



Financial Statements

Island Corridor Foundation

December 31, 2025

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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, 2025, 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 \$10,314,236 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, 2025. 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, 2025, net assets as at January 1, 2025 and December 31, 2025, amortization expense, impairment and deficiency of revenue over expenses for the year ended December 31, 2025 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 \$2,271,694 during the year ended December 31, 2025, 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.

Nanaimo, Canada
June 26, 2026


Chartered Professional Accountants

Island Corridor Foundation
Statement of Financial Position
As at December 31

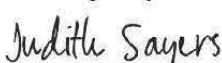
	Operating Fund	Capital Fund	2025	2024
Assets				
Current				
Cash and cash equivalents (Note 4)	\$ 629,571	\$ -	\$ 629,571	\$ 567,597
Restricted cash (Note 5)	-	1,000,000	1,000,000	-
Accounts receivable	284,595	-	284,595	145,934
Current portion of loan receivable (Note 6)	16,710	-	16,710	15,739
Prepaid expenses	7,904	-	7,904	16,735
	938,780	1,000,000	1,938,780	746,005
Long term				
Loan receivable (Note 6)	34,962	-	34,962	51,672
Deferred leasing costs (Note 7)	2,523	-	2,523	4,753
Tangible capital assets (Note 8)	-	300,129,639	300,129,639	303,592,693
	\$ 976,265	\$ 301,129,639	\$ 302,105,904	\$ 304,395,123
Liabilities				
Current				
Accounts payable and accrued liabilities (Note 9)	\$ 274,332	\$ -	\$ 274,332	\$ 145,759
Callable debt (Note 10)	-	479,687	479,687	538,837
Current portion of long term debt	-	-	-	21,000
Deferred revenue	43,425	-	43,425	113,437
GST payable	12,979	-	12,979	4,829
Accrued interest payable	59,710	3,036	62,746	65,746
	390,446	482,723	873,170	889,608
Long term				
Deferred revenue	7,608	-	7,608	8,694
	398,054	482,723	880,777	898,302
Net Assets				
Capital fund	-	300,646,916	300,646,916	303,071,922
Operating fund	578,211	-	578,211	424,899
	578,211	300,646,916	301,225,127	303,496,821
	\$ 976,265	\$ 301,129,640	\$ 302,105,904	\$ 304,395,123

Contingent liabilities (Note 14)

On behalf of the board

Signed by:

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Director

DocuSigned by:

 D160933052B74D2...

Director

See accompanying notes to the financial statements

Island Corridor Foundation

Statement of Operations

Year Ended December 31

	Operating Fund	Capital Fund	2025	2024
Revenue				
Crossings, leases and fees	\$ 868,491	\$ -	\$ 868,491	\$ 792,796
Donations and grants (Note 11)	252,058	1,000,000	1,252,058	162,275
Interest	39,831	-	39,831	14,261
Project management	400,981	-	400,981	225,201
Rental income	173,851	-	173,851	131,840
	<u>1,735,212</u>	<u>1,000,000</u>	<u>2,735,212</u>	<u>1,326,371</u>
Expenses				
Advertising and promotion	62,753	-	62,753	28,670
Board expenses	25,599	-	25,599	30,119
Communicators	63,162	-	63,162	13,981
Consulting fees and engineering	11,832	-	11,832	23,171
Insurance	56,838	-	56,838	52,144
Interest and bank charges	2,452	-	2,452	5,255
Legal fees (Note 14)	229,513	-	229,513	211,732
Office	11,449	-	11,449	16,416
Professional fees	37,616	-	37,616	21,799
Project fees	368,783	-	368,783	173,895
Property taxes	20,650	-	20,650	(7,029)
Public relations	623	-	623	443
Rental property	92,994	-	92,994	76,376
Repairs and maintenance	61,519	-	61,519	114,461
Shared vision expenses	-	-	-	45,742
Travel	30,429	-	30,429	4,057
Utilities	6,762	-	6,762	17,854
Wages and benefits	435,266	-	435,266	373,774
	<u>1,518,240</u>	<u>-</u>	<u>1,518,240</u>	<u>1,202,860</u>
Excess of revenue over expenses before the undernoted	216,972	1,000,000	1,216,972	123,513
Amortization	-	3,488,666	3,488,666	3,488,002
Income received on covenant	-	-	-	500,000
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenue over expenses	\$ <u>216,972</u>	\$ <u>(2,488,666)</u>	\$ <u>(2,271,694)</u>	\$ <u>(2,864,490)</u>

See accompanying notes to the financial statements

Island Corridor Foundation
Statement of Changes in Net Assets

Year Ended December 31

	Operating Fund	Capital Fund	2025	2024
Balance, beginning of year	\$ 424,899	\$ 303,071,922	\$ 303,496,821	\$ 306,361,311
Excess (deficiency) of revenues over expenses	216,972	(2,488,666)	(2,271,694)	(2,864,490)
Interfund loans and repayment of debt	(63,660)	63,660	-	-
Balance, end of year	\$ 578,211	\$ 300,646,916	\$ 301,225,127	\$ 303,496,821

See accompanying notes to the financial statements

Island Corridor Foundation
Statement of Cash Flows
Year Ended December 31

	2025	2024
Increase (decrease) in cash		
Operating		
Excess (deficiency) of revenue over expenses	\$ <u>(2,271,694)</u>	\$ <u>(2,864,491)</u>
Items not affecting cash		
Amortization	3,488,666	3,488,002
	1,216,972	623,512
Change in non-cash working capital items		
Accounts receivable	(138,660)	1,039
Prepaid expenses	8,831	(9,071)
Accounts payable and accrued liabilities	128,573	(76,048)
Accrued interest payable	(3,001)	(1,035)
Deferred leasing costs	2,230	2,230
Deferred revenue	(71,098)	(515,879)
GST payable	8,149	1,545
	<u>1,151,995</u>	<u>26,292</u>
Investing		
Loan receivable	15,739	14,824
Purchase of restricted cash term deposits	(1,000,000)	-
Purchase of tangible capital assets	(25,612)	(2,189)
Financing		
Callable debt	(59,150)	(88,641)
Repayment of long term debt	(21,000)	(24,000)
Net increase (decrease) in cash	61,974	(73,712)
Cash and cash equivalents, beginning of year	<u>567,597</u>	<u>641,309</u>
Cash and cash equivalents, end of year	\$ <u>629,571</u>	\$ <u>567,597</u>

See accompanying notes to the financial statements

Island Corridor Foundation

Notes to the Financial Statements

December 31, 2025

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 thirteen 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 \$3,271,694 (2024 - \$2,864,490) which includes amortization of \$3,488,666 (2024 - \$3,488,002) for the year ended December 31, 2025.

As further described in Note 16, 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, 2025

3. 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.

Capital grants are deferred when received. When the funds are invested in tangible capital assets, they are amortized to revenue on the same basis as the related tangible capital assets are amortized to expense. Unamortized deferred capital contributions relating to capital asset dispositions are recognized as revenue in the period of disposition, provided that all restrictions have been complied with.

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, 2025

3. 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, 2025

3. 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 Foundation 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, except for computer hardware and equipment which are amortized on a declining balance basis (55% for computer hardware and 20% for equipment).

Island Corridor Foundation

Notes to the Financial Statements

December 31, 2025

3. 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
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.

4. Cash and cash equivalents

Cash and cash equivalents consist of:

	<u>2025</u>	<u>2024</u>
Cash on hand	\$ 117,361	\$ 76,185
Redeemable term deposits	<u>512,210</u>	<u>491,412</u>
	<u>\$ 629,571</u>	<u>\$ 567,597</u>

The redeemable term deposits mature April and October 2026 with interest rates ranging from 2.0% - 2.25% (2024 – 2.75% - 3.15%).

Island Corridor Foundation Notes to the Financial Statements

December 31, 2025

5. Restricted cash

Restricted cash is comprised of redeemable term deposits of \$1,000,000. The term deposits mature April and July of 2026 with interest rates ranging from 1.75% - 2.85%.

6. Loan receivable

	<u>2,025</u>	<u>2,024</u>
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.	\$ 51,672	\$ 67,411
Less principal due in one year	<u>(16,710)</u>	<u>(15,739)</u>
	<u>\$ 34,962</u>	<u>\$ 51,672</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, 2025, was \$2,523 (2024 - \$4,753).

8. Tangible capital assets

			<u>2025</u>	<u>2024</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land	\$ 273,046,040	\$ -	\$ 273,046,040	\$ 273,046,040
Bridges and tunnels	29,630,124	(14,722,446)	14,907,678	15,648,431
Track - not in use	50,901,904	(40,587,667)	10,314,236	12,330,591
Track	4,782,419	(3,750,885)	1,031,534	1,208,483
Railway stations	3,061,231	(2,315,030)	746,201	876,184
Culverts	7,872,370	(7,821,159)	51,211	444,829
Fences	34,556	(15,552)	19,004	22,460
Equipment	44,467	(32,929)	11,537	14,422
Computer equipment	10,350	(8,151)	2,199	1,254
Railway signals	5,723,000	(5,723,000)	-	-
	<u>\$ 375,106,458</u>	<u>\$ (74,976,819)</u>	<u>\$ 300,129,639</u>	<u>\$ 303,592,693</u>

Island Corridor Foundation Notes to the Financial Statements

December 31, 2025

9. Government remittances

Included in accounts payable and accrued liabilities are \$27,368 (2024 - \$14,199) of government remittances.

10. Callable debt

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 \$710,513

\$ 479,687 \$ 538,837

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 (2024 - \$3,036) relating to callable debt.

Island Corridor Foundation

Notes to the Financial Statements

December 31, 2025

11. Donations and grants

	<u>2025</u>	<u>2024</u>
Province of British Columbia	\$ 1,000,000	\$ -
Shared Vision Project - Multiple Funders	205,305	152,000
Other	46,753	10,275
	<u>\$ 1,252,058</u>	<u>\$ 162,275</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.

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.

Island Corridor Foundation

Notes to the Financial Statements

December 31, 2025

13. Economic dependence

Funding received from the Canadian Pacific Railway comprises 23% (2024 – 30%) of total revenue from continuing operations.

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 \$170,615 (2024 - \$87,839) related to these claims.

15. Comparative figures

Certain comparative figures have been reclassified from those previously presented to conform to the presentation of the 2025 financial statements.
