

ATHLII GWAII LEGACY TRUST

Financial Statements

As at March 31, 2016

(Unaudited)

REVIEW ENGAGEMENT REPORT

To the Trustees of Athlil Gwaii Legacy Trust

We have reviewed the statement of financial position of Athlil Gwaii Legacy Trust as at March 31, 2016 and the statements of revenues and expenditures, changes in net assets and cash flow for the period then ended. Our review was made in accordance with Canadian generally accepted standards for review engagements and, accordingly, consisted primarily of inquiry, analytical procedures and discussion related to information supplied to us by the trust.

A review does not constitute an audit and, consequently, we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with Canadian accounting standards for not-for-profit organizations.

Terrace, BC
April 27, 2016

MNP LLP
Chartered Professional Accountants

ATHLII GWAII LEGACY TRUST
Statement of Financial Position
As at March 31, 2016
(Unaudited)

	<i>March 31</i> 2016	<i>December 31</i> 2015
Assets		
Current		
Cash	\$ 208,578	\$ 47,177
Investment income receivable	80,447	74,289
Prepaid expenses	3,719	628
	292,744	122,094
Long term investments <i>(Notes 3, 4, 5)</i>	40,378,157	41,263,036
	\$ 40,670,901	\$ 41,385,130
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 52,240	\$ 57,539
Advances from Gwaii Trust Society	2,363	2,363
	54,603	59,902
Program commitments <i>(Note 6)</i>	50,592	50,592
	105,195	110,494
Net assets		
Unrestricted	12,795,202	13,612,614
Grant fund <i>(Note 8)</i>	27,770,504	27,662,022
	40,565,706	41,274,636
	\$ 40,670,901	\$ 41,385,130

On behalf of the Board

_____ *Trustee*

_____ *Trustee*

See notes to financial statements

ATHLII GWAII LEGACY TRUST
Statement of Revenues and Expenditures
Period Ended March 31, 2016
(Unaudited)

	<i>March 31</i> 2016 <i>(3 months)</i>	<i>December 31</i> 2015 <i>(12 months)</i>
Income		
Investment income <i>(Note 7)</i>	\$ 611,902	\$ 2,598,744
Investment management and regulatory expenses		
Custodial fees	16,648	57,584
Investment management	43,293	166,570
Professional fees	4,016	88,076
Trust protector fees		24,834
	63,957	337,064
Net trust earnings	547,945	2,261,680
Expenses		
Advertising and promotion	141	
Bank charges	21	79
Communication		112
Facility costs	3,750	15,000
Honoraria	5,000	20,000
Insurance	1,009	3,970
Management salaries	25,000	100,000
Meetings and conventions	2,500	10,000
Travel	3,750	15,000
Vehicle	1,000	4,000
	42,171	168,161
Excess of income over expenses from operations	505,774	2,093,519
Grant inflation protection <i>(Note 8)</i>	(108,482)	(495,649)
Excess of income over expenses before program costs and unrealized gains on long term investments	397,292	1,597,870
Project commitments		63,240
Net Surplus for the period	397,292	1,534,630
Unrealized gains (losses) on long term investments	(1,214,704)	499,637
Net Surplus (deficit) for the period	\$ (817,412)	\$ 2,034,267

ATHLII GWAII LEGACY TRUST
Statement of Changes in Net Assets
For the Period Ended March 31, 2016
(Unaudited)

	Unrestricted	Grant Fund	March 31 2016	December 31 2015
Net assets - beginning of period	\$ 13,612,614	\$ 27,662,022	\$ 41,274,636	\$ 38,744,720
Deficiency of income over expenses	(817,412)		(817,412)	2,034,267
Grant inflation protection		108,482	108,482	495,649
Net assets - end of period	\$ 12,795,202	\$ 27,770,504	\$ 40,565,706	\$ 41,274,636

ATHLII GWAII LEGACY TRUST**Statement of Cash Flow****Period Ended March 31, 2016***(Unaudited)*

	<i>March 31</i> 2016 <i>(3 months)</i>	<i>December 31</i> 2015 <i>(12 months)</i>
Operating activities		
Excess (deficiency) of income over expenses	\$ (817,412)	\$ 2,034,267
Item not affecting cash:		
Grant inflation protection	108,482	495,649
	(708,930)	2,529,916
Changes in non-cash working capital:		
Investment income receivable	(6,158)	(11,852)
Accounts payable and accrued liabilities	(5,299)	11,539
Prepaid expenses	(3,091)	(50)
Advances from Gwaii Trust Society		(79,137)
	(14,548)	(79,500)
Cash flow from (used by) operating activities	(723,478)	2,450,416
Investing activities		
Program commitments		50,592
Net change in investments	884,879	(2,487,071)
Cash flow from (used by) investing activities	884,879	(2,436,479)
Increase in cash flow	161,401	13,937
Cash - beginning of period	47,177	33,240
Cash - end of period	\$ 208,578	\$ 47,177

ATHLII GWAII LEGACY TRUST

Notes to Financial Statements

Period Ended March 31, 2016

(Unaudited)

1. Purpose of the organization

The Athlii Gwaii Legacy Trust (originally named the Gwaii Forest Charitable Trust) was settled on March 29, 2007 under the terms of the Deed of Trust. The Trust was established to provide a vehicle for the repatriation of the funds contributed under the South Moresby Agreement by the Province of British Columbia and the Government of Canada to Haida Gwaii. The funds endowed by the Federal and Provincial governments are for the purpose of increasing the sustainable forest management on Haida Gwaii and to increase community stability through enhancing the forest related economy of Haida Gwaii.

The Charitable Trust is a non-profit organization under the Income Tax Act and accordingly is exempt from income taxes.

During 2014, in accordance with the provisions of the Deed of Trust, the Trustees changed the name of the Trust from the Gwaii Forest Charitable Trust to the Athlii Gwaii Legacy Trust. The name has been changed in order to properly reflect the broad purposes of the Trust and to suitably honour the unique place of Athlii Gwaii, also known as Lyell Island, in some of the most important events in the history of Haida Gwaii including the origin of the Trust.

2. Future operations

Under the terms of the Deed of Trust referred to in Note 1, the Athlii Gwaii Legacy Trust is required to maintain, at a minimum, funds equal to the initial endowment of \$24,000,000 adjusted for inflation annually.

The Trustees of the Athlii Gwaii Legacy Trust had previously suspended any further disbursements of Trust assets for program funding up to December 31, 2014. As the market value of the investment portfolio of the Trust at March 31, 2016 of \$40,378,157 has risen above the the inflation adjusted endowment value of \$27,770,504, the Trustees have committed to resuming disbursements of Trust assets for program funding.

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 (ASNFPO). Canadian accounting standards for not-for-profit organizations are part of Canadian GAAP.

Cash and cash equivalents

Cash includes cash and cash equivalents. Cash equivalents are investments in treasury bills and other short term instruments and are valued at cost plus accrued interest. The carrying amounts approximate fair value because they have maturities at the date of purchase of less than ninety days.

(continues)

ATHLII GWAII LEGACY TRUST
Notes to Financial Statements
Period Ended March 31, 2016
(Unaudited)

3. Summary of significant accounting policies (continued)

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Revenue recognition

Athlii Gwaii Legacy Trust follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

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 period. 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.

4. Investments

	2016		2015	
	Cost	Market	Cost	Market
Cash	\$ 18,541	\$ 18,541	\$ 32,197	\$ 32,197
Treasury bills and short term investments	99,881	99,881	224,805	224,805
Federal and Provincial Government bonds	3,739,061	3,792,655	3,980,154	4,014,719
Corporate bonds	7,840,397	8,162,243	7,439,807	7,664,555
Mortgage funds	618,022	632,303	764,176	785,660
Equities	6,330,238	7,205,581	6,363,534	6,867,158
International equities	12,120,198	16,156,460	11,607,676	17,416,619
Equities - real estate investment trusts	2,619,944	4,310,493	2,517,598	4,257,323
	\$ 33,386,282	\$ 40,378,157	\$ 32,929,947	\$ 41,263,036

ATHLII GWAII LEGACY TRUST

Notes to Financial Statements

Period Ended March 31, 2016

(Unaudited)

5. Statement of investment policies and procedures

The investment strategies of the AthlII Gwaii Legacy Trust (the "Trust") are guided by the Statement of Investment Policies and Procedures (SIPP). The SIPP has been written in order to assist the Trustees in establishing the guidelines for the investment of the assets of the Trust (the "Fund") and in monitoring and evaluating the investment performance achieved by the Fund. A summary of the current investment guidelines contained in the SIPP and the current asset mix of the Fund is as follows.

Period end:								
March 31, 2016								
	Portfolio Value (\$\$)		% of Portfolio		GLT Current SIPP %			
	Cost	Market	Cost	Market	Min	Target	Max	
Canadian equities	\$ 6,330,238	\$ 7,205,581	19%	18%	15%	20%	25%	
International equities	6,951,811	7,653,111						
Nicola - US	5,168,387	8,503,349						
Total international	12,120,198	16,156,460	36%	40%	28%	33%	38%	
Total equities	18,450,435	23,362,041	55%	58%	43%	53%	63%	
Real return bonds	4,782,711	4,915,992	14%	12%	10%	15%	20%	
Government bonds -								
Federal	1,043,380	1,048,723	3%	3%				
Govt bonds - Prov & municipal	2,695,681	2,743,932	8%	7%				
Corporate bonds	2,653,845	2,694,470	8%	7%				
Total nominal bonds	6,392,906	6,487,125	19%	16%	12%	17%	22%	
High yield bonds	403,842	551,782	1%	1%	0%	5%	10%	
Total bonds	11,579,459	11,954,899	35%	30%	22%	37%	52%	
Mortgage fund	618,022	632,303	2%	2%				
Real estate funds	2,619,944	4,310,493	8%	11%				
Total mortgage & real est	3,237,966	4,942,796	10%	12%	5%	10%	15%	
Cash	10,979	10,979	0%	0%				
Cash - Nicola	7,562	7,562	0%	0%				
	18,541	18,541	0%	0%				
Treasury bills and short term investments	99,881	99,881	0%	0%				
Cash/Short term notes	118,421	118,421	0%	0%	0%	0%	0%	
	\$33,386,282	\$40,378,157	100%	100%	70%	100%	130%	

ATHLII GWAII LEGACY TRUST

Notes to Financial Statements

Period Ended March 31, 2016

(Unaudited)

6. Program commitments

The Athlii Gwaii Legacy Trust funds projects that are in general agreement with its aims and objectives. The balance outstanding represents projects approved by the Trustees which were not completed as at the period end.

	<i>March 31</i> 2016	<i>December 31</i> 2015
Committed balance - beginning of period	\$ 50,592	\$
Current project allocations		63,240
Subtotal	50,592	63,240
Project costs paid during the period		(12,648)
Committed balance - end of period	\$ 50,592	\$ 50,592

7. Investment income

	<i>March 31</i> 2016	<i>December 31</i> 2015
Interest income	\$ 54,164	\$ 388,167
Dividend income	60,602	274,934
Other investment income	491,620	1,668,111
Realized gain (loss) on investments	5,516	267,532
	\$ 611,902	\$ 2,598,744

8. Restricted net assets

The Athlii Gwaii Legacy Trust Investment Fund represents the initial endowment of \$24,000,000 received from the Governments of Canada and British Columbia. The Fund is adjusted annually by the inflation rate for the year to protect the value of the original grant for future generations. The fund has been established as a perpetual investment fund and, as such, the original endowment with the accumulated inflation adjustments can never be touched, allocated or expended.

The annual inflation adjustment is based on the Canadian Consumer Price Index (CPI). The change for the period ended March 31, 2016 has been calculated at the average monthly CPI index of 1.6% (2015 - 1.6%) for the period.

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Notes to Financial Statements

Period Ended March 31, 2016

(Unaudited)

9. Related party transaction

During the quarter, administration fees of \$41,000 were paid to the Gwaii Trust Society. These fees represent operating costs paid by the Gwaii Trust Society on behalf of the AthlII Gwaii Legacy Trust. The Gwaii Trust Society is the trustee of the AthlII Gwaii Legacy Trust.

	<i>March 31</i> 2016	2015
Board honoraria	\$ 5,000	\$ 20,000
Meetings	2,500	10,000
Rent and utilities	3,750	15,000
Travel	3,750	15,000
Vehicle expense	1,000	4,000
Wages and benefits	25,000	100,000
	\$ 41,000	\$ 164,000

10. Financial instruments

The trust is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the trust's risk exposure and concentration as of March 31, 2016.

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.

Currency risk

Currency risk is the risk to the company's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The trust is exposed to foreign currency exchange risk on cash, accounts receivable, and accounts payable held in U.S. dollars. The trust does not use derivative instruments to reduce its exposure to foreign currency risk.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the trust manages exposure through its normal operating and financing activities. The trust is exposed to interest rate risk primarily through its floating interest rate bank indebtedness and credit facilities.

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 or currency 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 trust is exposed to other price risk through its investment in quoted shares.

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Period Ended March 31, 2016
(Unaudited)

11. Comparative figures

Some of the comparative figures have been reclassified to conform to the current period's presentation.