
GWAII TRUST SOCIETY
FINANCIAL STATEMENTS
AS AT AUGUST 31, 2010

McAlpine
& Co. ^{CA}
CHARTERED ACCOUNTANTS

AUDITORS' REPORT

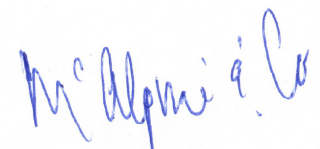
To the Members of the
Gwaii Trust Society

We have audited the statement of financial position of Gwaii Trust Society as at August 31, 2010 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, 2010 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 2, 2010



CHARTERED ACCOUNTANTS

GWAII TRUST SOCIETY

Statement Of Financial Position

As at August 31, 2010

	2010	2009
Assets		
Current assets		
Cash	\$ 653,612	\$ 2,133,226
Accounts receivable, trade and other	4,231	468
Investment income receivable	168,958	202,000
Prepaid expenses	46,275	6,152
Advances to Gwaii Forest Charitable Trust - note 6	230,687	269,730
	1,103,763	2,611,576
Property, plant and equipment - note 3 and note 4	305,597	10,419
Long term investments - note 2 and note 5	66,272,624	65,162,317
Loan receivable - note 6	800,000	800,000
	\$ 68,481,984	\$ 68,584,312
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 87,231	\$ 86,853
Program commitments - note 8	3,522,092	4,600,944
	3,609,323	4,687,797
Net assets		
Net assets invested in property, plant and equipment - note 9	305,597	10,419
Restricted net assets - note 10	52,817,353	51,934,467
Unrestricted net assets	11,749,711	11,951,629
	64,872,661	63,896,515
	\$ 68,481,984	\$ 68,584,312

Signed on behalf of the board:

Director_____
Director

GWAII TRUST SOCIETY

Statement of Operations
Year ended August 31, 2010

	Actual 2010	Budget 2010	Actual 2009
Revenue			
Investment income - note 7	\$ 4,010,064	\$	\$ 2,465,338
Administration fees - note 6	56,379		27,705
Other income	50		2,721
	4,066,493		2,495,764
Investment management expenses			
Actuary	66,046	37,260	73,309
Custodian fees	50,334	74,520	59,783
Investment administration fees	259,479	362,250	267,007
	375,859	474,030	400,099
Net investment earnings	3,690,634		2,095,665
Administrative expenses			
Advertising and promotion	2,850	15,715	14,122
Bank charges and interest	2,496	1,656	1,536
Equipment rental and repairs	16,051	13,025	17,908
Honoraria	57,200	77,625	74,705
Insurance	15,066	16,560	13,558
Meetings and functions	12,044	5,780	15,448
Office, postage and miscellaneous	7,753	43,000	16,639
Professional fees and consultants	67,132	40,365	44,123
Rent and utilities	13,274	16,560	19,602
Supplies	35,060	20,700	32,382
Telecommunications	22,484	15,525	24,052
Training, board development and strategic planning	41,213	25,884	2,383
Travel	62,881	31,050	62,974
Vehicle expense	13,040	15,525	12,408
Wages and employee benefits	292,473	190,000	245,051
Amortization	20,974		3,167
	681,991	528,970	600,058
Operational surplus	3,008,643		1,495,607
Grant inflation allocation - note 10	882,886		
Surplus available for program commitments	2,125,757		1,495,607
Program commitments - note 11	2,263,726	2,075,000	3,281,768
Operating deficit for the year	(137,969)		(1,786,161)
Unrealized gain (loss) on investments - note 5	231,229		(2,326,315)
Net surplus (deficit) for the year	\$ 93,260	\$	\$ (4,112,476)

GWAII TRUST SOCIETY

Statement of Changes in Net Assets
Year ended August 31, 2010

Net Assets	Invested in property, plant and equipment	Restricted	Unrestricted	2010	2009
				Total	Total
Balance - beginning of year	\$ 10,419	\$ 51,934,467	\$ 11,951,629	\$ 63,896,515	\$ 68,008,991
Net income (loss) for the year	(20,974)		114,234	93,260	(4,112,476)
Investment in property, plant and equipment - note 9	316,152		(316,152)		
Grant inflation protection		882,886		882,886	
Balance - end of year	\$ 305,597	\$ 52,817,353	\$ 11,749,711	\$ 64,872,661	\$ 63,896,515

GWAII TRUST SOCIETY

Statement of Cash Flows
Year ended August 31, 2010

	2010	2009
Operating activities		
Net deficit for the year	\$ 93,260	\$ (4,112,476)
Items not involving cash:		
- grant inflation allocation	882,886	
- amortization	20,974	3,167
- unrealized loss (gain) on investments	(231,229)	2,326,315
	765,891	(1,782,994)
Cash provided by changes in non-cash working capital items - note 13	28,577	(46,333)
	794,468	(1,829,327)
Financing activities		
Decrease in net program commitments	(1,078,852)	(1,139,958)
	(1,078,852)	(1,139,958)
Investing activities		
Net change in investments	(879,078)	5,469,314
Purchase of property, plant and equipment	(316,152)	(5,668)
Loan to Gwaii Forest Charitable Trust		(490,000)
	(1,195,230)	4,973,646
Increase (decrease) during the year	(1,479,614)	2,004,361
Cash - beginning of year	2,133,226	128,865
Cash - end of year	\$ 653,612	\$ 2,133,226

GWAII TRUST SOCIETY

Notes to Financial Statements
Year ended August 31, 2010

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. Change in accounting policies

Effective September 1, 2007, the Society adopted the new Canadian Institute of Chartered Accountants ("CICA") Handbook Sections 3855 "Financial Instruments - Recognition and Measurement" and 3861 "Financial Instruments - Disclosure and Presentation". Under the new standards, all financial instruments are initially recorded on the statement of financial position at fair value. They are subsequently valued at fair value or amortized cost depending on the classification selected for the financial instrument. Financial assets are classified as either "held-for-trading", "held-to-maturity", "available-for-sale" or "loans and receivables" and financial liabilities are classified as either "held-for-trading" or "other liabilities". Financial assets and liabilities classified as held-for-trading are measured at fair value with the change in fair value recorded in the statement of operations. The fair value of financial instruments is defined as market value. Financial assets classified as held-to-maturity or loans and receivables and financial liabilities classified as other liabilities are subsequently measured at amortized cost using the effective interest method. Available-for-sale financial assets that have a quoted price in an active market are measured at fair value with the change in fair value recorded in changes in fund balances. Such gains or losses are reclassified to the statement of operations when the related financial asset is disposed of or when the decline in value is considered to be other-than temporary.

The Society has classified its financial instruments as follows:

- Cash is classified as held-for-trading.
- Accounts receivable and accrued interest receivable are classified as loans and receivables.
- Investments are classified as held for trading.
- Accounts payable and accrued liabilities are classified as other liabilities.

The change in the accounting policy is treated prospectively as required under the standard. The effect on the opening fund balances as at September 1, 2007 was an increase of \$5,150,410.

3. 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.

GWAII TRUST SOCIETY

Notes to Financial Statements
Year ended August 31, 2010

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 and financial instruments

Financial instruments including investments are recorded in compliance with the provision of section 3855 of the CICA handbook. Investments are recorded at fair value and the remainder of the Society's financial instruments are classified as follows:

- Cash is classified as held-for-trading.
- Accounts receivable and accrued interest receivable are classified as loans and receivables.
- Investments are classified as held for trading.
- Accounts payable and accrued liabilities are classified as other liabilities.

(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:

Building improvements	4% declining balance
Computer equipment	30% declining balance
Furniture and fixtures	20% declining balance
Vehicles	20% declining balance

4. Property, plant and equipment

	Cost	Accumulated amortization	Net book value	
			2010	2009
Computer equipment	\$ 11,090	\$ 6,576	\$ 4,514	\$ 3,147
Furniture and fixtures	30,947	16,256	14,691	7,272
Building improvements	281,151	11,246	269,905	
Vehicles	20,608	4,121	16,487	
	<u>\$ 343,796</u>	<u>\$ 38,199</u>	<u>\$ 305,597</u>	<u>\$ 10,419</u>

5. Investments

	2010		2009	
	Cost	Market	Cost	Market
Cash	\$ 18,792	\$ 18,792	\$ 24,766	\$ 24,766
Treasury bills	774,145	774,145	1,249,380	1,249,380
Federal and provincial bonds	10,375,103	10,983,295	16,763,467	17,684,562
Corporate bonds	15,519,910	16,253,391	15,481,313	16,072,170
Mortgages	3,839,441	3,997,307	3,642,077	3,606,924
Equities	17,354,244	19,041,042	8,391,880	9,275,675
International equities - note 5	20,132,763	15,204,652	21,582,438	17,248,840
	<u>\$ 68,014,398</u>	<u>\$ 66,272,624</u>	<u>\$ 67,135,321</u>	<u>\$ 65,162,317</u>

GWAII TRUST SOCIETY

Notes to Financial Statements
Year ended August 31, 2010

6. Gwaii Forest Charitable Trust

The Gwaii Forest Charitable Trust (GFCT) 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. During the year the Gwaii Trust Society had the following transactions with the GFCT:

i) Operating advances and related party transactions.

Balance receivable from GFCT at August 31, 2009	\$ 269,730
Expenses paid on behalf of GFCT	129,444
Administration fees charged to GFCT	56,379
Repayments by GFCT	(224,866)
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Balance receivable from GFCT at August 31, 2010	\$ 230,687

The balance receivable is non-interest bearing and will be collected during the next fiscal year.

ii) Long term loan receivable

The Gwaii Trust agreed to provide the Gwaii Forest Charitable Trust with a loan for operational purposes of \$800,000. The loan is non-interest bearing and is to be repaid periodically with 20% of surplus earnings after inflation protection from the Gwaii Forest Charitable Trust's investment portfolio.

7. Investment income

	2010	2009
Interest received and accrued	\$ 2,341,989	\$ 2,435,989
Dividends received and accrued	419,371	437,598
Gain (loss) on disposal of investments	1,248,704	(408,249)
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	\$ 4,010,064	\$ 2,465,338

8. 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.

	2010	2009
Committed balance - beginning of year	\$ 4,600,943	\$ 5,740,902
Current project allocations - note 11	2,465,327	4,650,390
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	7,066,270	10,391,292
Less project costs paid during the year	(3,342,578)	(4,421,727)
Current project decommitments and adjustments	(201,601)	(1,368,622)
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Committed balance - end of year	\$ 3,522,091	\$ 4,600,943

GWAII TRUST SOCIETY

Notes to Financial Statements
Year ended August 31, 2010

9. Net assets invested in property, plant and equipment

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

	2010	2009
Unamortized balance - beginning of year	\$ 10,419	\$ 7,918
Property, plant and equipment purchased during year - net	316,152	5,668
Amortization expense	(20,974)	(3,167)
Unamortized balance - end of year	\$ 305,597	\$ 10,419

10. 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 1.7% (2009: -0.08%).

11. Program commitments

Program commitment allocations for the year were as follows:

	Actual	2010 Budget
New Legacy	\$ 132,937	\$ 175,000
Major Contributions	500,000	500,000
Healthy Humans	130,941	180,000
Culture as it Relates to Tourism	124,400	150,000
Arts Program and Workshops	16,698	35,000
Christmas Allocation	60,000	60,000
Education Programs	364,913	475,000
Haida Parity Allocation	500,000	500,000
Haida Parity carry forward adjustment	635,438	
	2,465,327	2,075,000
Program de-commitments and adjustments	(201,601)	
	\$ 2,263,726	\$ 2,075,000

During the year unallocated annual commitments to the Haida Parity program in the amount of \$635,438 were included in the project commitment allocations.

GWAII TRUST SOCIETY

Notes to Financial Statements

Year ended August 31, 2010

12. 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 \$8,700,639 to be included in the annual budgets of the Gwaii Trust over the next ten years. In addition to this, there are allocated but undisbursed funds of \$968,772 outstanding at August 31, 2010 for a total of \$9,669,411 in Haida Parity funds remaining to be to be paid.

13. Statement of cash flows.

Cash provided (used) by changes in the following:

	2010	2009
Accounts receivable	\$ (3,763)	\$ 2,077
Advances to Gwaii Forest Charitable Trust	39,043	(122,959)
Prepaid expenses	(40,123)	352
Accounts and wages payable	378	6,225
Investment income receivable	33,042	67,972
	<u>\$ 28,577</u>	<u>\$ (46,333)</u>

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.

15. Comparative figures

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