641,309</u>

Island Corridor Foundation

Notes to the Financial Statements

December 31, 2024

1. Nature of operations

Island Corridor Foundation ("the Foundation") was incorporated under the laws of the Government of Canada on January 1, 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 twelve First Nations and five Regional Districts. They assumed ownership of the 289-kilometre rail corridor in 2006 on behalf of communities of Vancouver Island.

2. 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 further funding deliberations by the BC government.

The Foundation has incurred a net loss of \$2,864,491 (2023 - \$4,799,679) which includes amortization of \$3,488,002 (2023 - \$3,488,102) for the year ended December 31, 2024.

As further described in Note 14, the Foundation is involved in 8 lawsuits due to the condition and impairment of the Island Rail Corridor infrastructure from ties and track to grade crossings and bridges. The possible outcome of these lawsuits is not determinable at year end, management has assessed that insurance coverage is available for all but two of the lawsuits. No provision has been made in the financial statements for these claims.

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.

Island Corridor Foundation

Notes to the Financial Statements

December 31, 2024

3. Restatement of prior years figures

During the period it was determined that certain adjustments were required to the December 31, 2023 comparative figures due to the return of land to the Snaw-Naw-As First Nation which was not previously reflected in the financial statements.

As a result of the correction, the following financial statement items as at and for the year ended December 31, 2023 have been increased (decreased) as follows:

	Previously reported	Error Correction	As restated
Statement of Financial Position			
As at December 31, 2023			
Tangible Capital Assets	\$ 308,503,094	\$ (1,424,588)	\$ 307,078,506
Capital Fund	307,892,645	(1,424,588)	306,468,057
Statement of Operations			
Year ended December 31, 2023			
Reversion of land	-	(1,424,588)	(1,424,588)
Excess (deficiency) of revenue over expenses	(3,375,091)	(1,424,588)	(4,799,679)
Statement of Changes in Net Assets			
Year ended December 31, 2023			
Capital Fund (closing)	\$ 307,892,645	\$ (1,424,588)	\$ 306,468,057

Island Corridor Foundation

Notes to the Financial Statements

December 31, 2024

4. Summary of significant accounting policies

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") and include the following significant accounting policies:

Fund accounting

The 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 corridor and its administrative activities.

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

Revenue recognition

Grant revenue is recognized over the period that the service is performed, as specified by the grantor. If not specified in a grant agreement, the funds are recorded as revenue in the period received or receivable if collection is reasonably assured

Interest revenue is recognized when earned. Revenue from crossing departments and lease agreements is recognized over the term of the agreement.

Restricted contributions with a corresponding restricted fund are recognized as revenue of the appropriate restricted fund in the year received. Restricted contributions for which no corresponding restricted fund is presented are recorded in the Operating Fund and recognized as revenue in the year the related expenses are incurred.

Unrestricted donations are recognized as revenue in the Operating Fund in the year received or receivable if collection can be reasonably assured.

Rental income under a lease is recognized in revenue on a straight-line basis over the term of the lease. Any difference between revenue recognized and the total rents receivable under the lease is included in accounts receivable and deferred revenue as straight-line rent receivable.

File opening fees for crossing agreements are recorded when an agreement is in place and their collectability is reasonably assured.

Project management revenue is recognized as services are rendered. Amounts received from customers in advance of services being rendered are classified as customer deposits.

Island Corridor Foundation

Notes to the Financial Statements

December 31, 2024

4. Summary of significant accounting policies (continued)

Contributed services and materials

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, liability or equity instrument as a financial instrument, except in certain limited circumstances. The Foundation accounts for the following as financial instruments:

- Cash and cash equivalents
- Accounts receivable
- Accounts payable and accrued liabilities
- Callable debt
- Long-term debt
- Loan receivable
- Accrued interest payable

Financial instruments in arm's length transactions

Initial measurement

The Foundation initially measures financial assets and financial liabilities originating, acquired, issued or assumed in arm's length transactions at fair value.

Subsequent measurement

The Foundation subsequently measures all its financial assets and financial liabilities at cost or amortized cost less any reduction for impairment.

Derecognition

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

Impairment

Financial assets measured at cost or amortized cost are tested for impairment when indicators of impairment exist at the end of the reporting period. Previously recognized impairment losses are reversed to the extent of the improvement provided the financial asset is not carried at an amount, at the date of the reversal, greater than the amount that would have been the carrying amount had no impairment loss been recognized previously. The amounts of any write-downs or reversals are recognized in net income.

Island Corridor Foundation

Notes to the Financial Statements

December 31, 2024

4. Summary of significant accounting policies (continued)

Financial Instruments (continued)

Financial instruments in related party transactions

Initial measurement

Financial assets and financial liabilities in related party transactions are initially measured at cost, with the exception of the following instruments which are initially measured at fair value: investments in equity instruments that are quoted in an active market, debt instruments that are quoted in an active market, debt instruments when the inputs significant to the determination of the fair value of the instrument are observable, and derivative contracts.

Gains or losses arising on initial measurement differences are generally recognized in net income when the transaction is in the normal course of operations, and in equity when the transaction is not in the normal course of operations, subject to certain exceptions.

Subsequent measurement

Financial assets and financial liabilities recognized in related party transactions are subsequently measured based on how the Organization initially measured the instrument. Financial instruments initially measured at cost are subsequently measured at cost, less any impairment for financial assets. Financial instruments initially measured at fair value are subsequently measured at amortized cost, except for the following instruments which are subsequently measured at fair value: investments in equity instruments that are quoted in an active market, most derivative contracts, and certain debt instruments which the Organization may irrevocably elect to measure at fair value. Changes in fair value are recognized in net income.

Use of estimates

Management reviews the carrying amounts of items in the financial statements at each reporting date to assess the need for revision or any possibility of impairment. Many items in the preparation of these financial statements require management's best estimate. Management determines these estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action.

These estimates are reviewed periodically, and adjustments are made to net income as appropriate in the year they become known.

Items subject to significant management estimates include collectability of accounts receivable, the useful life of tangible capital assets, amounts of accrued liabilities and provision for contingencies.

Tangible capital assets

Tangible capital assets are initially measured at cost and subsequently measured at cost less accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful life of the asset.

Island Corridor Foundation

Notes to the Financial Statements

December 31, 2024

4. Summary of significant accounting policies (continued)

Tangible capital assets (continued)

The following rates applied using the straight-line method will apply over the estimated useful lives of tangible capital assets:

	<u>Rates</u>
Railway stations	20 years
Equipment	5 years
Fences	10 years
Track	21.5-27 years
Railway signals	8.8 years
Culverts	20 years
Bridges and tunnels	40 years

Impairment of long-lived assets

The Foundation tests long-lived assets for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flow resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits, deposits held on call with banks, and other short-term highly liquid investments which are readily convertible to known amounts of cash. The Foundation considers securities with original maturities of three months or less to be readily convertible to known amounts of cash.

5. Cash and cash equivalents

Cash and cash equivalents consist of:

	<u>2024</u>	<u>2023</u>
Cash on hand	\$ 76,185	\$ 165,988
Redeemable term deposits	<u>491,412</u>	<u>475,321</u>
	<u>\$ 567,597</u>	<u>\$ 641,309</u>

The term deposits earned interest at 2.75%-3.15% (2023 – 4.75%), and mature in May and October, of 2025.

Island Corridor Foundation

Notes to the Financial Statements

December 31, 2024

6. Loan receivable

	2024	2023
Loan receivable from 1338415 B.C. Ltd bearing interest at 6% per annum with monthly installments of \$1,613. The loan matures on December 1, 2028 and is unsecured.	\$ 67,411	\$ 82,235
Less principal due in one year	(15,739)	(14,950)
	<u>\$ 51,672</u>	<u>\$ 67,285</u>

7. 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, the balance as at December 31, 2024, was \$4,753 (2023 - \$6,983).

8. Tangible capital assets

			2024	2023 (as restated - Note 3)
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 273,046,040	\$ -	\$ 273,046,040	\$ 273,046,040
Bridges and tunnels	29,630,124	(13,981,693)	15,648,431	16,389,184
Track - not in use	50,901,904	(38,571,312)	12,330,591	14,346,946
Track	4,782,419	(3,573,936)	1,208,483	1,385,432
Railway stations	3,039,251	(2,163,067)	876,184	1,027,917
Culverts	7,872,370	(7,427,541)	444,829	838,447
Fences	34,556	(12,096)	22,460	25,916
Equipment	44,467	(30,045)	14,422	18,027
Computer equipment	6,718	(5,464)	1,254	598
Railway signals	5,723,000	(5,723,000)	-	-
	<u>\$ 375,080,846</u>	<u>\$ (71,488,153)</u>	<u>\$ 303,592,693</u>	<u>\$ 307,078,506</u>

Island Corridor Foundation

Notes to the Financial Statements

December 31, 2024

9. Long term debt

	<u>2024</u>	<u>2023</u>
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	\$ 21,000	\$ 45,000
Less principal due in one year	<u>(21,000)</u>	<u>(24,000)</u>
	<u>\$ -</u>	<u>\$ 21,000</u>

On October 1, 2018, the Foundation signed an Operations Agreement with the first extension term commencing on October 13, 2023, and expiring on September 30, 2024, and up to 4 additional one-year terms. 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 (2023 - \$62,710) related to long term debt.

10. Callable debt

	<u>2024</u>	<u>2023</u>
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 \$810,587	\$ 538,837	\$ 584,166
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	-	43,312
	<u>\$ 538,837</u>	<u>\$ 627,478.00</u>

Island Corridor Foundation

Notes to the Financial Statements

December 31, 2024

10. Callable debt (continued)

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

2026	53,571
2027	57,562
2028	61,850
2029	<u>66,458</u>
	<u>\$ 289,298</u>

Included in accrued interest payable is \$3,036 (2023 - \$4,072) relating to callable debt.

11. Donations and grants

	<u>2024</u>	<u>2023</u>
Canadian Pacific Railway	<u>403,778</u>	386,607
Shared Vision Project - Multiple Funders	<u>152,000</u>	-
Other	<u>10,275</u>	444
Province of British Columbia	<u>-</u>	96,457
	<u>\$ 566,053</u>	<u>\$ 483,508</u>

12. Financial instruments

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Foundation's main credit risks relate to its accounts receivable and loan receivable. The entity provides credit to its clients in the normal course of its operations. There was no significant change in exposure from the prior year.

b) Liquidity risk

Liquidity risk arises from the possibility that the Foundation might encounter difficulty in settling its debts or in meeting its obligations related to financial liabilities. The Foundation is exposed to this risk in respect to its receipt of funds from its customers and other related resources, callable debt, long-term debt, and accounts payable and accrued liabilities. Cash flows from operations provide sufficient cash flows for operating.

Island Corridor Foundation

Notes to the Financial Statements

December 31, 2024

12. Financial instruments (continued)

c) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in the market interest rate.

(i) To the extent that prevailing market interest rates differ from the interest rate on the Foundation's monetary assets and liabilities.

(ii) To the extent that payments made or received on the Foundation's monetary assets and liabilities are affected by changes in prevailing market interest rates.

The Foundation is exposed to interest rate risk on its term deposits, rate variable callable debt and long-term debt. The term deposits are ordinary guaranteed investment certificates ("GIC") which are non-transferable which mitigates interest rate risk. Management does not believe that the Foundation is exposed to significant interest rate risk on callable debt and long-term debt.

13. Economic dependence

The continuing operation of the Foundation is dependent upon the continued support of the Canadian Pacific Railway. The amount received 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 and represents one of the Foundation's primary sources of revenue. The annual donation received was \$403,778 (2023 - \$386,607).

14. Contingencies

The Foundation is involved in lawsuits due to the condition and impairment of the Island Rail Corridor infrastructure from ties and track to grade crossings and bridges. At the end of the year the Foundation is aware of seven lawsuits where they are named as the defendant and one lawsuit in which they are the plaintiff. These lawsuits relate to various matters associated with land reversion, reclamation of land previously returned and damage to the Foundation's property. Of these lawsuits two would not be covered by insurance if successful. The possible outcomes or any settlements are not determinable at year-end. No provision has been made in the financial statements for these claims. Included in legal expenses is \$87,839 (2023 - \$41,546) related to these claims.

15. Interfund transfers

During the year the Foundation transferred \$nil (2023 - \$21,101) from the operating fund to the capital fund.

16. Government remittances

Included in accounts payable and accrued liabilities are \$14,199 (2023 - \$9,092) of government remittances.

Island Corridor Foundation Notes to the Financial Statements

December 31, 2024

17. Deferred revenue

Included in the balance of deferred revenue as at December 31, 2024, was \$45,183 (2023 - \$473,543) from the Ministry of Transportation. The funds are to be used in subsequent years to pay for the maintenance and report of the Corridor. The remaining balance represents prepaid lease payments.

18. Comparative figures

Comparative figures have been adjusted to conform to changes in the current year presentation.
