



## **Athlii Gwaii Legacy Trust**

PO Box 588

Masset BC V0T 1M0

Phone: 1-250-626-3654/ Fax: 1-250-626-3261 (Masset Office)

Phone: 1-250-559-8883/ Fax: 1-250-559-8876 (Skidegate Office)

### **Athlii Gwaii Legacy Trust (AGLT) Report for the Fiscal Year Ended Dec 31<sup>st</sup> 2014**

#### **Pursuant to Sections 2(11) and 36(b) of the Deed of Trust settled as of March 29, 2007 (the "Trust Deed")**

##### **Preamble:**

The audited statement of the financial position of the Trust as of December 31, 2014 can be found under the heading, "AGLT 2014 Financial Statement" on the Trust's website at: <http://www.aglt.ca>

Over the course of the fiscal year ending December 31, 2014 ("Fiscal 2014"), the only withdrawals of funds from the Trust's investment fund (the "Fund") were expenditures solely for the accumulation of investment income by the Fund and the paying of monthly reoccurring operational expenses related to the accumulation of that income, and extraordinary legal expenses in the on-going resettlement of this Trust agreement. (See Financial Results, Expenses below)

The temporary discontinuance of project funding stemmed directly from the financial crisis of 2008. Since 2009 the Trust has halted granting and allowed the Fund to re-accumulate reserves. Trustees had agreed to support an accumulation of at least \$3 million before further project funding would be considered. The \$3 million reserve was an amount estimated to be the sum of:

- (i) Two years of Trust operational costs, plus
- (ii) Two years of project funding.

In 2012, the Fund passed the \$3 million reserve mark, ending the 2012 fiscal year with an unrestricted balance of roughly \$4.3 million or a little over 14% of the gross Fund. With a continued eye to prudence in light of ongoing world economic instability, on November 08<sup>th</sup> 2012 the Trustees set a long-term internal goal of 20% of the gross fund as an appropriately reasonable reserve.

At the close of 2013, the fund had surpassed the 20% buffer recommendation by Trustees, and Trustees began development of the 2014 granting strategy. During the course of 2014 the Province passed legislation (Addendum #01) that effectively said the Charitable Trust could operate as a charitable entity while maintaining non-charitable purposes. The legislation also provided retroactive comfort for any previous granting done by the organization which may have been considered non-charitable. The Trustees learned that, while comforting, the Federal Government's agent, Canada Revenue Agency (CRA), did not share the same opinion of what may be considered charitable.



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Given that the Provincial legislation allowed the Trust to continue to grant both in a charitable vein, and a non-charitable manner, the Trustees felt that it would be prudent to clarify this position prior to creating any new programming parameters.

As an additional point of clarity the Trustees felt that since the organization was not a “charitable” trust, it would be prudent to amend the organizations moniker to more accurately reflect the broader diversification of projects the Trust is capable of, and to ultimately provide less confusion around its purposes. On April 05<sup>th</sup> 2014 Trustees amended the previously known Gwaii Forest Charitable Trust to “Athlii Gwaii Legacy Trust”. The new name also officially serves to remind future generations of the origins of the Trust’s history, Athlii Gwaii – otherwise known as Lyell Island, where the stand-off to protect our lands resulted in the conservation of parkland and the basis for this fund.

Over the ensuing months the Province agreed to moving the funds from a confusing charitable trust, with mixed non-charitable purposes, to a not for profit federal corporation. This service delivery vehicle would allow for the original intended mix of not for profit programs, and economic stimulus projects, while continuing to enshrine the tenants of the original South Moresby Forestry Repatriation Account (SMFRA) agreement. All other covenants would remain, there would still be an independent Protector (KPMG), and rigorous regular reporting requirements.

As of the close of 2014 the Trustees have secured an agreement in principle, and now await the Province’s legislation writers to crystalize these agreements within new Provincial legislation. We had anticipated this to be completed within the March 2015 session, however demands on legislation writer’s time have been consumed by previous provincial commitments; we hope to have new legislation in place by the summer of 2015.

In Sept of 2014 the Gwaii Trust Society engaged UBC’s Sauder School of business to undertake a broad-based community review. (As part of the Gwaii Trust Five year Performance Review - Funded through GTS) While the primary focus of the interviews related to GTS, Islanders are very familiar with the parallel relationship between GTS and AGLT, and virtually all conversations were equally relevant to both organizations. This phase of the work concluded March 01<sup>st</sup> 2015.

Findings were based on 38 stakeholder interviews, 18 residents feedback from public input sessions, 106 public survey responses, and an economic development forum put on by GTS in Nov of 2014 (Over 100 attendees) Trustees continue to work with UBC’s Sauder School of Business in 2015, developing a short-term (one year) work plan based on the findings of the Sauder group.<sup>1</sup>

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<sup>1</sup> Copies of both reports may be found on the Gwaii Trust’s website [www.gwaiitrust.com](http://www.gwaiitrust.com) by Mar 31<sup>st</sup> 2015.



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Once this work plan has been completed Trustees may begin granting in fiscal 2015. Given the agreements in principle between the Province's legal representative and The Trust's agent, and the potentially substantive delay in the actual creation of the supporting legislation, Trustees may feel comfortable enough to begin granting in advance of the official legislation, however, this decision will be deferred to legal counsel for opinion.

Granting and expense guidelines will continue to mirror those of the Gwaii Trust Society, with total expenses restricted to a maximum of 4.0% of assets under administration. However, as the fund has been dormant for five years there has been a significant accrual of income that will result in Trustees exceeding the 4% maximum until the fund's buffer<sup>2</sup> falls to a more reasonable (20%)<sup>3</sup> level

### **Projects:**

***A. Summary and explanation of practices used in review, evaluation and approval of Eligible Projects in the fiscal year ended December 31, 2014.***

No projects were reviewed or approved in fiscal 2014.

***B. Full Listing of all Eligible Projects for which funding by the Trust was funded in the fiscal year ended December 31, 2014.***

No projects were approved nor advanced in Fiscal 2014

***Summary and explanation of the Trust's Statement of Financial Position in fiscal 2014; material changes and points of note.***

### **Financial Results:**

**Expenses** - As mentioned earlier the Trust did not process any project funding withdrawals from the Fund in 2014. The Fund's only expense items were those necessary to maintain the Fund's ongoing investments and audit/accounting processes, and extraordinary legal expenses in the on-going resettlement of this Trust agreement. The Trustees have broached the subject of reimbursement of

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<sup>2</sup> The term "buffer relates to the difference between the protected amount of the fund and the actual market value of the fund

<sup>3</sup> Current buffer levels are in excess of 30%



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costs, however the Province has not been forthcoming with current support for those discussions as of this writing. We will endeavour to continue to pursue these conversations more vigorously once all terms have been settled and legislation cleared.

**Income** – The Fund grew by in excess of \$3.7 million over fiscal 2013’s year-end, or 10.5% over the previous year, making 2014 another strong income year for the Trust. Significant global equity returns coupled with minimal fund withdrawals continued to play a large role in 2014 returns.

There were no Statement of Investment Policies and Procedures (the “SIPP”) revisions in 2014

### ***Summary and explanation of the investment strategy of AGLT in fiscal 2014 and any material changes in the investment of the property of the Trust.***

As mentioned previously there were no material changes to the Trust’s (SIPP) in 2014. The following table sets out the respective weightings of asset classes in the Trust’s portfolio of assets as at the end of calendar 2014 (Dec 31<sup>st</sup> 2014):

<b>Asset Class</b>	<b>As a % of Portfolio</b>	<b>SIPP Range</b>
Canadian Equities	20%	15 – 25%
International Equities	38%	28 – 38%
<b>Total Equities</b>	<b>58%</b>	<b>43 – 63%</b>
Real Return Bonds	11%	10 – 20%
Federal Bonds	03%	
Provincial & Municipal Bonds	07%	
Corporate Bonds	07%	
Total Nominal Bonds	17%	12 – 22%
High Yield Bonds	02%	00 – 10%
<b>Total Bonds</b>	<b>29%</b>	<b>22 – 52%</b>
Mortgage Fund	02%	
Real Estate	10%	
<b>Total Mortgage &amp; Real Estate Funds</b>	<b>12%</b>	<b>05 – 15%</b>
Cash	00%	
Treasury Bills & Short Term Investments	01%	
<b>Total Cash / Short Term Notes</b>	<b>01%</b>	<b>00 – 00%</b>
<b>Total</b>	<b>100%</b>	<b>70 – 130%</b>

**On Behalf of the Board:**



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### Addendum #01

March 2014:

GFCT – Legislation as it Appears in the 2014 BC Budget

SECTION 5: [*Validation — Gwaii Forest Charitable Trust*] retroactively validates the Gwaii Forest Charitable Trust as a valid charitable trust, deems the purposes of the trust to be charitable purposes and validates all things done in relation to the trust between March 29, 2007 and the date this section comes into force.

#### Validation — Gwaii Forest Charitable Trust

5 (1) In this section:

"**Gwaii Forest Charitable Trust**" means the trust governed by the trust deed;

"**trust deed**" means the deed of trust, dated March 29, 2007, between the Gwaii Trust Society, a society incorporated under the *Society Act*, as settlor, the Gwaii Trust Society, Warren Foster and Brad Setso as trustees and KPMG Inc. as protector.

(2) Despite any enactment or law to the contrary, the Gwaii Forest Charitable Trust is conclusively deemed to be a valid charitable trust, effective March 29, 2007.

(3) Despite any enactment or law to the contrary, all of the purposes referred to in the definitions of "Purposes" and "SMFRA Purposes" in section 2 of the trust deed are, subject to subsection (4) of this section, conclusively deemed to be charitable purposes.

(4) Subsection (3) applies only in respect of

(a) The Gwaii Forest Charitable Trust,

(b) The trust deed, and

(c) The application of an enactment or law to the Gwaii Forest Charitable Trust or the trust deed.

(5) All things done in relation to the Gwaii Forest Charitable Trust between March 29, 2007 and the date this section comes into force that would have been validly done had this section been in force on the date they were done are conclusively deemed to have been validly done.

(6) This section is retroactive to the extent necessary to give full force and effect to its provisions and must not be construed as lacking retroactive effect in relation to any matter because it makes no specific reference to that matter.