FOREST COMMUNITY FOUNDATION

Financial Statements

Year Ended December 31, 2025

Melo LLP
AUDIT · TAX · ADVISORY

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INDEPENDENT AUDITOR'S REPORT

To the Management of Forest Community Foundation

Qualified Opinion

We have audited the financial statements of Forest Community Foundation (the "Foundation"), which comprise the statement of financial position as at December 31, 2025, and the statements of changes in net assets, revenues and expenses and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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 Foundation as at December 31, 2025, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Foundation derives revenue from donations the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Foundation. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2025 and 2024, current assets as at December 31, 2025 and 2024, and net assets as at January 1 and December 31 for both the 2025 and 2024 years. Our audit opinion on the financial statements for the year ended December 31, 2024 was modified accordingly because of the possible effects of this 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 Foundation in accordance with 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 audit opinion.

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 ASNPO, 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 Foundation'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 Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

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Independent Auditor's Report to the Management of Forest Community Foundation *(continued)*

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 Foundation'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 Foundation'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 Foundation 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.

Melo LLP

Chartered Professional Accountants
Licensed Public Accountants
Forest, Ontario
June 26, 2026

FOREST COMMUNITY FOUNDATION
Statement of Financial Position
December 31, 2025

	2025	2024
ASSETS		
CURRENT		
Cash	$ 159,905	$ 123,547
Accounts receivable	634	682
HST recoverable	1,534	1,501
Prepaid expenses	-	465
	162,073	126,195
INVESTMENTS, at fair market value *(Note 4)*	1,793,573	1,706,976
	$ 1,955,646	$ 1,833,171
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 5,445	$ 4,950
NET ASSETS	1,950,201	1,828,221
	$ 1,955,646	$ 1,833,171

APPROVED BY THE DIRECTOR

Bryan McKinlay *Director*

See accompanying notes to financial statements

FOREST COMMUNITY FOUNDATION
Statement of Changes in Net Assets
Year Ended December 31, 2025

	2025	2024
NET ASSETS - BEGINNING OF YEAR	$ 1,828,221	$ 1,677,482
EXCESS OF REVENUES OVER EXPENSES	121,980	150,739
NET ASSETS - END OF YEAR	$ 1,950,201	$ 1,828,221

See accompanying notes to financial statements

FOREST COMMUNITY FOUNDATION

Statement of Revenues and Expenses

Year Ended December 31, 2025

	2025	2024
REVENUES		
Capital gains distributions	$ 50,302	$ 51,190
Interest and other investment income	38,947	46,332
Dividend income	20,783	11,637
Gains on disposal of investments	16,945	42,832
Donations - gift in kind	10,201	-
Membership fees	100	110
Community projects and campaigns	-	330
	137,278	152,431
EXPENSES		
Administrative expenses	3,300	3,000
Advertising and promotion	617	542
Broker fees	11,777	11,146
Community grants *(Note 5)*	64,550	63,015
Insurance	2,354	2,355
Memberships	465	447
Professional fees	5,640	5,127
	88,703	85,632
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FROM OPERATIONS BEFORE OTHER ITEMS	48,575	66,799
OTHER ITEMS		
Unrealized gain on investments	73,405	83,361
Grant refunded (underspent)	-	579
	73,405	83,940
EXCESS OF REVENUES OVER EXPENSES	$ 121,980	$ 150,739

See accompanying notes to financial statements

FOREST COMMUNITY FOUNDATION
Statement of Cash Flows
Year Ended December 31, 2025

	2025	2024
OPERATING ACTIVITIES		
Excess of revenues over expenses	$ 121,980	$ 150,739
Items not affecting cash:		
Gain on disposal of investments	(16,945)	(42,832)
Unrealized gains on investments	(73,405)	(83,361)
	31,630	24,546
Changes in non-cash working capital:		
Accounts receivable	48	(74)
Accounts payable and accrued liabilities	495	451
Prepaid expenses	465	(465)
HST recoverable	(33)	(70)
	975	(158)
	32,605	24,388
INVESTING ACTIVITIES		
Purchase of investments	(119,609)	(248,151)
Proceeds on disposal of investments	123,362	266,849
	3,753	18,698
INCREASE IN CASH	36,358	43,086
CASH - BEGINNING OF YEAR	123,547	80,461
CASH - END OF YEAR	$ 159,905	$ 123,547

See accompanying notes to financial statements

1. NATURE OF OPERATIONS

The Forest Community Foundation (the "Foundation") was incorporated as a not-for-profit corporation without share capital under the Ontario Corporations Act on May 16, 2000 and is a registered charity under the Income Tax Act (ITA) as a Public Foundation. As such, the Foundation is not subject to income taxes.

The Foundation acts as a community resource to make grants to Qualified Donees pursuant to s.149.1(1) of the ITA. The purpose of the Foundation is to benefit the residents of the former municipality of Forest and its immediate environs by carrying out charitable activities primarily in the geographical area from which the funds were raised.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

(a) Cash and cash equivalents

Cash includes cash and cash equivalents. Investments with maturities of one year or less at date of purchase are classified as cash equivalents. There are no cash equivalents.

(b) Foreign currency translation

Accounts in foreign currencies have been translated into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities have been translated at the year end exchange rate. Non-monetary assets have been translated at the rate of exchange prevailing at the date of transaction. Revenues and expenses have been translated at the average rates of exchange during the year, except for amortization, which has been translated at the same rate as the related assets.

Foreign exchange gains and losses on monetary assets and liabilities are included in the determination of earnings.

(c) Revenue recognition

The Foundation follows the deferral method of accounting for contributions. Unrestricted contributions, investment and other income is recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection can be reasonably assured.

Externally restricted contributions and those related to community projects and campaigns are deferred and recognized as revenue in the year in which the related disbursement expense is recognized.

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2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Financial instruments

Financial instruments are recorded at fair value when acquired or issued.The Foundation subsequently measures all of its financial assets and financial liabilities at amortized cost, with the exception of portfolio equity investments, which are measured at fair value with gains and losses recognized in net income. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred. The Foundation accounts for its investments on a settlement date basis.

Financial instruments recorded at amortized cost consist of cash, accounts receivable, HST recoverable, and accounts payable and accrued liabilities. Financial instruments measured at fair value include marketable securities (long-term). Unless otherwise noted below, it is management's opinion that the Foundation is not exposed to significant interest, currency, credit, market, liquidity or other risks arising from these financial instruments and the carrying amount of the financial instruments approximate their fair value.

(e) Measurement uncertainty

The preparation of financial statements in conformity with 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 year. Significant estimates include accounts payable and accrued liabilities and deferred contributions. Such 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. The following analysis provides information about the Foundation's risk exposure and concentration as of December 31, 2025.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Management closely monitors cash flow requirements to ensure that it has sufficient cash available to meet operational and financial obligations.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk. The Foundation is primarily exposed to other price risk.

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3. FINANCIAL INSTRUMENTS *(continued)*

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Foundation is exposed to other price risk through its marketable securities (long-term).

The Foundation manages its risks related to its investments through oversight and by employing a professional investment manager. It is management's opinion that the Foundation is not exposed to significant liquidity, market, currency, interest rate or other price risks arising from their financial instruments.

4. INVESTMENTS

	2025	2024
Equities (cost $667,236)	$ 959,739	$ 877,050
Fixed Income (cost $881,442)	833,832	829,927
	$ 1,793,571	$ 1,706,977

Investments are classified as held for trading, accounted for at fair value and managed by a professional investment counsellor selected to provide consistency in investment philosophy and style. The investment goal is to ensure that funds are maintained and grown while optimizing returns in a manner consistent with prudent investment practices.

5. COMMUNITY GRANTS

During the year, grants were made to the following organizations:

	2025	2024
Municipality of Lambton Shores	$ 61,550	$ 38,965
Lambton County Developmental Services	-	16,000
North Lambton Secondary School	3,000	5,500
Forest Lambton Museum Society	-	2,550
Forest Agricultural Society	-	-
	$ 64,550	$ 63,015

In 2025 the Municipality of Lambton Shores received $61,550 that was then disbursed to 8 organizations of the Foundations choice including - Forest Collective "One Community for All" ($3,000), Forest Curling & Social Club ($30,000), Forest Ringette Association ($3,650), Lambton Shores Minor Ball Association ($3,300), Kiwanis Club of Forest ($11,300), Lambton Shores Minor Hockey Association ($1,900), Forest Lawn Bowling Club ($6,600), and Royal Canadian Legion Branch 176 ($1,800).

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5. COMMUNITY GRANTS *(continued)*

	2025	2024

In 2024 the Municipality of Lambton Shores received $38,965 that was then disbursed to 10 organizations of the Foundations choice including - Forest Collective "One Community for All" ($5,500), Forest Curling & Social Club ($10,000), Lambton Shores Communities In Bloom ($5,500), Forest Ringette Association ($5,000), Forest Garden Club ($1,000), Lambton Shores Minor Ball Association ($1,500), Kiwanis Club of Forest ($5,650), Lambton Shores Minor Hockey Association ($2,000), Forest Lawn Bowling Club ($1,700), and Forest Fritter Friends ($1,115).