

ATHLII GWAI LEGACY TRUST
Financial Statements - September 30, 2020
(Unaudited)

Review Engagement Report
Statement of Financial Position
Statement of Changes in Net Assets
Statement of Revenues and Expenses
Statements of Cash Flows
Notes to Financial Statements



INDEPENDENT PRACTITIONERS' REVIEW ENGAGEMENT REPORT

To the Trustees of Athlii Gwaii Legacy Trust

We have reviewed the accompanying financial statements of the Athlii Gwaii Legacy Trust (the "Trust") that comprise the statement of financial position as at September 30, 2020 and the statements of changes in net assets, revenue and expenses and cash flows for the period 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.

Practitioners' 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the statement of financial position of the Trust as at September 30, 2020, and the results of its operations and its cash flows for the period then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Emphasis of Matter

Without modifying our conclusion, we draw attention to Note 2 of the financial statements which describes the intention of the Trustees of the Trust to transfer all of the assets of the Trust to the Gwaii Trust Society (the "Society") and dissolve the Trust. At the date of this report, it is not determinable when the transfer of assets to the Society will occur as well as when the dissolution of the Trust will occur as it is dependent on outside parties.

Other Matters

The financial statements and comparative figures for the year ended December 31, 2019 were audited by another firm of Chartered Professional Accountants who expressed an unqualified audit opinion on those statements on February 18, 2020.

Chan Nowosad Boates Inc

Chartered Professional Accountants
Campbell River, BC

October 27, 2020

ATHLII GWAII LEGACY TRUST

Statement of Financial Position

September 30, 2020

	September 30, 2020	December 31, 2019
	\$	\$
ASSETS		
Current Assets		
Cash	376,137	489,241
Prepaid Expenses	<u>2,155</u>	<u>634</u>
	378,292	489,875
Long Term Investments (Notes 4 and 5)	<u>50,972,729</u>	<u>50,396,460</u>
	<u>51,351,021</u>	<u>50,886,335</u>
LIABILITIES		
Current Liabilities		
Accounts Payable and Accrued Liabilities	74,345	47,428
Advances from Gwaii Trust Society (Note 6)	62,500	49,429
Program Commitments (Note 7)	<u>39,915</u>	<u>-</u>
	176,760	96,857
Program Commitments (Note 7)	<u>-</u>	<u>39,915</u>
	<u>176,760</u>	<u>136,772</u>
NET ASSETS		
Unrestricted Net Assets	21,365,778	20,990,678
Restricted Net Assets (Note 8)	<u>29,808,483</u>	<u>29,758,885</u>
	<u>51,174,261</u>	<u>50,749,563</u>
	<u>51,351,021</u>	<u>50,886,335</u>

Approved by the Trust:

C. Greenough

C.Greenough (Oct 27, 2020 12:52 PDT)

Trustee

Billy Yovanovich

Billy Yovanovich (Oct 27, 2020 13:08 PDT)

Trustee

ATHLII GWAII LEGACY TRUST

Statement of Changes in Net Assets

For the 9 Month Period Ended September 30, 2020

September 30,
2020 December 31,
2019

(with comparative figures for the year ended December 31, 2019)

	Unrestricted	Restricted	Total	Total
	\$	\$	\$	\$
Beginning Net Assets	20,990,678	29,758,885	50,749,563	45,665,734
Excess of Revenues over Expenses	424,698	-	424,698	5,083,829
Grant Inflation Protection	<u>(49,598)</u>	<u>49,598</u>	<u>-</u>	<u>-</u>
Ending Net Assets	<u>21,365,778</u>	<u>29,808,483</u>	<u>51,174,261</u>	<u>50,749,563</u>

ATHLII GWAII LEGACY TRUST

Statement of Revenues and Expenses

For the 9 Month Period Ended September 30, 2020

	September 30, 2020	December 31, 2019
	\$	\$
Revenue		
Investment Income (Note 9)	<u>1,396,018</u>	<u>2,743,608</u>
Investment Management and Regulatory Expenses		
Custodial Fees	30,755	45,778
Investment Management	126,046	186,996
Professional Fees	83,549	41,152
Trust Protector Fees	<u>14,663</u>	<u>20,860</u>
	<u>255,013</u>	<u>294,786</u>
Net Trust Earnings	<u>1,141,005</u>	<u>2,448,822</u>
Expenses		
Advertising and Promotion	3,750	5,200
Bank Charges	1,047	1,074
Communication	159	112
Honoraria	15,000	20,000
Insurance	3,757	4,060
Management Salaries	112,500	125,000
Meetings and Conventions	30,000	16,796
Rent	11,250	15,000
Travel	11,250	10,679
Vehicle	<u>3,000</u>	<u>4,000</u>
	<u>191,713</u>	<u>201,921</u>
Excess of Revenues over Expenses before Unrealized Gains (Losses)	949,292	2,246,901
Unrealized Gains (Losses)	<u>(524,594)</u>	<u>2,836,928</u>
Excess of Revenues over Expenses	<u>424,698</u>	<u>5,083,829</u>

ATHLII GWAII LEGACY TRUST

Statement of Cash Flows

Period Ended September, 2020

	September 30, 2020	December 31, 2019
	\$	\$
Cash Flows From Operating Activities:		
Excess of Revenue over Expenses	424,698	5,083,829
Changes in Non-Cash Working Capital		
Investment Income Receivable	-	58,751
Accounts Payable and Accrued Liabilities	26,917	(38,320)
Prepaid Expenses	(1,521)	-
Advances from Gwaii Trust Society	13,071	679
	<u>463,165</u>	<u>5,104,939</u>
Cash Flows From Financing Activities:		
Net Change in Investments	<u>(576,269)</u>	<u>(4,793,509)</u>
Net Increase (Decrease) in Cash	(113,104)	311,430
Cash - Beginning of Period	<u>489,241</u>	<u>177,811</u>
Cash - End of Period	<u><u>376,137</u></u>	<u><u>489,241</u></u>

ATHLII GWAII LEGACY TRUST

Notes to Financial Statements

September 30, 2020

1. Purpose of the Organization:

The Athlii Gwaii Legacy Trust (the "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 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 Trust is a non-profit organization under the Income Tax Act and accordingly is exempt from income taxes.

2. Future Operations and Funding Commitment

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

As the market value of the investment portfolio of the Trust of \$50,972,729 at September 30, 2020 has risen above the inflation adjusted endowment value of \$29,808,483, the Trustees of the Trust are able to disburse funds to programs as they see appropriate.

On June 1, 2020, the Trust received correspondence from the Ministry of Forests, Lands, Natural Resource Operations and Rural Development of the Province of British Columbia. The correspondence detailed that the Province of British Columbia agrees with a strategy proposed by the Trust to transfer the net assets of the Trust to the Gwaii Trust Society Fund, a fund managed and owned by the Gwaii Trust Society (the "Society"). The next steps in the process to transfer the net assets and ultimately dissolve the Trust involve confirmation of support of the Federal Ministers of Natural Resources Canada and Environment and Climate Change Canada, followed by amendments to the appropriate legislation in British Columbia.

The timing of the above described next steps to be taken to transfer the net assets of the Trust to the Society is indeterminable at the date of these financial statements and the financial statements continue to be presented on a going concern basis.

3. Summary of Significant Accounting Policies:

Basis of Presentation

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Financial Instruments Policy

The Trust recognizes its financial instruments when the Trust becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management. Financial assets and liabilities originated and issued in all other related party transactions are initially measured at their carrying or exchange amount in accordance with Section 3840 Related Party Transactions (Note 6).

ATHLII GWAII LEGACY TRUST

Notes to Financial Statements

September 30, 2020

3. Summary of Significant Accounting Policies (continued):

Financial Instruments Policy (continued)

At initial recognition, the Trust may irrevocably elect to subsequently measure any financial instrument at fair value. The Trust has not made such an election during the year. The Trust subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those designated in a qualifying hedging relationship or that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, at fair value. Fair value is determined by published price quotations. Investments in equity instruments not quoted in an active market and derivatives that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, are subsequently measured at cost less impairment. With the exception of financial liabilities indexed to a measure of the Trust's performance or value of its equity and those instruments designated at fair value, all other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in the excess (deficiency) of revenues over expenses for the current period. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

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 period 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.

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

Revenue Recognition

The 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.

Investment income is recognized as revenue as earned by way of dividend or interest or upon the completion of a transaction resulting in a realized gain on the disposition of investments.

Measurement Uncertainty

The preparation of financial statements in conformity with ASNPO 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 revenues and expenses during the reporting period.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues and expenses in the year in which they become known.

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Notes to Financial Statements

September 30, 2020

4. Long Term Investments:

	September 30, 2020		December 31, 2019	
	Cost	Market	Cost	Market
	\$	\$	\$	\$
Cash	33,204	33,204	7,673	7,673
Treasury Bills and Short Term Investments	446,290	446,290	292,694	292,694
Corporate Bonds	13,724,227	14,795,158	14,440,935	14,502,207
Equities	10,510,409	10,061,852	9,190,738	9,471,128
International Equities	13,290,696	18,402,645	13,406,172	18,801,903
Equities - REITs	3,651,960	7,233,580	3,425,200	7,320,855
	<u>41,656,786</u>	<u>50,972,729</u>	<u>40,763,412</u>	<u>50,396,460</u>

5. Statement of Investment Policies and Procedures:

The investment strategies of 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: September 30, 2020

	Portfolio Value		% of Portfolio		AGLT Current SIPP %		
	Cost	Market	Cost	Market	Min.	Target	Max.
	\$	\$					
Canadian Equities	10,510,409	10,061,853	25%	20%	15%	20%	25%
International Equities	<u>13,290,696</u>	<u>18,402,645</u>	<u>32%</u>	<u>36%</u>	<u>28%</u>	<u>33%</u>	<u>48%</u>
Total Equities	<u>23,801,105</u>	<u>28,464,498</u>	<u>57%</u>	<u>56%</u>	<u>43%</u>	<u>53%</u>	<u>73%</u>
Real Return Bonds	5,742,873	6,289,257	14%	12%	5%	6%	20%
Nominal Bonds	<u>7,981,353</u>	<u>8,505,900</u>	<u>19%</u>	<u>17%</u>	<u>12%</u>	<u>17%</u>	<u>22%</u>
Total Bonds	<u>13,724,226</u>	<u>14,795,157</u>	<u>33%</u>	<u>29%</u>	<u>17%</u>	<u>33%</u>	<u>57%</u>
Total Real Estate and Mortgages	<u>3,651,960</u>	<u>7,233,580</u>	<u>9%</u>	<u>14%</u>	<u>5%</u>	<u>10%</u>	<u>22%</u>
Total Cash, Treasury Bills and Short Term Investments	<u>479,495</u>	<u>479,494</u>	<u>1%</u>	<u>1%</u>	<u>0%</u>	<u>0%</u>	<u>5%</u>
Total	<u>41,656,786</u>	<u>50,972,729</u>	<u>100%</u>	<u>100%</u>			

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Notes to Financial Statements

September 30, 2020

6. Related Party Transactions:

During the period, administration fees of \$125,302 were paid to the Society. These fees represent operating costs paid by the Society on behalf of the Trust. The administration costs have been calculated and allocated as follows to represent the actual costs of operating and administering the Trust. The Society is the trustee of the Trust.

	September 30, <u>2020</u> \$	December 31, <u>2019</u> \$
Advertising and Promotion	3,750	5,000
Bank Charges	750	1,000
Community Consultation	15,000	-
Honoraria	15,000	20,000
Meetings	15,000	15,000
Rent and Utilities	11,250	15,000
Travel	11,250	10,000
Vehicle	3,000	4,000
Wages and Benefits	<u>112,500</u>	<u>125,000</u>
	<u>187,500</u>	<u>195,000</u>

Balances outstanding consist of the administration fees or other operating costs paid by the Gwaii Trust Society on behalf of the Athlii Gwaii Legacy Trust.

7. Program Commitments:

The Trust funds projects that are in general agreement with its aims and objectives. The balance outstanding represents projects approved by the Trustees and for which amounts are committed which were not completed as at the fiscal period end. The balance of \$39,915 is expected to be paid within the current fiscal year.

8. Restricted Net Assets:

The Trust's Grant Fund represents the initial endowment of \$24,000,000 received from the Governments of Canada and British Columbia. The grant fund is adjusted annually by the inflation rate for the year to protect the value of the original grant for future generations. The grant 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 September 30, 2020 has been calculated at the CPI of 0.5% (2019 - 2.2%) for the period.

ATHLII GWAII LEGACY TRUST

Notes to Financial Statements

September 30, 2020

9. Investment Income:

	September 30, <u>2020</u> \$	December 31, <u>2019</u> \$
Interest Income	672,919	416,989
Other Investment Income	365,151	-
Dividend Income	395,246	300,570
Realized Gain (Loss) on Investments	<u>(37,298)</u>	<u>2,026,049</u>
	<u>1,396,018</u>	<u>2,743,608</u>

10. Risk Management:

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 September 30, 2020.

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

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Trust enters into transactions to denominated in United States currency for which the related revenues, expenses, accounts receivable and accounts payable balances are subject to exchange rate fluctuations.

During the period, the value of the Canadian dollar depreciated by \$0.0202 against the US dollar. The Trust has significant investments in US dollars. As a result, the change in the exchange rate has increased the Trust's foreign currency risk exposure.

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. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. The Trust is exposed to interest rate cash flow risk with respect to its investment portfolio.

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.

11. Comparative Figures:

Certain prior period figures have been reclassified, where necessary, to conform with the current period's presentation.

ATHLII GWAII LEGACY TRUST

Notes to Financial Statements

September 30, 2020

12. Subsequent Event:

The global outbreak of COVID-19 (coronavirus), has continued to have a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation / quarantine orders up to the date of these financial statements.

At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Trust as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus and the effect that those items have on the local and world markets and investments.