
GWAIL TRUST SOCIETY
FINANCIAL STATEMENTS
AS AT AUGUST 31, 2005

McAlpine & Co.

CHARTERED ACCOUNTANTS

McALPINE & CO.

CHARTERED ACCOUNTANTS

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(A partnership of incorporated professionals)

AUDITORS' REPORT

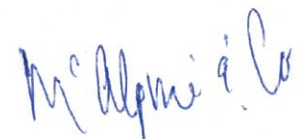
To the Members of the
Gwaii Trust Society

We have audited the statement of financial position of Gwaii Trust Society as at August 31, 2005 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the society's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance 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 management, 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 the society as at August 31, 2005 and the results of its operations and cash flow for the year then ended in accordance with generally accepted accounting principles. As required by the Society Act of British Columbia, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Terrace, B.C.
November 7, 2005



CHARTERED ACCOUNTANTS

GWAIL TRUST SOCIETY

Statement Of Financial Position

As at August 31, 2005

	2005	2004
Assets		
Current assets		
Cash	\$ 127,618	\$ 247,145
Restricted cash - note 7	130,264	467,232
Accounts receivable	1,244	1,244
Investment income receivable	499,235	467,862
Prepaid expenses	8,527	8,215
	766,888	1,191,698
Property, plant and equipment - note 2 and note 3	28,388	38,121
Long term investments - note 2 and note 4	57,721,384	55,010,691
	\$ 58,516,660	\$ 56,240,510
Liabilities		
Current liabilities		
Accounts payable	\$ 80,050	\$ 61,033
	80,050	61,033
Program commitments - note 6	4,092,555	3,784,382
Other liabilities - note 7	130,264	467,232
	4,302,869	4,312,647
Net assets		
Net assets invested in property, plant and equipment - note 8	28,388	38,121
Restricted net assets - note 9	48,324,641	47,100,040
Unrestricted net assets	5,860,762	4,789,702
	54,213,791	51,927,863
	\$ 58,516,660	\$ 56,240,510

Signed on behalf of the board:

_____ Director

_____ Director

GWAI TRUST SOCIETY

Statement of Operations

Year ended August 31, 2005

	Actual 2005	Budget 2005	Actual 2004
Revenue			
Investment income - note 5	\$ 7,000,546	\$	\$ 4,376,960
Recovered costs	2,332		4,168
	7,002,878		4,381,128
Investment management expenses			
Actuary	20,615	40,000	55,128
Custodian fees	60,695	55,000	55,405
Investment administration fees	190,261	180,000	177,775
	271,571	275,000	288,308
Net investment earnings	6,731,307		4,092,820
Administrative expenses			
Accounting and audit	10,582	12,000	23,219
Advertising and promotion	13,866	26,000	24,922
Bank charges and interest	638	1,000	760
Equipment rental	7,324	10,000	6,969
Honoraria	60,052	100,000	73,900
Insurance	16,270	25,000	16,174
Legal	38,561	25,000	25,042
Meetings and functions	11,684	5,000	7,781
Office, postage and miscellaneous	5,466	10,500	6,772
Office equipment		20,000	
Rent and utilities	16,808	15,000	13,661
Repairs and maintenance	4,398	5,000	2,210
Supplies	6,800	7,500	7,404
Telecommunications	10,581	10,000	10,543
Training and board development	1,041	10,000	5,335
Travel	43,158	50,000	30,668
Vehicle expense	7,416	8,000	7,443
Wages and employee benefits	125,210	123,800	114,682
Depreciation and amortization	17,679		15,435
	397,534	463,800	392,920
Income from operations	6,333,773		3,699,900
SMFRA Administration	(7,376)		
Operational surplus	6,326,397		3,699,900
Grant inflation allocation - note 9	1,224,601		878,215
Net surplus available for program commitments	5,101,796		2,821,685
Program commitments - note 10	4,040,469	4,118,178	2,814,478
Net surplus for the year	\$ 1,061,327	\$	\$ 7,207

GWAII TRUST SOCIETY

Statement of Changes in Net Assets
 Year ended August 31, 2005

Net Assets	Invested in property, plant and equipment			2005		2004
		Restricted	Unrestricted	Total	Total	Total
Balance - beginning of year	\$ 38,121	\$ 47,100,040	\$ 4,789,702	\$ 51,927,863		\$ 51,042,441
Net surplus (deficit) for the year	(17,679)		1,079,006	1,061,327		7,207
Investment in property, plant and equipment	7,946		(7,946)			
Grant inflation protection		1,224,601		1,224,601		878,215
Balance - end of year	\$ 28,388	\$ 48,324,641	\$ 5,860,762	\$ 54,213,791		\$ 51,927,863

GWAII TRUST SOCIETY

Statement of Cash Flows
Year ended August 31, 2005

	2005	2004
Operating activities		
Net surplus for the year	\$ 1,061,327	\$ 7,207
Items not involving cash:		
- grant inflation allocation	1,224,601	878,215
- depreciation and amortization	17,679	15,435
	2,303,607	900,857
Cash provided by changes in non-cash working capital items - note 11	(12,668)	15,479
	2,290,939	916,336
Financing activities		
Increase in amount held for SMFRA	(336,968)	467,232
Increase (decrease) in net program commitments	308,173	(609,138)
	(28,795)	(141,906)
Investing activities		
Net change in investments	(2,710,693)	(343,451)
Purchase of property, plant and equipment	(7,946)	(6,081)
	(2,718,639)	(349,532)
Increase (decrease) during the year	(456,495)	424,898
Cash - beginning of year	714,377	289,479
Cash - end of year	\$ 257,882	\$ 714,377
Cash represented by:		
Cash	\$ 127,618	\$ 247,145
Restricted (SMFRA) cash	130,264	467,232
	\$ 257,882	\$ 714,377

GWAII TRUST SOCIETY

Notes to Financial Statements

Year ended August 31, 2005

1. Purpose of the organization

The Gwaii Trust Society was incorporated on September 16, 1994 under the Society Act of British Columbia. 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 \$38.2 million in 1995 to assist the Society to achieve these objectives.

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

2. Significant accounting policies

(a) Basis of accounting

The Gwaii Trust Society follows the deferral method of accounting for contributions. The financial statements have been prepared in accordance with the recommendations for not-for-profit organizations found in Section 4400 of the CICA handbook.

(b) Revenue recognition

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.

(c) Investments

Trading investments, comprising of Canadian treasury bills and certain bond issues, are purchased for resale over a short period of time. These are stated at the lower of cost and market value determined on a portfolio basis.

Portfolio investments are purchased with the original intention to hold the securities to maturity or until market conditions render alternative investments more attractive. Mortgages and equities are stated at cost while bonds are stated at amortized cost. Premiums and discounts on bond purchases are amortized using the straight line basis over the period to maturity of the related bond. Gains and losses on disposal of securities are calculated on an average cost basis.

Investment carrying values are adjusted to market value only where a permanent decline in value has occurred.

(d) Property, plant and equipment

Property, plant and equipment items are recorded at cost and amortization is calculated annually, using the following rates and methods:

Computer equipment	30% declining balance
Furniture and fixtures	20% declining balance

GWAI TRUST SOCIETY

Notes to Financial Statements

Year ended August 31, 2005

3. Property, plant and equipment

	Cost	Accumulated amortization	Net book value	
			2005	2004
Computer equipment	\$ 88,441	\$ 64,095	\$ 24,346	\$ 33,069
Furniture and fixtures	11,121	7,079	4,042	5,052
	\$ 99,562	\$ 71,174	\$ 28,388	\$ 38,121

4. Investments

	2005		2004	
	Cost	Market	Cost	Market
Treasury bills				
• Trading	\$ 2,243,873	\$ 2,243,873	\$ 3,192,667	\$ 3,192,667
Federal bonds				
• Trading	11,205,355	11,258,936	18,493,528	18,648,769
• Portfolio	6,327,194	10,455,145	6,327,194	9,579,032
Provincial bonds				
• Trading	4,222,961	4,511,043	2,635,626	2,657,728
• Portfolio	1,813,711	2,157,500	3,930,527	4,225,126
Corporate bonds	10,975,606	11,203,901	1,387,100	1,480,344
Mortgages	6,450,541	6,450,541	6,294,310	6,294,310
Equities	14,670,175	28,034,636	12,916,247	22,564,839
	57,909,416	76,315,575	55,177,199	68,642,815
Less bond amortization	188,032		166,508	
	\$ 57,721,384	\$ 76,315,575	\$ 55,010,691	\$ 68,642,815

Summary of investments

	2005		2004	
	Cost	Market	Cost	Market
Trading	\$ 17,672,189	\$ 18,013,852	\$ 24,321,821	\$ 24,499,164
Portfolio	40,049,195	58,301,723	30,688,870	44,143,651
	\$ 57,721,384	\$ 76,315,575	\$ 55,010,691	\$ 68,642,815

5. Investment income

	2005	2004
Interest received and accrued	\$ 2,401,651	\$ 2,259,031
Dividends received and accrued	579,766	493,596
Gain on disposal of investments	4,019,129	1,624,333
	\$ 7,000,546	\$ 4,376,960

GWAII TRUST SOCIETY

Notes to Financial Statements

Year ended August 31, 2005

6. Program commitments

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

	2005	2004
Committed balance - beginning of year	\$ 3,784,382	\$ 4,393,520
Current project allocations	4,104,824	2,814,478
	7,889,206	7,207,998
Less project costs paid during the year	3,728,414	3,423,616
Less current project decommitments	68,237	
Committed balance - end of year	\$ 4,092,555	\$ 3,784,382

7. Other liabilities and restricted cash

The Gwaii Trust Society has entered into an agreement with the Province of British Columbia to act as the Administrator of the South Moresby Forest Replacement Account (SMFRA) program. SMFRA was established through a joint initiative of the Government of Canada and the Province of British Columbia. The purpose of the fund is to enhance the stability of the Islands forest resources. The balance at the end of the fiscal year represents the cash balance of funds transferred to the Gwaii Trust from the Province less project payments approved by the SMFRA Interim Management Committee.

The cash balance is restricted to payments for approved projects and administration fees as set out in the Program Administration Agreement.

	2005	2004
Current year transfers	\$ 516,866	\$ 743,448
Approved expenditures		
Net project costs paid during the year	824,049	276,148
Administration expenses	29,785	68
	853,834	276,216
Transfers less expenditures	(336,968)	467,232
Balance - beginning of year	467,232	
Restricted cash balance - end of year	\$ 130,264	\$ 467,232

8. Net assets invested in property, plant and equipment

Net assets invested in property, plant and equipment is calculated as follows:

	2005	2004
Unamortized balance - beginning of year	\$ 38,121	\$ 47,475
Property, plant and equipment purchased during year - net	7,946	6,081
Amortization expense	(17,679)	(15,435)
Unamortized balance - end of year	\$ 28,388	\$ 38,121

GWAII TRUST SOCIETY

Notes to Financial Statements
 Year ended August 31, 2005

9. Restricted net assets

The Gwaii Trust Society Investment Fund represents the initial endowment of \$38,200,000 received from the Government of Canada. 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 Pricing Index (CPI). The change in the CPI for the current year is 2.6% (2004 - 1.9%).

10. Program commitments

Program commitments budgeted and actual are allocated as follows:

	2005	
	Actual	Budget
New Legacy	\$ 314,675	\$ 400,000
Major Contributions	2,171,444	2,155,671
Healthy Humans	312,208	300,000
Culture as it Relates to Tourism	472,641	500,000
Arts Program	48,208	68,178
Christmas Allocation	60,000	60,000
Education Programs	485,839	470,000
Contingency	239,809	164,329
	4,104,824	4,118,178
Program de-commitments and adjustments	(64,355)	
	<u>\$ 4,040,469</u>	<u>\$ 4,118,178</u>

11. Statement of cash flows

	2005	2004
Cash provided (used) by changes in the following:		
Accounts receivable	\$	\$ 1,223
Prepaid expenses	(312)	2,493
Accounts and wages payable	19,017	(9,578)
Investment income receivable	(31,373)	21,341
	<u>\$ (12,668)</u>	<u>\$ 15,479</u>

12. Commitments and contingencies

The Society is committed to lease payments on certain equipment. The future minimum lease payments to expiration of the leases are as follows:

	2006	2007	2008	Total
	<u>\$ 10,986</u>	<u>\$ 4,986</u>	<u>\$ 2,007</u>	<u>\$ 17,979</u>

GWAII TRUST SOCIETY

Notes to Financial Statements

Year ended August 31, 2005

13. Financial instruments

The company's financial instruments consist of cash, accounts receivable, long-term investments, accounts payable and other liabilities. Unless otherwise noted, it is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

14. Measurement uncertainty

These financial statements have been prepared in accordance with accounting practices generally accepted in Canada. In preparing these financial statements management has made estimates and assumptions that affect the amounts reported. Actual results could differ from those estimates.