Forest Enhancement Society of BC

2025/26
Annual Service Plan Report

August 2026

For more information on the Forest Enhancement Society of BC, please contact us at:

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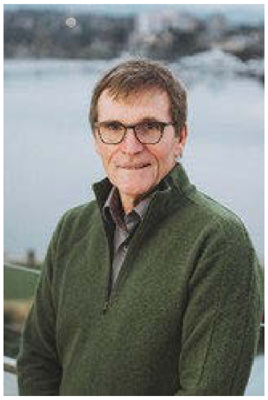
Board Chair's Accountability Statement



The Forest Enhancement Society of BC 2025/26 Annual Service Plan Report compares the organization's actual results to the expected results identified in the 2025/26 – 2027/28 Service Plan published in 2025. the Board is accountable for those results as reported.

Signed on behalf of the Board by:

Ken Day
Board Chair, Forest Enhancement Society of BC
July 29, 2026

Table of Contents

Letter from the Board Chair

This Report covers the Service Plan period April 1, 2025, to March 31, 2026.

I am pleased to share the work accomplished through the Forest Enhancement Society of BC (FESBC) in this report. In the fiscal year ended March 31, 2026, FESBC funded work valued at $21 million on 110 projects located in all eight Natural Resource Regions of B.C. This work was achieved while keeping forest worker safety as a paramount priority.

FESBC funded projects addressed the Province's priorities, including:

- Increasing participation of First Nations in the forest economy,
- Assisting with wildfire recovery efforts and risk reduction,
- Contributing to the achievement of greenhouse gas emission reduction targets,
- Improving habitat for wildlife,
- Improving the recovery of low-value fibre, and
- Adding to the environmental sustainability of B.C.'s natural resources.

Going forward, FESBC will continue to contribute to the achievement of the Province's priorities by supporting forest improvement projects across B.C.

I want to thank the Province, the FESBC Board of Directors, the staff at FESBC, and the many local project leaders for their enthusiastic commitment to our society, which is key to the success of delivering these significant benefits for British Columbians, now and for generations to come.

Ken Day
Board Chair, Forest Enhancement Society of BC
July 29, 2026

Purpose of the Annual Service Plan Report

This annual service plan report has been developed to meet the requirements of the Budget Transparency and Accountability Act (BTAA), which sets out the legislative framework for planning, reporting and accountability for Government organizations. Under the BTAA, a Minister Responsible for a government organization is required to make public a report on the actual results of that organization's performance related to the forecasted targets stated in the service plan for the reported year.

Strategic Direction

The strategic direction set by the Government in the Board Chair's 2021 Mandate Letter and 2023 and 2025 Mandate Letter's from the Minister Responsible, shaped the goals, objectives, performance measures and financial plan outlined in the FESBC 2025/26 – 2027/28 Service Plan and the actual results reported on in this annual report.

Purpose of the Organization

FESBC contributes to the achievement of the Province's strategic priorities through the delivery of FESBC's constitutional purposes, which are the following:

- Prevent and mitigate the impact of wildfire,
- Improve damaged or low-value forests,
- Improve habitat for wildlife,
- Support the use of fibre from damaged and low-value forests, and
- Treat forests to improve the management of greenhouse gas (GHG) emissions.

FESBC operates on a proponent-driven model, inviting project funding applications for projects that are supported by the Ministry of Forests. Professional staff ensure project proposals are aligned with FESBC's purposes and the Province's priorities. FESBC works with service delivery partners to ensure project implementation and treatment on the land base is timely, efficient and provides value for money.

In addition to advancing FESBC's constitutional purposes, FESBC contributes to the achievement of the Minister of Forest's Mandate Letter priorities by funding projects that take meaningful action in reducing greenhouse gas emissions associated with proponent harvesting operations and, by working with First Nations partners to advance shared interests in the forestry economy. Together, these activities create multiple economic, social and environmental benefits such as contributing to rural economies, generating employment in the natural resource sector, including jobs in the secondary forest industries, while also supporting the achievement of provincial and federal climate change pathways , including those identified in the Province's Clean BC Roadmap to 2030 plan.

FESBC supports the successful and efficient completion of projects. This effective and diligent oversight ensures FESBC maximizes the full benefit and full alignment with the Province's strategic priorities of putting people first, meaningful reconciliation with Indigenous Peoples, and supporting a strong, sustainable economy in B.C. FESBC continues to communicate its plans and achievements to stakeholders and the public, recognizing the contributions by the Province and Ministry of Forests staff to the success of the program.

FESBC supports the implementation of the Declaration on the Rights of Indigenous Peoples Act, the United Nations Declaration of the Rights of Indigenous Peoples, and the objectives outlined in the Province's Stronger BC Economic Plan. Projects approved through FESBC support true and lasting reconciliation by increasing First Nations' participation in the forest economy.

Economic Statement

Economic activity in British Columbia advanced in 2025, after modest growth in 2024, despite facing notable headwinds. Last year, homebuilding activity in the province continued at a steady pace, and lower interest rates and easing inflation supported household spending. Meanwhile, high uncertainty around the impacts of U.S. tariffs and significantly lower population growth tempered economic activity in B.C., and across many provinces. Overall, B.C.'s real GDP rose by 2.0 per cent in 2025, up from 1.2 per cent growth in 2024. B.C. was one of only two provinces that saw an increase in the rate of real GDP growth from 2024 to 2025. On an industry basis, B.C.'s economic growth in 2025 was led by real estate, rental and leasing; health care and social assistance services; mining, quarrying, and oil and gas extraction; and construction.

B.C.'s labour market moderated in 2025, amid slower population growth and trade-related economic uncertainty. Total employment rose by 1.1 percent (+32,200 jobs), while wages and salaries rose by 3.1 percent. The unemployment rate averaged 6.2 percent in 2025, up from 5.6 percent in 2024, as labour force growth outpaced job creation. Despite rising last year, B.C.'s unemployment rate remained below the national average of 6.8 percent. B.C. housing starts totalled 44,193 units in 2025, down 3.6 percent from 2024, but remained above the 10-year historical average. Meanwhile, B.C. home sales activity declined by 5.7 percent compared to 2024, with muted demand contributing to a 2.9 percent decrease in the average home price. Inflationary pressures continued to moderate in 2025, reflecting slower price growth for services and subdued inflation for goods. Shelter inflation was the largest contributor to headline inflation last year but slowed substantially for both rented and owned accommodation compared to recent years. Lower gasoline prices, partly due to the removal of the B.C. consumer carbon tax, also helped ease headline inflation. Overall, B.C.'s consumer price inflation averaged 2.1 percent in 2025, down from 2.6 percent in 2024. Lower inflation and easing interest rates supported robust retail sales, which grew by 6.4 percent in 2025. On the trade front, B.C.'s merchandise exports remained relatively flat as markets adjusted to shifting global trade conditions. Overall, the value of B.C.'s goods exports edged down 0.1 percent compared to 2024 as increased exports to non-U.S. destinations were offset by a continued decline in goods exports to the U.S.

Report on Performance: Goals, Objectives, and Results

The following goals, objectives and performance measures have been restated from the 2025/26 – 2027/28 service plan. For forward-looking planning information, including current and future performance targets, please see the latest service plan.

Goal 1: Prevent and Mitigate the Impact of Wildfire

Objective 1.1: Enhance wildfire risk reduction activities for B.C. communities

By investing in planning and developing treatment alternatives on the land-base that surround B.C. communities, forest fuel hazards can be modified in a way that improves ecosystem resilience to fire, insects, and future impacts from climate change. The strategy of returning forests to their normal historical fire regimes through treatments can minimize future extreme wildfire effects.

Key results

- Continued to support the BC FireSmart Committee by contributing to the implementation of the FireSmart BC Strategic Plan: 2026-2030.
- Enabled proponents to plan and implement wildfire risk reduction treatments in adjacent forested areas surrounding 34 communities.
- Funded 76 wildfire risk reduction projects, reducing wildfire risk on approximately 3,410 hectares of forest adjacent to communities and high value infrastructure.
- Utilized over 18,450 cubic metres of low-value residual fibre that would have otherwise been burnt.

Summary of progress made in 2025/26

In 2025/26, FESBC continued to focus on its goal of preventing and mitigating the impact of wildfire through investments in both fuel management planning activities and treatments that reduce wildfire risk to B.C. communities. FESBC funded 76 wildfire risk reduction projects that served to lower risks for 34 communities.

Projects included removing dead and down material, thinning and pruning forests adjacent to communities and valuable infrastructure to reduce fire behaviour, thinning forests adjacent to important public roads, and thinning forests to create landscape level fuel breaks. FESBC is working with proponents and the BC Wildfire Service (BCWS) to explore the use of machine mounted mastication heads as tools to reduce fuel loads and smoke in areas close to communities.

In the community of Mackenzie, the McLeod Lake Mackenzie Community Forest continued to complete a larger wildfire risk reduction program adjacent to Highway 39, the main egress route for Mackenzie. In Nakusp, the Nakusp and Area Community Forest is implementing wildfire risk reduction treatments on the perimeter of the town and surrounding areas. In Williams Lake, the Williams Lake First Nation is using a compliment of machines and hand crews to conduct similar work, sending all forest residuals from this work to the local energy facility.

Performance measure(s) and related discussion

Performance Measure	2024/25 Actual	2025/26 Target	2025/26 Actual
1a Priority area of fuel management treatment activities completed (hectares)[1,2]	4,890	2,250	3,410

Data source: PwC financial data, FESBC Information Management System (FESIMS) Data, and FESBC staff input.
[1]PM 1a targets for 2026/27 and 2027/28 were stated in the 2025/26 service plan as 2,550 and 1850, respectively.
[2]Targets were based on proponent project plan data entered into FESIMS and estimates of future project plans to be developed by FESBC staff.

Performance measure 1a demonstrates progress towards FESBC's goal of preventing and mitigating the impact of wildfire through investments in fuel management planning and treatments in high priority areas near communities and critical infrastructure.

In 2025/26 FESBC supported the completion of 3,410 hectares of fuel management activities, exceeding the 2,250 hectare target by approximately 52%. Results surpassed expectations due to a higher than planned completion of fuel management prescriptions (530 hectares above plan) and wildfire risk reduction treatments (440 hectares above plan), as well as the inclusion of a 225 hectare rehabilitation project that will also serve as a landscape-level fuel break. Additional third-quarter funding of $2.5 million from the BC Wildfire Service also enabled investments in more prescription development and the execution of already-developed treatment projects that had not previously received funding. Overall, the area completed was equivalent to more than eight times the size of Stanley Park.

Performance Measure	2024/25 Actual	2025/26 Target	2025/26 Actual
1b Number of higher-risk communities with wildfire risk reduction activities[1,2,3]	53	33	34

Data source: PwC financial data, FESBC Information Management System (FESIMS) Data, and FESBC staff input.
[1]PM 1b targets for 2026/27 and 2027/28 were stated in the 2025/26 service plan as 31 and 23, respectively.
[2]Targets were based on proponent project plan data entered into FESIMS and estimates of future project plans to be developed by FESBC staff.
[3]Higher-risk communities include: Indigenous communities, municipalities and unincorporated areas within regional districts located within the Wildland Urban Interface.

Performance measure 1b tracks the number of communities around which wildfire risk reduction activities have occurred such as planning, community engagement, and abatement of fuel.

FESBC achieved this goal. Eleven of the communities had multiple projects funded by FESBC in 2025/26.

Goal 2: Increase Utilization of Residual Biomass Generated by Forest Management Activities

Objective 2.1: Encourage diversity and innovation by the forest sector to utilize uneconomic waste fibre

Provincial regulation requires the abatement of wildfire risk caused by harvest waste on cutblocks. In conventional timber harvesting operations, that objective is achieved by piling and burning wood fibre that is not economic to deliver to manufacturing or bioenergy facilities. Wood fibre is uneconomic to recover and utilize if it is too small to make higher value wood products such as lumber, has defects such as rot or checks, or is too expensive to ship because of distance to suitable manufacturing facilities.

By funding the additional transportation costs needed to have this material shipped to manufacturing and bioenergy facilities, FESBC is creating more opportunities for fibre utilization and recovery. Supplying raw materials to energy producers, pulp plants and pellet plants helps create economic activity and preserve forest sector jobs while making a significant contribution to efforts to mitigate management-caused greenhouse gas emissions.

Key results

- Supported 34 fibre utilization projects that utilized over 560,000 cubic metres of residual wood fibre that would have otherwise been burned.
- Supported the recovery and utilization of fibre from seven wildfire reduction projects and two stand rehabilitation projects.
- Funded fibre utilization projects in all eight Natural Resource Regions, delivering fibre to over 17 different secondary manufacturing facilities.

Summary of progress made in 2025/26

In 2025/26, FESBC funded projects and delivered programs that supported the Province’s goal to increase the fibre supply available to the secondary milling industry, while also mitigating wildfire risks and reducing carbon emissions.

Projects included the transportation of low-value fibre from distant locations to pulp mills on the Coast and in the Interior. Some of this fibre originated from rehabilitation operations aiming to salvage poor value wood while removing the buildup up fuels on the landscape. In many operations throughout the province, logging waste at roadside was ground and shipped to energy facilities or pellet mills to help meet provincial and global energy demand. Aimed at reducing smoke particulate in populated airsheds, proponents used innovation and lessons from previous years to ship low value fibre from wildfire risk reduction treatments to local secondary facilities.

These projects are designed to reduce greenhouse gas emissions through the utilization of post-harvest residual fibre that would otherwise have been burned. These actions are in alignment with the provincial and CleanBC Roadmap to 2030.

Performance measure(s) and related discussion

Performance Measure	2024/25 Actual[2]	2025/26 Target[3]	2025/26 Actual
2a Forest fibre utilized (cubic metres)[1]	2,364,000	400,000	568,252

Data source: PwC financial data, FESBC Information Management System (FESIMS) Data, and FESBC staff input.
[1]PM 2a targets for 2026/27 and 2027/28 were stated in the 2025/26 service plan as 345,000 and 465,000, respectively.
[2]2024/25 results reflect higher financial resources directed to the program that year.
[3]Targets were based on proponent project plan data entered into FESIMS and estimates of future project plans to be developed by FESBC staff.

To support forest-dependent communities and encourage diverse and innovative economies throughout B.C., FESBC supported the implementation of fibre recovery and utilization projects throughout the province. This performance measure tracks the volume of fibre utilized through those activities.

In 2025/26, FESBC supported the utilization of over 568,000 cubic metres of forest fibre, which is the equivalent of approximately 11,360 logging truckloads of low-quality logs. The target was exceeded due to lower than anticipated per unit funding requirements and the redirection of funds from other projects.

Financial Report

For the auditor’s report and audited financial statements, see Appendix B. These documents can also be found on the Forest Enhancement Society of BC website.

Discussion of Results

FESBC’s revenue recognition policy is set out in the attached financial statements and is linked to expenditures. Financial risks were managed by following auditor recommendations and having clear separation of duties. Multiple people within the organization are required to sign off before money is transacted.

Financial Summary

($000s)	2024/25 Actual	2025/26 Budget	2025/26 Actual	2025/26 Variance
Revenues				
Contributions from Province	58,722	20,231	23,441	3,210
Other Income	11	5,798	35	(5,763)
Total Revenue	**58,733**	**26,029**	**23,476**	**(2,553)**
Expenses				
Grants	55,339	23,600	21,098	(2,502)
Operating Costs	3,383	2,417	2,370	(47)
Capital Asset Amortization	11	12	8	(4)
Total Expenses	**58,733**	**26,029**	**23,476**	**(2,553)**
Surplus (Deficit)	**0**	**0**	**0**	**0**
Total Debt	**0**	**0**	**0**	**0**
Capital Expenditures	**7**	**0**	**2**	**2**
Accumulated Surplus	**0**	**0**	**0**	**0**

[1] The above financial information was prepared based on current Generally Accepted Accounting Principles.

Variance and Trend Analysis

Variances in Contributions from the Province resulted from a contribution from the BC Wildfire Service in December of 2025. Variances in Other Income were created by loss in interest income (caused by late receipt of Provincial funding), lower than expected GST recovery and a correction of a historic accrual calculation that was overstating income carried forward from year to year. This correction is reflected in the current year (2026-2027).

Risks and Uncertainties

FESBC project delivery can be affected by economic and environmental uncertainties affecting the forest sector. These are addressed, where possible, by being nimble and flexible to capitalize on the opportunities as they arise. Operations may also be affected by disruptive events such as wildfires, prolonged fire seasons and cold weather or heavy snow conditions. These were mitigated by planning and timing of projects and continual evaluation and adjustments to projects as required. Investment income, a function of interest rates and funds on deposit, has fluctuated as deferred contributions are utilized or received and is also subject to interest rate changes.

Appendix A: Progress on Mandate Letter Priorities

The following is a summary of progress made on priorities as stated in the 2021, 2023 and 2025 Mandate Letters from the Minister Responsible.

2021 Mandate Letter Priority	**Status as of March 31, 2026**
Contribute to B.C.'s economic recovery and support strong, resilient rural communities by prioritizing FESBC investments to projects that generate good paying, sustainable jobs to meet the purposes of FESBC and the Forest Carbon Initiative objectives.	• This mandate letter priority is in progress. • Approved projects continue to be implemented in all eight natural resource regions in B.C. • Most of these projects are located adjacent to rural communities and support the local forestry workforce, keeping the social and economic benefits close to rural B.C. • FESBC continues to fund projects that are aimed at the avoidance of burning low value fibre. • For more information see Objective 1.1 and Objective 2.1.
Implement a plan and determine measurable outcomes to ensure all funded projects are completed safely and effectively on the ground, and bring lasting economic, environmental, and social benefits to the people of B.C.	• This mandate letter priority is in progress. • Applicants are tasked with following proper safe work procedures when implementing projects. • Working with partners, FESBC ensures that the work is completed to acceptable industry standards and as planned to ensure the benefits of the work are realized.
Deliver a comprehensive communications strategy to demonstrate how the achievements of FESBC have fulfilled its purposes, successfully contributed to the Province's economic recovery, and led to continued economic and environmental benefits for B.C.'s forests, Indigenous Peoples, and communities.	• This mandate letter priority is ongoing. • In conjunction with Ministry of Forests and project partners, numerous journalism articles about FESBC projects continue to be published. • Ongoing implementation of the FESBC comprehensive and award-winning communications strategy remains to be a continued focus.

May 2022 Letter of Direction Priority	Status as of March 31, 2026
Identify and fund projects to reduce wildfire risks to communities.	• This letter of direction priority is in progress. • In 2025/26, 76 wildfire risk reduction projects were active. • Work in 2025/26 reduced wildfire risk on approximately 3,450 hectares of forest adjacent to communities and high value infrastructure. • For more information see Objective 1.1.
Optimize the recovery and utilization of low-value residual fibre resulting from WRR treatments.	• This letter of direction priority is in progress. • 18,500 m^3 of residual fibre was utilized in 2025/26 that originated from wildfire risk reduction projects supported by FESBC. • For more information see Objective 1.1 and Objective 2.1.

2023 Mandate Letter Priority	Status as of March 31, 2026
Identify and fund projects that increase the use of low-value or residual fibre including trees damaged by recent wildfires and waste left on site after logging that would otherwise be burned. This increased utilization will help the forest sector across the province through this period of declining timber supply resulting from the mountain pine beetle epidemic.	• This mandate letter priority is in progress. • In 2025/26 FESBC proponents utilized 568,252 m^3 of low-value fibre that would have been burnt. FESBC estimates that industry invested $3.60 for every $1.0 in funding to the transportation of this fibre. • For more information, see Objective 1.1 and Objective 2.1.
Support projects that mitigate wildfire risks, leading to better protection of communities, reduced greenhouse gas emissions and improved resiliency of B.C.'s forests to the impacts of climate change.	• This mandate letter priority is in progress. • Significant area was treated in 2025/26 with new prescriptions being completed, which will support future treatments. Low-value fibre is being used at all sites where it is economical to do so. • For more information, see Objective 1.1.

2025 Mandate Letter Priority	Status as of March 31, 2026
Working with the BC Wildfire Service, identify and fund priority projects that mitigate wildfire risk to make communities safer and forest ecosystems more resilient to climate change	• This mandate letter priority is in progress. • FESBC and BCWS have signed an MOU to work collaboratively to achieve this priority • See Objective 1.1 and Objective 2.1.
Fund projects that rehabilitate forest ecosystems impacted by wildfires, bark beetles or other forest health impacts to support a sustainable land-base for timber harvesting while protecting old growth forests. These projects should utilize low-value fibre or wildfire impacted timber that would otherwise not be utilized or be burned.	• This mandate letter priority is in progress. • FESBC is working through the regulatory framework to make a more significant impact on this priority. • FESBC proponents remain active in rehabilitation work. • For more information, see Objective 1.1.
In carrying out the above activities, prioritize projects that have one or more of the following: • Treat or commercially utilize residual fibre from management activities to minimize open burning. • Maintain existing wildfire risk reduction investments by supporting appropriate re-treatment of previously completed FESBC wildfire risk reduction projects., • Improve the quality of remaining timber post treatment, • Assist forest ecosystems in adapting to climate change, • Reduce greenhouse gas emissions, and • Improve habitat for wildlife	• This mandate letter priority is in progress. • FESBC promotes wildlife enhancement, GHG management and forest resilience generally, by awarding points to project applications that integrate the above into the outcomes that will be realized after the projects are completed.

Appendix B: Auditor's Report and Audited Financial Statements

Financial Statements of

FOREST ENHANCEMENT SOCIETY OF BC

And Independent Auditor's Report thereon

Year ended March 31, 2026

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying financial statements of Forest Enhancement Society of BC ("FESBC") are the responsibility of FESBC's management and have been prepared in compliance with legislation, and in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia. A summary of the significant accounting policies are described in Note 1 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

FESBC's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

The Board meets with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The financial statements have been audited by KPMG LLP, independent external auditors appointed by FESBC. The accompanying Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on FESBC's financial statements.

Jason Fisher
Executive Director

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Forest Enhancement Society of BC, and
To the Minister of Forests

Opinion

We have audited the financial statements of Forest Enhancement Society of BC (the "Society"), which comprise:

- the statement of financial position as at March 31, 2026
- the statement of operations for the year then ended
- the statement of changes in net debt for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements as at and for the year ended March 31, 2026 of the Society are prepared, in all material respects, in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

Basis for Opinion

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 auditor's report.

We are independent of the Society 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 opinion.

Emphasis of Matter – Financial Reporting Framework

We draw attention to Note 1 to the financial statements which describes the applicable financial reporting framework and the significant differences between that financial reporting framework and Canadian public sector accounting standards.

Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia 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 Society'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 Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society'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 the 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 Society'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 Society'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 Society to cease to continue as a going concern.
- 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.

Report on Other Legal and Regulatory Requirements

As required by the *Societies Act (British Columbia)*, we report that, in our opinion, the accounting policies applied in preparing the financial statements in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia have been applied on a basis consistent with that of the preceding year.

KPMG LLP

Chartered Professional Accountants

Victoria, Canada
May 13, 2026

FOREST ENHANCEMENT SOCIETY OF BC

Statement of Financial Position

March 31, 2026, with comparative information for 2025

		2026		2025
Financial assets:				
Cash and cash equivalents (note 2)	$	11,438,680	$	13,986,451
Accounts receivable		280,823		1,117,519
		11,719,503		15,103,970
Liabilities:				
Accounts payable and accrued liabilities		5,305,509		8,068,787
Deferred contributions (note 3)		6,425,229		7,057,320
		11,730,738		15,126,107
Net debt		(11,235)		(22,137)
Non-financial assets:				
Tangible capital assets (note 4)		8,206		18,420
Prepaid expenses		3,029		3,717
		11,235		22,137
Commitments (note 8)				
Subsequent event (note 11)				
Accumulated surplus	$	–	$	–

See accompanying notes to financial statements.

Approved by the Board:

Director

Director

FOREST ENHANCEMENT SOCIETY OF BC

Statement of Operations

Year ended March 31, 2026, with comparative information for 2025

	Budget	2026	2025
	(note 5)		
Revenues:			
Deferred contributions recognized	$ 26,029,150	$ 23,441,108	$ 58,722,302
Other	–	28,560	923
Gain on disposal of tangible capital assets	–	5,902	9,960
	26,029,150	23,475,570	58,733,185
Expenses:			
Amortization	12,000	8,193	10,546
Grants issued	23,600,000	21,098,161	55,338,539
Grant administration	1,002,000	1,004,473	1,868,780
Occupancy	45,000	46,367	53,073
Office and general	68,680	56,033	73,883
Professional fees	133,810	180,188	235,941
Salaries and benefits	1,019,500	980,078	1,013,507
Travel and transportation	148,160	102,077	138,917
	26,029,150	23,475,570	58,733,186
Annual surplus	$ –	$ –	$ –

See accompanying notes to financial statements.

FOREST ENHANCEMENT SOCIETY OF BC

Statement of Changes in Net Debt

Year ended March 31, 2026, with comparative information for 2025

	Budget	2026	2025
	(note 5)		
Annual surplus	$ –	$ –	$ –
Acquisition of tangible capital assets	–	(2,462)	(7,389)
Amortization of tangible capital assets	8,350	8,193	10,546
Proceeds on disposal of tangible capital assets	–	10,385	9,960
Gain on disposal of tangible capital assets	–	(5,902)	(9,960)
	8,350	10,214	3,157
Decrease of prepaid expenses	–	688	1,383,030
Change in net debt	8,350	10,902	1,386,187
Net debt, beginning of year	(22,137)	(22,137)	(1,408,324)
Net debt, end of year	$ (13,787)	$ (11,235)	$ (22,137)

See accompanying notes to financial statements.

FOREST ENHANCEMENT SOCIETY OF BC

Statement of Cash Flows

Year ended March 31, 2026, with comparative information for 2025

	2026	2025
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	$ –	$ –
Items not involving cash:		
Amortization	8,193	10,546
Gain on disposal of tangible capital assets	(5,902)	(9,960)
Deferred contributions recognized	(23,469,107)	(58,722,302)
Changes in non-cash operating working capital		
Accounts receivable	836,696	(528,540)
Prepaid expenses	688	1,383,030
Accounts payable and accrued liabilities	(2,763,278)	(4,343,722)
Deferred contributions received	22,526,500	20,011,500
Other changes in deferred contributions	(6,311)	–
Interest earned on deferred contributions	316,827	1,807,645
	(2,555,694)	(40,391,803)
Capital activities:		
Purchase of tangible capital assets	(2,462)	(7,389)
Proceeds on disposal of tangible capital assets	10,385	9,960
	7,923	2,571
Investing activities:		
Maturity of investments	–	15,090,662
Decrease in cash and cash equivalents	(2,547,771)	(25,298,570)
Cash and cash equivalents, beginning of year	13,986,451	39,285,021
Cash and cash equivalents, end of year	$ 11,438,680	$ 13,986,451

See accompanying notes to financial statements.

Forest Enhancement Society of BC ("FESBC" or "Society") was incorporated on February 16, 2016 under the *Society Act* (British Columbia) and transitioned to the new *Societies Act* (British Columbia) on June 9, 2017. Its principal activity is to advance and advocate for the environmental and resource stewardship of BC's forests.

1. Significant accounting policies:

(a) Basis of accounting:

The financial statements have been prepared in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia supplemented by Regulations 198/2011 issued by the Province of British Columbia Treasury Board. The Budget Transparency and Accountability Act requires that the financial statements be prepared in accordance with the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada, or if the Treasury Board makes a regulation, the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada as modified by the alternate standard or guideline or part thereof adopted in the regulation.

Regulation 198/2011 requires that restricted contributions received or receivable other than for acquiring or developing a depreciable tangible capital asset or contributions in the form of a depreciable tangible capital asset be treated as a deferred contribution and the associated liability reduced, and revenue recognized, in the fiscal period during which the stipulation or restriction the contribution is subject to is met.

For British Columbia tax-payer supported organizations, these contributions include government transfers and externally restricted contributions.

The accounting policy requirements under Regulation 198/2011 are significantly different from the requirements of Canadian public sector accounting standards which requires that

- government transfers, which do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with public sector accounting standard PS3410;
- externally restricted contributions be recognized as revenue in the period in which the resources are used for the purpose or purposes specified in accordance with public sector accounting standard PS3100.

As a result, revenue recognized in the statement of operations and deferred contributions would be recorded differently under Canadian Public Sector Accounting Standards.

1. Significant accounting policies (continued):

(b) Revenue recognition:

Externally restricted contributions are recognized as revenue depending on the nature of the restrictions on the use of the funds by the contributors as described in note 1(a).

Investment income is reported in the period earned. When required by the funding party or related Act, investment income earned on deferred revenue is added to the deferred revenue balance.

(c) Deferred contributions:

Deferred contributions includes contributions received with stipulations that meet the description of restricted contributions in the Restricted Contributions Regulation 198/2011 issued by Treasury Board. When restrictions are met, deferred revenue is recognized as revenue in the fiscal period in a manner consistent with the circumstances and evidence used to support the initial recognition of the contributions received as a liability as detailed in note 1(a).

(d) Cash and cash equivalents:

Cash and cash equivalents include highly liquid investments with terms to maturity of three months or less at the date of purchase and redeemable investments.

(e) Investments:

Investments include fixed rate investments with maturity dates greater than three months at the time of acquisition. Investments are reported at cost plus accrued interest.

(f) Tangible capital assets:

Tangible capital assets acquired are recorded at cost which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets.

Amortization is provided on a declining balance basis over the estimated useful life of the assets using the following annual rates:

Asset	Basis	Rate
Furniture and fixtures	Declining balance	20%
Computer equipment	Declining balance	55%
Vehicles	Declining balance	30%
Telephones	Declining balance	20%
Leasehold improvements	Straight line	3 years

One-half of the annual rate is used in the year of acquisition.

1. Significant accounting policies (continued):

(f) Tangible capital assets (continued):

Tangible capital assets are written down to residual value when conditions indicate they no longer contribute to the ability of FESBC to provide services or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The write-downs are accounted for as expenses in the Statement of Operations. Intangible assets are not recorded as assets in these financial statements.

(g) Asset retirement obligations:

An asset retirement obligation is recognized when, as at the financial reporting date, all of the following criteria are met:

- There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

There are no asset retirement obligations during the periods presented.

(h) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market and derivative contracts that are not designated in a qualifying hedging relationship are subsequently measured at fair value and all changes in the fair value are recognized in the statement of remeasurement gains and losses. They are recognized in the statement of operations when realized. In the years presented, there are no unrealized gains or losses; as a result no statement of remeasurement gains and losses is presented. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. FESBC has not elected to carry any financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal period if there are indicators of impairment. If there is an indicator of impairment, FESBC determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount FESBC expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

1. Significant accounting policies (continued):

(i) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

2. Cash and cash equivalents:

	2026	2025
Cash in bank	$ 8,789,630	$ 10,016,616
Cash on deposit	2,649,050	3,969,835
	$ 11,438,680	$ 13,986,451

3. Deferred contributions:

On March 31, 2016, the Province provided FESBC with a grant of $85,000,000 to be used to further FESBC's purposes, aims, and objectives in collaboration with stakeholders, including the provincial government. On February 24, 2017, the Province provided FESBC with a further grant of $150,000,000 for the same purpose.

Subsequent to the initial grant, the Province has entered into a number of funding and shared cost arrangements with FESBC.

If any of the contributions from the Province cannot be actively committed to achieving FESBC's stated purposes and objectives or requirements of the grant, they must be returned to the Province. The grants are recognized as deferred contributions and are used to fund the operating expenses and grants issued by FESBC. Interest earned on the grants is deferred and used to fund eligible expenses incurred by FESBC.

	2026	2025
Balance, beginning of year	$ 7,057,320	$ 43,960,477
Restricted interest income	316,827	1,807,645
Contributions received - Province	22,526,500	20,011,500
Amount recognized as revenue in the year	(23,469,107)	(58,722,302)
Other	(6,311)	–
Balance, end of year	$ 6,425,229	$ 7,057,320

4. Tangible capital assets:

March 31, 2026	Cost	Accumulated amortization	Net book value
Computer equipment	$ 30,369	$ 22,163	$ 8,206
	$ 30,369	$ 22,163	$ 8,206

March 31, 2025	Cost	Accumulated amortization	Net book value
Furniture and fixtures	$ 18,872	$ 15,984	$ 2,888
Computer equipment	27,906	15,142	12,764
Vehicles	22,062	19,440	2,622
Telephones	947	801	146
Leasehold improvements	15,071	15,071	–
	$ 84,858	$ 66,438	$ 18,420

5. Budget:

The budget figures presented were approved by the Board in February 2025.

6. Employee benefits:

The Society and its employees contribute to the Public Service Pension Plan (a jointly trusteed pension plan). The Public Service Pension Board of Trustees, representing plan members and employers, is responsible for administering the plan, including investment of assets and administration of benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at March 31, 2025, the plan has about 80,000 active members and approximately 58,000 retired members.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plan. The actuary's calculated contribution rate is based on the entry age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plan. This rate may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

The most recent actuarial valuation for the Plan as at March 31, 2023 indicated a $4,491 million surplus for basic pension benefits on a going concern basis.

The next valuation will be as of March 31, 2026 with results available later in 2026.

6. Employee benefits (continued):

The Society paid $54,603 (2025 - $42,149) for employer contributions and employees paid $46,287 (2025 - $35,729) to the plan in fiscal 2026.

Employers participating in the plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plan records accrued liabilities and accrued assets for the plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plan.

7. Financial risks and concentration of risk:

(a) Interest rate risk:

Interest rate risk refers to the adverse consequences of interest rate changes in FESBC's cash flows, financial position and annual surplus. Cash in the bank earns interest on a variable rate based on Prime and Bank of Canada rates. FESBC manages interest rate risk by forecasting cash flow needs and investing in fixed rate guaranteed investment certificates set to mature when cash expenditures are forecasted to occur.

(b) Liquidity risk:

Liquidity risk is the risk that FESBC will be unable to fulfill its obligations on a timely basis or at a reasonable cost. FESBC manages its liquidity risk by monitoring its operating requirements. FESBC prepares budget and cash flow forecasts to ensure it has sufficient funds to fulfill its obligations.

(c) Currency risk:

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign exchange rates. FESBC is not exposed to currency risk, as all transactions are denominated in Canadian dollars.

(d) Credit risk:

Credit risk refers to the risk of financial loss due to a counterparty failing to meet its contractual obligations. The Society deals with creditworthy counterparties to mitigate the risk of financial loss. Accounts receivable are owing entirely from government entities.

There have been no changes to the risk exposures from 2024.

8. Commitments:

FESBC has entered into a contract with a third party for administration services related to the delivery and implementation of FESBC's Forest Enhancement Program. The minimum fees are $835,000 per annum.

FESBC has entered into an operating lease commitment for premises with monthly payments of $1,497 until July 2026.

Approved and unadvanced grants at March 31, 2026 were $22,917,167 (2025 - $8,778,416).

9. Remuneration paid to directors, employees and contractors:

Under the new British Columbia Societies Act, effective November 28, 2016, FESBC is required to disclose in the annual financial statements all remuneration paid to directors and the annual remuneration paid to employees and contractors receiving greater than $75,000.

FESBC paid $815,349 to 7 employees including secondments (2025 - $544,804 to five) for services, each of whom received total annual remuneration of $75,000 or greater. One contractor was paid greater than $75,000 totaling $94,706

During the year, FESBC paid total remuneration of $12,450 (2025 - $26,375) to directors. For director remuneration, the requirement is to disclose all remuneration paid to directors.

Director	$ 2,400
Director	1,600
Director	1,950
Director	5,000
Director	1,500
	$ 12,450

10. Related party transactions:

FESBC is related to all Provincial ministries, agencies, school districts, health authorities, colleges, universities, and crown corporations in the Province. Transactions with these entities, unless disclosed separately, are considered to be in the normal course of operations and are recorded at the exchange amount.

During the year, two of seven directors of the Board were employees of the Province.

FESBC purchased services from related parties through employee secondment from the Province. These services were purchased on a cost recovery basis and totaled $293,242 (2025 - $415,158).

During the year, there were $324,234 of grants (2025 - $328,208) issued to recipients through the Province, Ministry of Forests and Ministry of Finance.

11. Subsequent event:

Subsequent to March 31, 2026 FESBC signed an agreement to receive $37,000,000 to be spent on grants to increase fibre processing and utilization in the year ended March 31, 2027.