

GWAI TRUST SOCIETY
Financial Statements
As at December 31, 2014

McAlpine
& Co. CA¹¹

CHARTERED ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Members of Gwaii Trust Society

We have audited the accompanying financial statements of Gwaii Trust Society, which comprise the statement of financial position as at December 31, 2014 and the statements of revenues and expenditures, changes in net assets and cash flow for the year 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.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(continues)

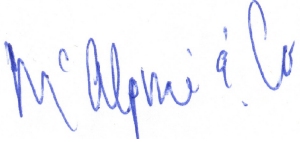
Independent Auditor's Report to the Members of Gwaii Trust Society *(continued)*

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Gwaii Trust Society as at December 31, 2014 and the results of its operations and its cash flow for the year then ended in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

As required by the Society Act of B.C., we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Terrace, B.C.
March 16, 2015


CHARTERED ACCOUNTANTS

GWAII TRUST SOCIETY
Statement of Financial Position
As at December 31, 2014

	2014	2013
Assets		
Current		
Cash	\$ 296,531	\$ 2,103,487
Accounts receivable	182	2,067
Investment income receivable	127,262	116,160
Prepaid expenses	5,504	2,837
Due from Athlii Gwaii Legacy Trust (Note 4)	81,500	46,500
	510,979	2,271,051
Long term Investments (Notes 5, 6)	81,292,786	75,439,502
Property and equipment (Note 7)	263,158	274,304
Other assets (Note 8)	35,853	36,233
	\$ 82,102,776	\$ 78,021,090
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 137,894	\$ 125,512
Program commitments (Note 9)	1,933,561	1,706,888
Due to investment partners (Note 10)	1,540,229	1,390,089
	3,611,684	3,222,489
Net assets		
Unrestricted	21,397,174	18,532,490
Restricted (Note 11)	56,794,907	55,955,573
Invested in property and equipment (Note 12)	299,011	310,538
	78,491,092	74,798,601
	\$ 82,102,776	\$ 78,021,090

On behalf of the Board

_____ Director

_____ Director

See notes to financial statements

GWAII TRUST SOCIETY
Statement of Revenues and Expenditures
Year Ended December 31, 2014

	Budget 2014	2014	2013
Revenue			
Investment income (Note 13)	\$	\$ 5,358,022	\$ 6,068,604
Rental and other income (Note 16)		15,600	1,050
		5,373,622	6,069,654
Investment management and regulatory expenses			
Actuary	15,000		53,440
Custodian fees	65,000	68,668	70,741
Investment management	350,000	405,391	344,014
Professional fees	60,000	33,654	48,557
	490,000	507,713	516,752
Net investment earnings		4,865,909	5,552,902
Administrative expenses			
Advertising and promotion	25,000	35,631	19,267
Bank charges	2,500	2,929	2,004
Community foundation			9,399
Computer and internet costs - directors	15,000	9,767	18,519
Donations (Note 16)		15,600	
Honoraria	60,000	61,246	57,450
Insurance	15,500	13,749	11,365
Meetings and functions	13,500	19,795	18,130
Office and facility costs	41,000	44,261	41,575
Salaries and wages	365,000	418,416	436,405
Special projects			6,054
Supplies	20,000	18,473	15,590
Telecommunications	30,000	22,628	25,063
Training	25,000	15,655	19,672
Travel	60,000	54,235	57,296
Vehicle	8,500	7,689	4,729
Amortization		22,090	22,560
	681,000	762,164	765,078
Administration fees and cost recoveries (Note 4)	-	(66,000)	(62,000)
	681,000	696,164	703,078
Operational surplus		4,169,745	4,849,824
Grant inflation allocation		839,334	663,505
Surplus available for program commitments		3,330,411	4,186,319
Program commitments (Note 14)	1,595,000	3,576,005	1,678,036
Surplus (deficit) for the year		(245,594)	2,508,283
Unrealized gain on investments		3,098,751	4,757,529
Net surplus for the year		\$ 2,853,157	\$ 7,265,812

See notes to financial statements

GWAII TRUST SOCIETY
Statement of Changes in Net Assets
Year Ended December 31, 2014

	Unrestricted	Restricted	Invested in property and equipment	2014	2013
Net assets -					
beginning of year	\$ 18,532,490	\$ 55,955,573	\$ 310,538	\$ 74,798,601	\$ 66,869,284
Surplus (deficit) for the period	2,875,247		(22,090)	2,853,157	7,265,812
Investment in property and equipment	(10,563)		10,563		
Grant inflation protection (Note 11)		839,334		839,334	663,505
Net assets - end of year	\$ 21,397,174	\$ 56,794,907	\$ 299,011	\$ 78,491,092	\$ 74,798,601

GWAII TRUST SOCIETY
Statement of Cash Flow
Year Ended December 31, 2014

	2014	2013
Operating activities		
Surplus for the period	\$ 2,853,157	\$ 7,265,812
Items not affecting cash:		
Amortization of property and equipment	22,090	22,560
Grant inflation protection	839,334	663,505
Unrealized gain on investments	3,098,751	4,757,529
	6,813,332	12,709,406
Changes in non-cash working capital:		
Accounts receivable	1,885	(1,599)
Investment income receivable	(11,102)	40,263
Accounts payable and accrued liabilities	12,382	(4,953)
Prepaid expenses	(2,667)	
Due from Athlii Gwaii Legacy Trust	(35,000)	14,500
	(34,502)	48,211
Cash flow from operating activities	6,778,830	12,757,617
Investing activities		
Purchase of property and equipment	(10,564)	(7,464)
Due to investment partners	150,140	196,519
Long term Investments	(8,952,035)	(11,435,616)
Cash flow used by investing activities	(8,812,459)	(11,246,561)
Financing activity		
Program commitments	226,673	(17,906)
Increase (decrease) in cash flow	(1,806,956)	1,493,150
Cash - beginning of year	2,103,487	610,337
Cash - end of year	\$ 296,531	\$ 2,103,487

GWAII TRUST SOCIETY
Notes to Financial Statements
Year Ended December 31, 2014

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. Summary of significant accounting policies

Basis of presentation

The financial statements were prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations (ASNFP). Canadian Accounting Standards for Not-for-Profit Organizations are part of Canadian GAAP.

Cash and short term investments

Cash and cash equivalents consist primarily of commercial paper and deposits with an original maturity date of purchase of three months or less. Because of the short term maturity of these investments, their carrying amount approximates fair value.

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.

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.

Other investments

Investments for which there are quoted prices in an active market are carried at fair value. Unrealized gains or losses are reported as part of net income. Investments for which there is not an active market are carried at amortized cost except when it is established that their value is impaired. Impairment losses, or reversal of previously recognized impairment losses, are reported as part of net income.

Controlled organizations

The Gwaii Trust Society has chosen not to consolidate the organizations it controls but to instead disclose information about the resources of the controlled organizations.

(continues)

GWAII TRUST SOCIETY
Notes to Financial Statements
Year Ended December 31, 2014

2. Summary of significant accounting policies (continued)

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.

Property and equipment

Property and equipment is stated at cost or deemed cost less accumulated amortization. Property and equipment is amortized over its estimated useful life on a declining balance basis at the following rates and methods:

Buildings	4%	declining balance method
Motor vehicles	20%	declining balance method
Computer equipment	30%	declining balance method
Furniture and fixtures	20%	declining balance method

The Society regularly reviews its property and equipment to eliminate obsolete items.

Other assets

The Society has entered into a ninety-nine year land lease over the Masset, B.C. office property. The lease is being amortized on a straight-line basis over life of the lease.

GWAII TRUST SOCIETY
Notes to Financial Statements
Year Ended December 31, 2014

3. Controlled organizations

The Athlii Gwaii Legacy Trust (AGLT) is controlled by the Gwaii Trust Society as the trustees of the AGLT are comprised of the executive members of the Gwaii Trust Society Board of Directors.

The AGLT was endowed by the Federal and Provincial governments during 2007 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 summary financial statements of the AGLT are as follows:

	2014	2013
Statement of Financial Position		
Assets		
Current		
Cash	\$ 33,240	\$ 56,294
Investment income receivable and other	63,015	56,294
	96,255	56,294
Investment portfolio	38,775,965	35,162,468
	\$ 38,872,220	\$ 35,218,762
Current liabilities		
Bank indebtedness	\$ 46,000	\$ 65,085
Trade accounts payable	81,500	63,848
Due to Gwaii Trust Society	127,500	46,500
	127,500	175,433
Net assets		
Restricted net assets - Grant fund	27,166,373	26,764,899
Unrestricted net assets	11,578,347	4,331,798
	\$ 38,872,220	\$ 35,218,762

The Athlii Gwaii Legacy Trust and the Gwaii Trust Society follow the same accounting principals.

Statement of Revenues and Expenditures

Revenues		
Investment revenue	\$ 2,657,381	\$ 2,973,256
Unrealized gains (losses) on investment portfolio	1,463,670	1,708,277
	4,121,051	4,681,533
Expenses		
Investment management and regulatory expenses	338,474	339,753
Administrative expenses	81,186	77,778
Grant inflation protection	401,474	317,370
	821,134	734,901
Net surplus for the year	\$ 3,299,917	\$ 3,946,632

(continues)

GWAII TRUST SOCIETY
Notes to Financial Statements
Year Ended December 31, 2014

3. Controlled organizations (continued)

Statement of Cash Flow		
Operating activities	\$ 3,711,822	\$ 4,281,112
Financing activities	(3,613,497)	(4,544,909)
Increase (decrease) in cash	98,325	(263,797)
Cash - beginning of year	(65,085)	198,712
Cash - end of year	\$ 33,240	\$ (65,085)

4. Athlii Gwaii Legacy Trust

During the year the Gwaii Trust Society had the following transactions with the Athlii Gwaii Legacy Trust:

	2014	2013
Balance receivable - beginning of period	\$ 46,500	\$ 61,000
Administration fees charged to AGLT - included in income	66,000	62,000
Expenses paid on behalf of AGLT		(76,500)
Payments received from AGLT	(31,000)	
Balance receivable - end of period	\$ 81,500	\$ 46,500

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

5. Long term investments

The investments in the following marketable securities are recorded at market value as determined by quotes on active markets.

	December 31, 2014		December 31, 2013	
	Cost	Market	Cost	Market
Cash	\$ 34,812	\$ 34,812	\$ 49,475	\$ 49,475
Treasury bills and short term investments	723,488	723,488	199,595	199,595
Government bonds	7,420,311	7,700,698	6,950,026	6,831,476
Corporate bonds	14,654,424	15,000,548	15,970,266	15,671,203
Mortgage funds	1,501,522	1,531,272	1,539,856	1,539,350
Equities	12,752,373	16,017,807	11,992,037	15,274,781
Equities - real estate investment trusts	5,905,395	8,696,053	5,984,643	7,887,000
International equities	22,736,720	31,588,108	21,980,010	27,986,622
	\$ 65,729,045	\$ 81,292,786	\$ 64,665,908	\$ 75,439,502

GWAII TRUST SOCIETY
Notes to Financial Statements
Year Ended December 31, 2014

6. Statement of investment policies and procedures

The investment strategies of the Gwaii Trust Society are guided by the Statement of Investment Policies and Procedures (SIPP). The SIPP has been written in order to assist the Directors in establishing the guidelines for the investment of the assets of the Society (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: December 31, 2014

	Portfolio Value (\$\$)		% of Portfolio		GTS Current SIPP%		
	Cost	Market	Cost	Market	Min	Target	Max
Canadian equities	\$ 12,752,373	\$ 16,017,807	19%	20%	15%	20%	25%
International equities	22,736,720	31,588,109	35%	39%	28%	33%	38%
Total equities	35,489,093	47,605,916	54%	59%	43%	53%	63%
Real return bonds	8,551,414	8,498,105	13%	10%	10%	15%	20%
Government bonds - Federal	2,525,333	2,556,162	4%	3%			
Government bonds - Provincial and Municipal	4,894,978	5,144,536	7%	6%			
Corporate bonds	5,296,426	5,415,664	8%	7%			
Total nominal bonds	12,716,737	13,116,362	19%	16%	12%	17%	22%
High yield bonds	806,584	1,086,779	1%	1%	0%	5%	10%
Total Bonds	22,074,735	22,701,246	34%	28%	22%	37%	52%
Mortgage fund	1,501,522	1,531,272	2%	2%			
Real estate funds	5,905,395	8,696,053	9%	11%			
Total mortgage & real estate	7,406,917	10,227,325	11%	13%	50%	10%	15%
Cash	34,812	34,812	0%	0%			
Treasury bills and short term investments	723,488	723,488	1%	1%			
Cash and short term notes	758,300	758,300	1%	1%	0%	0%	0%
	\$ 65,729,045	\$ 81,292,786	100%	100%	70%	100%	130%

GWAII TRUST SOCIETY
Notes to Financial Statements
Year Ended December 31, 2014

7. Property and equipment

	Cost	Accumulated amortization	2014 Net book value	2013 Net book value
Buildings	\$ 281,151	\$ 54,973	\$ 226,178	\$ 235,602
Motor vehicles	20,608	14,307	6,301	7,877
Computer equipment	57,076	37,040	20,036	18,059
Furniture and fixtures	37,172	26,529	10,643	12,766
	\$ 396,007	\$ 132,849	\$ 263,158	\$ 274,304

8. Other assets

	2014	2013
Long term land lease	\$ 37,500	\$ 37,500
Accumulated amortization	(1,647)	(1,267)
	\$ 35,853	\$ 36,233

9. 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.

	2014	2013
Committed balance - beginning of period	\$ 1,706,888	\$ 1,724,794
Current project allocations	3,729,383	1,689,187
	5,436,271	3,413,981
Project costs paid during the year	(3,349,332)	(1,695,941)
Current project decommitments and adjustments	(153,378)	(11,151)
Committed balance - end of period	\$ 1,933,561	\$ 1,706,888

10. Due to investment partners

	2014	2013
Opening balance	\$ 1,390,089	\$ 1,193,570
Investment partner's share of income	150,140	196,519
	\$ 1,540,229	\$ 1,390,089

The Tl'azt'en First Nation has invested \$1,000,000 with the Gwaii Trust to be included in the Gwaii Trust investment portfolio. This allows other Not-For-Profit and First Nations organizations to access the investment management services available to the Gwaii Trust and will reduce fees paid by all investors due to reduced fees applicable to a larger portfolio.

The periodic return for the Gwaii Trust of 10.8% (2013 - 16.5%) has been applied to the investor funds.

GWAII TRUST SOCIETY
Notes to Financial Statements
Year Ended December 31, 2014

11. 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 Consumer Price Index (CPI). The change for the year ended December 31, 2014 has been calculated at the published CPI index of 1.5% (December 31, 2013 - 1.2%) for the year.

12. Net assets invested in property and equipment

	2014	2013
Net asset invested in property and equipment		
Capital assets	\$ 396,007	\$ 387,566
Land Lease	37,500	37,500
Capital assets - accumulated amortization	(132,849)	(113,262)
Land Lease amortization	(1,647)	(1,267)
	\$ 299,011	\$ 310,537
Change in net assets invested in property and equipment		
Asset additions	\$ 10,564	\$ 7,463
Amortization Expense	(22,090)	(22,560)
	\$ (11,526)	\$ (15,097)

13. Investment income

	2014	2013
Interest received and accrued	\$ 1,154,303	\$ 1,099,769
Dividends received and accrued	495,532	490,741
Other investment income	1,966,262	3,152,758
Gain (loss) on disposal of investments	1,892,065	1,521,857
	5,508,162	6,265,125
Investment partner's share of income	(150,140)	(196,519)
	\$ 5,358,022	\$ 6,265,125

GWAII TRUST SOCIETY
Notes to Financial Statements
Year Ended December 31, 2014

14. Program allocations

Program allocations for the year were as follows:

	Budget	2014	2013
Major Contribution	\$ 400,000	\$ 399,973	\$ 281,675
School Food Program	85,000	85,000	85,000
Arts Program	40,000	37,493	33,670
Arts workshops	10,000	16,075	8,851
Christmas Allocation	60,000	60,000	60,000
Economic Development	100,000	50,000	
Travel Assistance Program	200,000	182,814	85,538
Continuing Education Grant Program	230,000	281,993	162,347
Community Innovation	100,000	81,179	
University Tours Program	40,000	17,823	31,301
High School Scholarships	45,000	40,000	45,000
Haida Parity Fund		2,151,977	450,000
Haida Language	100,000	92,405	
Food Security			66,924
Youth Program	150,000	147,651	128,881
Community Events	35,000	35,000	
Contingency		50,000	250,000
	1,595,000	3,729,383	1,689,187
Program de-commitments and adjustments		(153,378)	(11,151)
	\$ 1,595,000	\$ 3,576,005	\$ 1,678,036

While the 2014 allocation for Haida Parity had not been included in the 2014 budget, the Board of Directors had committed in the previous year to allocate the remaining Haida Parity funds.

15. Haida Parity

The annually approved Haida Parity amounts are commitments of the Gwaii Trust Society even if not fully allocated to approved projects during any given fiscal year. Of the original Parity amount of \$12,300,000, there is a balance remaining of \$904,928 to be included in the annual budgets of the Gwaii Trust. In addition to this, there are allocated but undisbursed funds of \$1,182,396 outstanding at December 31, 2014 for a total of \$2,087,324 in Haida Parity funds remaining to be to be paid.

16. Rental revenue and donations

The rental revenue and donation expense relate to facility rentals and office space provided to other Not-For-Profit entities at no charge.

17. Financial instruments

The Society 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 Society's risk exposure and concentration as of December 31, 2014.

(continues)

GWAII TRUST SOCIETY
Notes to Financial Statements
Year Ended December 31, 2014

17. Financial instruments (*continued*)

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. The Society is mainly exposed to currency 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 Society is exposed to foreign currency exchange risk on cash, accounts receivable, and investments held in U.S. dollars. The company does not use derivative instruments to reduce its exposure to foreign currency risk.

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 Society is exposed to other price risk through its investment in quoted shares.

18. Comparative figures

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