

GWAII TRUST SOCIETY

Financial Statements

August 31, 1998

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To The Members
Gwaii Trust Society

AUDITORS' REPORT

We have audited the balance sheet of Gwaii Trust Society as at August 31, 1998 and the statements of operations, appropriated savings and changes in financial position for the year then ended. These financial statements are the responsibility of the Society's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. These standards require that we plan and perform an audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation.

In our opinion these financial statements present fairly, in all material respects, the financial position of Gwaii Trust Society as at August 31, 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with the generally accepted accounting principles on a basis consistent with the preceding year.

Coffey Miller & Co

Vancouver, B.C.
October 19, 1998

Certified General Accountants

GWAII TRUST SOCIETY
Statement of Operations
General Fund
For the Year ended August 31, 1998

	<u>Note</u>	<u>1998</u>	<u>1997</u> (amended)
Revenue			
Allocation from Grant Fund		\$ 5,094,276	\$ 2,276,534
Recovered costs	8	<u>22,502</u>	<u>10,383</u>
		<u>5,116,778</u>	<u>2,286,917</u>
 Expenditure			
Accounting and audit		7,642	16,438
Actuary		7,312	10,664
Advertising and promotion		12,972	14,480
Custodian fees		28,189	-
Depreciation		11,586	6,429
Equipment rental		5,620	4,374
Goods and services tax	10	27,961	-
Honoraria	1(c)	50,100	28,325
Insurance		11,525	5,923
Legal		2,421	4,233
Meeting costs		848	1,166
Office	9	9,224	8,549
Rent and repairs		8,786	6,443
Telephone		3,985	2,353
Training and board development		1,212	485
Travel		31,074	16,002
Vehicle lease		3,651	-
Wages and wage costs		<u>97,850</u>	<u>72,275</u>
		<u>321,958</u>	<u>198,139</u>
 Excess of Revenue over Expenditure			
before appropriations		<u>\$ 4,794,820</u>	<u>\$ 2,088,778</u>

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GWAIH TRUST SOCIETY
Statement of Financial Position
General Fund
As at August 31, 1998

	<u>1998</u>	<u>1997</u> (amended)
ASSETS		
	<u>Note</u>	
Current Assets		
Cash in bank	\$ 22,786	\$ 43,097
Term deposits	-	1,961
Other receivables	-	12
Government receivables	-	16,467
Prepaid expenses	6,189	5,014
Due from Grant Fund	<u>5,951,378</u>	<u>2,859,644</u>
	<u>5,980,353</u>	<u>2,926,195</u>
 Capital Assets		
	5	
Computer equipment	42,089	42,089
Furniture and fixtures	<u>7,680</u>	<u>7,680</u>
	49,769	49,769
Less: accumulated depreciation	<u>18,669</u>	<u>7,083</u>
	<u>31,100</u>	<u>42,686</u>
	<u>\$ 6,011,453</u>	<u>\$ 2,968,881</u>

Approved on behalf of the Board:

"Brad Schultz"
 Director

"Willard Wilson"
 Director



GWAII TRUST SOCIETY
Statement of Financial Position
General Fund
As at August 31, 1998

	<u>1998</u>	<u>1997</u> (amended)
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 32,361	\$ 20,747
Government payables	1,959	-
Due to Project Fund	<u>1,920,955</u>	<u>1,225,842</u>
	<u>1,955,275</u>	<u>1,246,589</u>
FUND BALANCE		
General Savings		
Opening balance	1,722,292	1,623,882
Excess of revenue over expenditure	<u>4,794,820</u>	<u>2,088,778</u>
	6,517,112	3,712,660
Less: appropriations	<u>2,460,934</u>	<u>1,990,368</u>
Closing balance	<u>4,056,178</u>	<u>1,722,292</u>
	<u>\$ 6,011,453</u>	<u>\$ 2,968,881</u>

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GWAII TRUST SOCIETY
Statement of Financial Position
Project Fund
As at August 31, 1998

	<u>1998</u>	<u>1997</u> (amended)
ASSETS		
<u>Note</u>		
Current Assets		
Cash and bank	\$ 9,043	\$ 105,488
Term deposit	176,674	191,675
Due from General Fund	<u>1,920,955</u>	<u>1,225,842</u>
	<u>\$ 2,106,672</u>	<u>\$ 1,523,005</u>
LIABILITIES		
Current Liability		
Bank Overdraft	<u>\$ 205,473</u>	<u>-</u>
FUND BALANCE		
Project Fund	7	
Opening balance	\$ 1,523,005	\$ 681,671
Appropriation from General Fund	<u>2,460,934</u>	<u>1,990,368</u>
	3,983,939	2,672,039
Project costs paid	<u>(2,082,740)</u>	<u>(1,149,034)</u>
Closing Balance	<u>1,901,199</u>	<u>1,523,005</u>
	<u>\$ 2,106,672</u>	<u>\$ 1,523,005</u>



GWAII TRUST SOCIETY
Statement of Operations
Grant Fund
For the Year ended August 31, 1998

	<u>Note</u>	<u>1998</u>	<u>1997</u> (amended)
Investment Income	3	\$ 5,576,805	\$ 3,103,317
Expenditures			
Investment administrative fees		<u>142,940</u>	<u>90,297</u>
		<u>\$ 5,433,865</u>	<u>\$ 3,013,020</u>
 Allocations to:			
Grant Fund		339,589	736,486
General Fund		<u>5,094,276</u>	<u>2,276,534</u>
		<u>\$ 5,433,865</u>	<u>\$ 3,013,020</u>

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GWAII TRUST SOCIETY
Statement of Financial Position
Grant Fund
As at August 31, 1998

		<u>1998</u>	<u>1997</u> (amended)
ASSETS			
	<u>Note</u>		
Current Assets			
Cash and bank		\$ 102,633	\$ 68,477
Temporary investments	4	3,630,728	3,083,923
Accrued interest receivable		<u>632,942</u>	<u>594,762</u>
		4,366,303	3,747,162
Long-Term Investments	4	<u>42,637,603</u>	<u>39,825,421</u>
		<u>\$ 47,003,906</u>	<u>\$ 43,572,583</u>
LIABILITIES			
Current Liability			
Due to General Fund		<u>5,951,378</u>	<u>2,859,644</u>
FUND BALANCE			
Grant Fund	6		
Opening balance		40,712,939	39,976,453
Allocation from current operations		<u>339,589</u>	<u>736,486</u>
Closing balance		<u>41,052,528</u>	<u>40,712,939</u>
		<u>\$ 47,003,906</u>	<u>\$ 43,572,583</u>



GWAIH TRUST SOCIETY
Statement of Changes in Financial Position
For the Year ended August 31, 1998

	<u>1998</u>	<u>1997</u> (amended)
Cash from Operations		
Excess of receipts over expenditure before appropriation	\$ 5,134,409	\$ 2,825,264
Non-cash item:		
Depreciation	<u>11,586</u>	<u>6,429</u>
	5,145,995	2,831,693
Changes in non-cash working capital components:		
Interest and other receivables	(38,168)	(175,269)
Government receivables	16,598	(11,728)
Prepaid expenses	(1,175)	(4,539)
Accounts payable	11,484	(3,079)
Government payables	<u>1,959</u>	<u>-</u>
	<u>5,136,693</u>	<u>2,637,078</u>
 Investing		
Net increase in investments held	(3,358,988)	(1,671,378)
Purchase of capital assets	-	(45,111)
Allowable project costs	<u>(2,082,740)</u>	<u>(1,149,034)</u>
	<u>(5,441,728)</u>	<u>(2,865,523)</u>
 < Decrease > Increase in Cash	(305,035)	(228,445)
 Cash and cash equivalents at the beginning of the year	<u>410,698</u>	<u>639,143</u>
 Cash and cash equivalents at the end of the year	<u>\$ 105,663</u>	<u>410,698</u>

REPRESENTED BY:

Cash and bank	\$ 134,462	\$ 217,062
Bank overdraft	(205,473)	-
Term deposits	<u>176,674</u>	<u>193,636</u>
	<u>\$ 105,663</u>	<u>\$ 410,698</u>



GWAII TRUST SOCIETY
Notes to the Financial Statements
For the Year ended August 31, 1998

Note 1: General Disclosures

- a) The Society was incorporated on September 16, 1994 (S-32,529) under the provisions of the Society Act of the Province of British Columbia.
- b) The Society was established to advise and assist, economically and socially, the communities of Haida Gwaii\Queen Charlotte Islands. The Federal government awarded the Society a grant of \$38,200,000 in 1995 to assist the Society to achieve these objectives.
- c) The members of the Board of Directors are paid \$225 per meeting as a honoraria. In addition, Directors are reimbursed for travel, accommodation and mileage to attend meetings. Some Directors may have the recoveries for honoraria and expenses paid to limited companies and/or other business entities to which the Director may be related.
- d) Certain comparative figures have been reclassified to conform with the presentation for the current year.

Note 2: Summary of Significant Accounting Policies

a) Basis of Accounting

Activities are reported on a restricted fund accounting basis as prescribed for not-for-profit organizations. Accordingly, the resources and operations of the Society are segregated into various funds to reflect its activities. Apart from the General Fund, all funds are internally restricted by the Society's Board.

b) Investments

Short-term investments, comprised of Canadian treasury bills, are stated at the lower of cost and market value. Investment income and gains and losses on disposal of investments are reported as investment income in the Grant Fund.

Long-term investments are investments that have maturities beyond one year or investments in which management intends to hold until market conditions render alternative investments more attractive. Mortgages and equities are stated at cost. Canadian Government real return bonds are stated at amortized cost, adjusted for the effect of changes in the consumer price index. All other bonds are stated at amortized cost. Investment carrying values are adjusted, where appropriate, for other than temporary impairment in their underlying value. Interest income is recorded on an accrual basis.

GWAII TRUST SOCIETY
Notes to the Financial Statements
For the Year ended August 31, 1998

Note 2: Summary of Significant Accounting Policies, continued

Dividend income is recognized on declaration of dividends. Gains and losses realized on disposal are determined on the average cost basis. Interest income, dividend income and realized gain or losses are reported as investment income in the Grant Fund.

c) Capital Assets

Capital assets are recorded at cost. Depreciation is recorded on a declining balance basis at the following annual rates:

Computer equipment	30%
Furniture and fixtures	20%

Current year acquisitions are depreciated at one-half of the above rates.

(d) 1997 Amended Figures

The 1997 financial figures have been amended retroactively to conform with accounting policy changes made in 1998. The major effect of the change is reflected in reported revenues due to the change in accrual of interest and amortization of premiums and discounts.

Note 3: Investment Income

Investment income comprises the following:

	<u>1998</u>	<u>1997</u>
Interest received	\$ 1,643,045	\$ 1,056,613
Accrued interest	632,942	594,762
Less: Current year amortization	(176,381)	(185,044)
Add: Previous year amortization	<u>185,044</u>	<u>-</u>
	2,284,650	1,466,331
Dividends	302,884	198,768
Dividends receivable	5,630	-
Gain/(Loss) on Investments	2,983,641	1,438,110
Unrealized revaluation	<u>-</u>	<u>108</u>
	<u>\$ 5,576,805</u>	<u>\$ 3,103,317</u>

GWAII TRUST SOCIETY
Notes to the Financial Statements
For the Year ended August 31, 1998

Note 4: **Investments**

Investments comprise the following:

	<u>1998</u>		<u>1997</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Canadian treasury bills	\$ 3,630,728	\$ 3,630,728	\$ 3,083,923	\$ 3,083,923
Federal government bonds	25,121,987	26,139,882	25,756,915	27,435,531
Provincial government bonds	4,230,304	4,211,296	1,714,575	1,732,034
Corporate bonds	2,109,558	2,062,620	765,832	770,183
Mortgages	1,449,663	1,449,663	677,518	677,518
Equities	<u>9,902,472</u>	<u>11,285,881</u>	<u>11,095,625</u>	<u>14,743,825</u>
Total cost	46,444,712	<u>\$48,780,070</u>	43,094,388	<u>\$48,443,014</u>
Less: Amortization of Premium/Discount	<u>176,381</u>		<u>185,044</u>	
	<u>\$46,268,331</u>		<u>\$42,909,344</u>	

	<u>1998</u>		<u>1997</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Summary				
Temporary investments	3,630,728	3,630,728	3,083,923	3,083,923
Long-term investments	<u>42,637,603</u>	<u>45,149,342</u>	<u>39,825,421</u>	<u>45,359,091</u>
	<u>\$46,268,331</u>	<u>\$48,780,070</u>	<u>\$42,909,344</u>	<u>\$48,443,014</u>

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GWAII TRUST SOCIETY
Notes to the Financial Statements
For the Year ended August 31, 1998

Note 5: Capital Assets

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	
			<u>1998</u>	<u>1997</u>
Computer equipment	\$ 42,089	\$ 16,539	\$ 25,550	\$ 36,499
Furniture and fixtures	<u>7,680</u>	<u>2,130</u>	<u>5,550</u>	<u>6,187</u>
	<u>\$ 49,769</u>	<u>\$ 18,669</u>	<u>\$ 31,100</u>	<u>\$ 42,686</u>

Note 6: Grant Fund

The Fund represents the original grant of \$38,200,000 received from the Federal Government. To preserve the value of the grant, the Fund is adjusted annually by an appropriate inflation rate for the year to account for the change in value of the grant over time. The inflation rate used for the current year is 0.83% (1997: 1.84%).

Note 7: Project Fund

The project fund is set up to fund projects that are in general agreement with the aims and objectives of the Society. Transfers are made from the General Account to the Project Fund for amounts approved by the Board. The balance in the Fund represents the unpaid liability arising from approved commitments of the Society to provide funding.

Note 8: Recovered Costs

Recovered costs are comprised of the following amounts:

Wages and travel recoveries	\$ 10,748
Project recoveries	2,729
Youth coordinator fundraising	7,190
Merchandise sales and other	<u>1,835</u>
	<u>\$ 22,502</u>



GWAI TRUST SOCIETY
Notes to the Financial Statements
For the Year ended August 31, 1998

Note 9: Office Expenses

Office expenses are comprised of bank charges, freight, photocopying, supplies, and miscellaneous.

Note 10: Goods and Services Tax

The Society has been denied GST registration. This means the Society is not eligible to receive a fifty percent rebate on GST expended. The total GST expended from the date of the Society's inception to the current fiscal year end is \$27,961. This amount has been expensed on the Statement of Operations.