
GWAI TRUST SOCIETY
Financial Statements
As at December 31, 2015

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, 2015 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Gwaii Trust Society as at December 31, 2015 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.

Other Matter

The financial statements of Gwaii Trust Society for the year ended December 31, 2014 were audited by McAlpine & Co. of Terrace, BC, prior to its merger with MNP LLP. McAlpine & Co. expressed an unmodified opinion on those statements on March 16, 2015.

Terrace, BC
March 15, 2016

MNP LLP
Chartered Professional Accountants

GWAII TRUST SOCIETY
Statement of Financial Position
As at December 31, 2015

	2015	2014
Assets		
Current		
Cash	\$ 8,425	\$ 296,531
Accounts receivable	413	182
Investment income receivable	127,226	127,262
Prepaid expenses	3,204	5,504
Due from Athlii Gwaii Legacy Trust (Note 4)	2,363	81,500
	141,631	510,979
Long term Investments (Notes 5, 6)	83,892,004	81,292,786
Tangible capital assets (Note 7)	307,708	263,158
Other assets (Note 8)	35,473	35,853
	\$ 84,376,816	\$ 82,102,776
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 225,264	\$ 137,894
Program commitments (Note 9)	3,722,875	1,933,561
Due to investment partners (Note 10)	674,922	1,540,229
	4,623,061	3,611,684
Net assets		
Unrestricted	21,706,948	21,397,174
Restricted (Note 11)	57,703,626	56,794,907
Invested in tangible capital assets (Note 12)	343,181	299,011
	79,753,755	78,491,092
	\$ 84,376,816	\$ 82,102,776

On behalf of the Board

_____ Director

_____ Director

See notes to financial statements

GWAIL TRUST SOCIETY
Statement of Revenues and Expenditures
Year Ended December 31, 2015

	Budget 2015	2015	2014
Revenue			
Investment income (Note 13)	\$	\$ 5,610,308	\$ 5,358,022
Rental and other income		4,234	15,600
		5,614,542	5,373,622
Investment management and regulatory expenses			
Custodian fees	65,000	80,693	68,668
Investment management	350,000	391,441	405,391
Professional fees	50,000	84,481	33,654
	465,000	556,615	507,713
Net investment earnings		5,057,927	4,865,909
Administrative expenses			
Advertising and promotion	40,000	52,598	35,631
Bank charges	2,500	3,826	2,929
Computer and internet costs - directors		12,071	9,767
Donations			15,600
Honoraria	60,000	82,600	61,246
Insurance	15,500	16,909	13,749
Meetings and functions	25,000	43,815	19,795
Office and facility costs	54,500	44,952	44,261
Salaries and wages	380,000	477,370	418,416
Special projects		2,657	
Supplies	20,000	13,455	18,473
Telecommunications	25,000	23,111	22,628
Training	110,000	116,201	15,655
Travel	50,000	76,799	54,235
Vehicle	8,500	5,622	7,689
Amortization		34,278	22,090
	791,000	1,006,264	762,164
Administration fees and cost recoveries (Note 4)		(164,000)	(66,000)
	791,000	842,264	696,164
Operational surplus		4,215,663	4,169,745
Grant inflation allocation		908,719	839,334
Surplus available for program commitments		3,306,944	3,330,411
Program commitments (Note 14)	1,655,000	3,750,943	3,576,005
Surplus (deficit) for the year		(443,999)	(245,594)
Unrealized gain on investments		797,943	3,098,751
Net surplus for the year		\$ 353,944	\$ 2,853,157

See notes to financial statements

GWAIL TRUST SOCIETY
Statement of Changes in Net Assets
Year Ended December 31, 2015

	Unrestricted	Restricted	Invested in tangible capital assets	2015	2014
Net assets -					
beginning of year	\$ 21,397,174	\$ 56,794,907	\$ 299,011	\$ 78,491,092	\$ 74,798,601
Surplus (deficit) for the year	388,222		(34,278)	353,944	2,853,157
Investment in tangible capital assets	(78,448)		78,448		
Grant inflation protection (Note 11)		908,719		908,719	839,334
Net assets - end of year	\$ 21,706,948	\$ 57,703,626	\$ 343,181	\$ 79,753,755	\$ 78,491,092

See notes to financial statements

GWAII TRUST SOCIETY
Statement of Cash Flow
Year Ended December 31, 2015

	2015	2014
Operating activities		
Surplus for the period	\$ 353,944	\$ 2,853,157
Items not affecting cash:		
Amortization of tangible capital assets	34,278	22,090
Grant inflation protection	908,719	839,334
Unrealized gain on investments	797,943	3,098,751
Gain on disposal of assets	(3,880)	
	2,091,004	6,813,332
Changes in non-cash working capital:		
Accounts receivable	(231)	1,885
Investment income receivable	36	(11,102)
Accounts payable and accrued liabilities	87,371	12,382
Prepaid expenses	2,300	(2,667)
Due from Athlii Gwaii Legacy Trust	79,137	(35,000)
	168,613	(34,502)
Cash flow from operating activities	2,259,617	6,778,830
Investing activities		
Purchase of tangible capital assets	(116,237)	(10,564)
Proceeds on disposal of tangible capital assets	41,668	
Due to investment partners	(865,307)	150,140
Long term Investments	(3,397,161)	(8,952,035)
Cash flow used by investing activities	(4,337,037)	(8,812,459)
Financing activity		
Program commitments	1,789,314	226,673
Decrease in cash flow	(288,106)	(1,806,956)
Cash - beginning of year	296,531	2,103,487
Cash - end of year	\$ 8,425	\$ 296,531

See notes to financial statements

GWAII TRUST SOCIETY
Notes to Financial Statements
Year Ended December 31, 2015

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 (ASNFPO). 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.

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GWAII TRUST SOCIETY
Notes to Financial Statements
Year Ended December 31, 2015

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.

Tangible capital assets

Tangible capital assets are stated at cost or deemed cost less accumulated amortization. Tangible capital assets are amortized over their estimated useful lives 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 tangible capital assets 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, 2015

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:

	2015	2014
Statement of Financial Position		
Assets		
Current		
Cash	\$ 47,177	\$ 33,240
Investment income receivable and other	74,917	63,015
	122,094	96,255
Investment portfolio	41,263,036	38,775,965
	\$ 41,385,130	\$ 38,872,220
Current liabilities		
Trade accounts payable	\$ 57,539	\$ 46,000
Due to Gwaii Trust Society	2,363	81,500
Program commitments	50,592	
	110,494	127,500
Net assets		
Restricted net assets - Grant fund	27,662,022	27,166,373
Unrestricted net assets	13,612,614	11,578,347
	\$ 41,385,130	\$ 38,872,220

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

Statement of Revenues and Expenditures

Revenues		
Investment revenue	\$ 2,598,744	\$ 2,657,381
Unrealized gains (losses) on investment portfolio	499,637	1,463,670
	3,098,381	4,121,051
Expenses		
Investment management and regulatory expenses	337,064	348,545
Administrative expenses	168,161	71,115
Program commitments	63,240	
Grant inflation protection	495,649	401,474
	1,064,114	821,134
Net surplus for the year	\$ 2,034,267	\$ 3,299,917

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GWAII TRUST SOCIETY
Notes to Financial Statements
Year Ended December 31, 2015

3. Controlled organizations (continued)

Statement of Cash Flow		
Operating activities	\$ 2,450,416	\$ 3,711,822
Financing activities	(2,436,479)	(3,613,497)
Increase (decrease) in cash	13,937	98,325
Cash - beginning of year	33,240	(65,085)
Cash - end of year	\$ 47,177	\$ 33,240

4. Athlii Gwaii Legacy Trust

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

	2015	2014
Balance receivable - beginning of period	\$ 81,500	\$ 46,500
Administration fees charged to AGLT - included in income	164,000	66,000
Expenses paid on behalf of AGLT	2,363	
Payments received from AGLT	(245,500)	(31,000)
Balance receivable - end of period	\$ 2,363	\$ 81,500

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, 2015		December 31, 2014	
	Cost	Market	Cost	Market
Cash	\$ 8,202	\$ 8,202	\$ 34,812	\$ 34,812
Treasury bills and short term investments	299,735	299,735	723,488	723,488
Government bonds	7,340,796	7,420,802	7,420,311	7,700,698
Corporate bonds	14,583,210	14,922,364	14,654,424	15,000,548
Mortgage funds	1,530,617	1,563,961	1,501,522	1,531,272
Equities	12,254,421	13,365,036	12,752,373	16,017,807
Equities - real estate investment trusts	5,752,855	9,853,494	5,905,395	8,696,053
International equities	23,561,898	36,458,410	22,736,720	31,588,108
	\$ 65,331,734	\$ 83,892,004	\$ 65,729,045	\$ 81,292,786

GWAII TRUST SOCIETY
Notes to Financial Statements
Year Ended December 31, 2015

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, 2015

	Portfolio Value (\$\$)		% of Portfolio		GTS Current SIPP %		
	Cost	Market	Cost	Market	Min	Target	Max
Canadian equities	\$ 12,254,421	\$ 13,365,036	19%	16%	15%	20%	25%
International equities	23,561,898	36,458,409	36%	43%	28%	33%	38%
Total equities	35,816,319	49,823,445	55%	59%	43%	53%	63%
Real return bonds	8,854,165	8,915,072	14%	11%	10%	15%	20%
Government bonds -							
Federal	2,249,529	2,266,531	3%	3%			
Government bonds -							
Provincial & municipal	5,091,267	5,154,271	8%	6%			
Corporate bonds	5,140,356	5,192,539	8%	6%			
Total nominal bonds	12,481,152	12,613,341	19%	15%	12%	17%	22%
High yield bonds	588,689	814,753	1%	1%	0%	5%	10%
Total bonds	21,924,007	22,343,166	34%	27%	27%	37%	47%
Mortgage fund	1,530,617	1,563,961	2%	2%			
Real estate funds	5,752,855	9,853,494	9%	12%			
Total mortgage and real estate	7,283,472	11,417,455	11%	14%	5%	10%	15%
Cash	8,202	8,202	0%	0%			
Treasury bills and short term investments	299,735	299,735	0%	0%			
Cash/Short term notes	307,937	307,937	0%	0%	0%	0%	0%
	\$ 65,331,734	\$ 83,892,004	100%	100%	75%	100%	125%

GWAII TRUST SOCIETY
Notes to Financial Statements
Year Ended December 31, 2015

7. Tangible capital assets

	Cost	Accumulated amortization	2015 Net book value	2014 Net book value
Buildings	\$ 281,151	\$ 64,020	\$ 217,131	\$ 226,178
Motor vehicles	95,362	30,518	64,844	6,301
Computer equipment	58,994	43,626	15,368	20,036
Furniture and fixtures	38,948	28,583	10,365	10,643
	\$ 474,455	\$ 166,747	\$ 307,708	\$ 263,158

8. Other assets

	2015	2014
Long term land lease	\$ 37,500	\$ 37,500
Accumulated amortization	(2,027)	(1,647)
	\$ 35,473	\$ 35,853

9. Program commitments

The Gwail 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.

	2015	2014
Committed balance - beginning of period	\$ 1,933,561	\$ 1,706,888
Current project allocations	3,904,912	3,729,383
	5,838,473	5,436,271
Project costs paid during the year	(1,961,629)	(3,349,332)
Current project decommitments and adjustments	(153,969)	(153,378)
Committed balance - end of period	\$ 3,722,875	\$ 1,933,561

GWAII TRUST SOCIETY
Notes to Financial Statements
Year Ended December 31, 2015

10. Due to investment partners

	2015	2014
Opening balance	\$ 1,540,229	\$ 1,390,089
Amount invested during year	328,534	
Redemptions	(1,293,000)	
Investment partner's share of income	99,159	150,140
	\$ 674,922	\$ 1,540,229

The Tl'azt'en and Binche First Nations invested \$1,328,534 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 7.9% (2014 - 10.8%) has been applied to the investor funds.

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, 2015 has been calculated at the published CPI index of 1.6% (December 31, 2014 - 1.5%) for the year.

12. Net assets invested in tangible capital assets

	2015	2014
Net asset invested in tangible capital assets		
Tangible capital assets	\$ 474,456	\$ 396,007
Land Lease	37,500	37,500
Tangible capital assets - accumulated amortization	(166,748)	(132,849)
Land Lease amortization	(2,027)	(1,647)
	\$ 343,181	\$ 299,011
Change in net assets invested in tangible capital assets		
Asset additions	\$ 78,448	\$ 10,564
Amortization Expense	(34,278)	(22,090)
	\$ 44,170	\$ (11,526)

GWAIL TRUST SOCIETY
Notes to Financial Statements
Year Ended December 31, 2015

13. Investment income

	2015	2014
Interest received and accrued	\$ 771,395	\$ 1,154,303
Dividends received and accrued	541,815	495,532
Other investment income	3,294,601	1,966,262
Gain (loss) on disposal of investments	1,101,656	1,892,065
	5,709,467	5,508,162
Investment partner's share of income	(99,159)	(150,140)
	\$ 5,610,308	\$ 5,358,022

14. Program allocations

Program allocations for the year were as follows:

	Budget	2015	2014
Major Contribution	\$ 400,000	\$ 399,189	\$ 399,973
Food Security Program	150,000	150,000	85,000
Arts Program	60,000	35,319	37,493
Arts workshops	15,000	6,389	16,075
Christmas Allocation	60,000	60,000	60,000
Economic Development			50,000
Travel Assistance Program	200,000	128,961	182,814
Continuing Education Grant Program	350,000	343,616	281,993
Community Innovation	100,000	48,425	81,179
University Tours Program	40,000	24,000	17,823
High School Scholarships	45,000	45,000	40,000
Haida Parity Fund			2,151,977
Haida Language	100,000	50,000	92,405
Youth Program	100,000	107,809	147,651
Community Events	35,000	25,000	35,000
Contingency and special projects		2,481,204	50,000
	1,655,000	3,904,912	3,729,383
Program de-commitments and adjustments		(153,969)	(153,378)
	\$ 1,655,000	\$ 3,750,943	\$ 3,576,005

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 \$1,142,680 outstanding at December 31, 2015 for a total of \$2,047,608 in Haida Parity funds remaining to be paid.

GWAIL TRUST SOCIETY
Notes to Financial Statements
Year Ended December 31, 2015

16. 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, 2015.

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.

17. Comparative figures

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