

ATHLII GWAII LEGACY TRUST
Financial Statements
December 31, 2020

Independent Auditors' Report
Statement of Financial Position
Statement of Changes in Net Assets
Statement of Revenues and Expenses
Statement of Cash Flows
Notes to Financial Statements



INDEPENDENT AUDITORS' REPORT

To the Trustees of Athlii Gwaii Legacy Trust

Opinion

We have audited the accompanying financial statements of the Athlii Gwaii Legacy Trust (the "Trust"), which comprise the statement of financial position as at December 31, 2020, and the statements of changes in net assets, revenues and expenses and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as the "financial statements").

In our opinion, the Trust's financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2020, and of its financial performance and its cash flows for the year then ended. The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations.

Basis of Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management intends for the Trust to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for over-seeing the Trust's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of the users taken on the basis of these financial statements.

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Matters

The financial statements for the year ended December 31, 2019 were audited by another firm of Chartered Professional Accountants who expressed an unqualified opinion on those statements on February 18, 2020.

Chan Newsread Boates Inc

Chartered Professional Accountants
Campbell River, BC

February 11, 2021

ATHLII GWAII LEGACY TRUST

Statement of Financial Position

December 31, 2020

	2020	2019
	\$	\$
ASSETS		
Current Assets		
Cash	421,319	489,241
Prepaid Expenses	<u>824</u>	<u>634</u>
	422,143	489,875
Long Term Investments (Notes 4 and 5)	<u>53,862,016</u>	<u>50,396,460</u>
	<u>54,284,159</u>	<u>50,886,335</u>
LIABILITIES		
Current Liabilities		
Accounts Payable and Accrued Liabilities	118,041	47,428
Advances from Gwaii Trust Society (Note 6)	2,100	49,429
Program Commitments (Note 7)	<u>39,915</u>	<u>-</u>
	160,056	96,857
Program Commitments (Note 7)	<u>-</u>	<u>39,915</u>
	<u>160,056</u>	<u>136,772</u>
NET ASSETS		
Unrestricted Net Assets	24,156,906	20,990,678
Restricted Net Assets (Note 8)	<u>29,967,197</u>	<u>29,758,885</u>
	<u>54,124,103</u>	<u>50,749,563</u>
	<u>54,284,159</u>	<u>50,886,335</u>

Approved by the Trust:

C. Greenough

C.Greenough (Feb 12, 2021 13:02 PST)

Trustee

Billy yovanovitch

Billy yovanovitch (Feb 12, 2021 15:14 PST)

Trustee

ATHLII GWAII LEGACY TRUST

Statement of Changes in Net Assets

Year Ended December 31, 2020

			2020	2019
	Unrestricted	Restricted	Total	Total
	\$	\$	\$	\$
Beginning Net Assets	20,990,678	29,758,885	50,749,563	45,665,734
Excess of Revenues over Expenses	3,374,540	-	3,374,540	5,083,829
Grant Inflation Protection	<u>(208,312)</u>	<u>208,312</u>	<u>-</u>	<u>-</u>
Ending Net Assets	<u>24,156,906</u>	<u>29,967,197</u>	<u>54,124,103</u>	<u>50,749,563</u>

ATHLII GWAII LEGACY TRUST

Statement of Revenues and Expenses

Year Ended December 31, 2020

	2020	2019
	\$	\$
Revenue		
Investment Income (Note 9)	<u>3,110,533</u>	<u>2,743,608</u>
Investment Management and Regulatory Expenses		
Custodial Fees	44,300	45,778
Investment Management	190,405	186,996
Professional Fees	126,006	41,152
Trust Protector Fees	<u>19,878</u>	<u>20,860</u>
	<u>380,589</u>	<u>294,786</u>
Net Trust Earnings	<u>2,729,944</u>	<u>2,448,822</u>
Expenses		
Advertising and Promotion	5,000	5,200
Bank Charges	1,334	1,074
Communication	159	112
Honoraria	20,000	20,000
Insurance	5,088	4,060
Management Salaries	150,000	125,000
Meetings and Conventions	40,000	16,796
Rent	15,000	15,000
Travel	15,000	10,679
Vehicle	<u>4,000</u>	<u>4,000</u>
	<u>255,581</u>	<u>201,921</u>
Excess of Revenues over Expenses before Unrealized Gains	<u>2,474,363</u>	<u>2,246,901</u>
Unrealized Gains		
Unrealized Gains on Long Term Investments	946,022	2,904,978
Unrealized Foreign Exchange Losses	<u>(45,845)</u>	<u>(68,050)</u>
	<u>900,177</u>	<u>2,836,928</u>
Excess of Revenues over Expenses	<u>3,374,540</u>	<u>5,083,829</u>

ATHLII GWAII LEGACY TRUST

Statement of Cash Flows

Year Ended December 31, 2020

	2020	2019
	\$	\$
Cash Flows From Operating Activities:		
Excess of Revenue over Expenses	3,374,540	5,083,829
Changes in Non-Cash Working Capital		
Investment Income Receivable	-	58,751
Accounts Payable and Accrued Liabilities	70,613	(38,320)
Prepaid Expenses	(190)	-
Advances from (Repayment to) Gwaii Trust Society	(47,329)	679
	<u>3,397,634</u>	<u>5,104,939</u>
Cash Flows From Financing Activities:		
Net Change in Investments	<u>(3,465,556)</u>	<u>(4,793,509)</u>
Net Increase (Decrease) in Cash	(67,922)	311,430
Cash - Beginning of Year	<u>489,241</u>	<u>177,811</u>
Cash - End of Year	<u>421,319</u>	<u>489,241</u>

ATHLII GWAII LEGACY TRUST

Notes to Financial Statements

Year Ended December 31, 2020

1. Purpose of the Organization:

The Athlii Gwaii Legacy Trust (the "Trust") was settled on March 29, 2007 under the terms of the Deed of Trust. The Trust was established to provide a vehicle for the repatriation of funds contributed under the South Moresby Agreement by the Province of British Columbia and the Government of Canada to Haida Gwaii. The funds endowed by the Federal and Provincial governments are 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 Trust is a non-profit organization under the Income Tax Act and accordingly is exempt from income taxes.

2. Future Operations and Funding Commitment:

Under the terms of the Deed of Trust referred to in Note 1, the Trust is required to maintain, at a minimum, funds equal to the initial endowment of \$24,000,000 adjusted for inflation annually.

As the market value of the investment portfolio of the Trust of \$53,862,016 at December 31, 2020 has risen above the inflation adjusted endowment value of \$29,967,197, the Trustees of the Trust are able to disburse funds to programs as they see appropriate.

On June 1, 2020, the Trust received correspondence from the Ministry of Forests, Lands, Natural Resource Operations and Rural Development of the Province of British Columbia. The correspondence detailed that the Province of British Columbia agrees with a strategy proposed by the Trust to transfer the net assets of the Trust to the Gwaii Trust Society Fund, a fund managed and owned by the Gwaii Trust Society (the "Society"). The next steps in the process to transfer the net assets and ultimately dissolve the Trust involve confirmation of support of the Federal Ministers of Natural Resources Canada and Environment and Climate Change Canada, followed by amendments to the appropriate legislation in British Columbia.

The timing of the above described next steps to be taken to transfer the net assets of the Trust to the Society is indeterminable at the date of these financial statements and the financial statements continue to be presented on a going concern basis.

3. Summary of Significant Accounting Policies:

Basis of Presentation

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Financial Instruments Policy

The Trust recognizes its financial instruments when the Trust becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management. Financial assets and liabilities originated and issued in all other related party transactions are initially measured at their carrying or exchange amount in accordance with Section 3840 Related Party Transactions (Note 6).

ATHLII GWAII LEGACY TRUST

Notes to Financial Statements

Year Ended December 31, 2020

3. Summary of Significant Accounting Policies (continued):

Financial Instruments Policy (continued)

At initial recognition, the Trust may irrevocably elect to subsequently measure any financial instrument at fair value. The Trust has not made such an election during the year. The Trust subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those designated in a qualifying hedging relationship or that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, at fair value. Fair value is determined by published price quotations. Investments in equity instruments not quoted in an active market and derivatives that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, are subsequently measured at cost less impairment. With the exception of financial liabilities indexed to a measure of the Trust's performance or value of its equity and those instruments designated at fair value, all other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in the excess (deficiency) of revenues over expenses for the current year. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

Foreign Currency Translation

Accounts in foreign currencies have been translated into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities have been translated at the year end exchange rate. Non-monetary assets have been translated at the rate of exchange prevailing at the date of transaction. Revenues and expenses have been translated at the average rates of exchange during the year.

Foreign exchange gains and losses on monetary assets and liabilities are included in the determination of earnings.

Revenue Recognition

The Trust follows the deferral method of accounting for contributions.

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.

Investment income is recognized as revenue as earned by way of dividend or interest or upon the completion of a transaction resulting in a realized gain on the disposition of investments.

Measurement Uncertainty

The preparation of financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues and expenses in the year in which they become known.

ATHLII GWAII LEGACY TRUST

Notes to Financial Statements

Year Ended December 31, 2020

4. Long Term Investments:

	2020		2019	
	Cost	Market	Cost	Market
	\$	\$	\$	\$
Cash	39,301	39,305	7,673	7,673
Treasury Bills and Short Term Investments	248,458	248,458	292,694	292,694
Corporate Bonds	14,986,365	15,392,172	14,440,935	14,502,207
Equities	10,559,350	11,008,007	9,190,738	9,471,128
International Equities	13,270,097	19,808,420	13,406,172	18,801,903
Equities - REITs	<u>3,651,960</u>	<u>7,365,654</u>	<u>3,425,200</u>	<u>7,320,855</u>
	<u>42,755,531</u>	<u>53,862,016</u>	<u>40,763,412</u>	<u>50,396,460</u>

5. Statement of Investment Policies and Procedures:

The investment strategies of the Trust are guided by the Statement of Investment Policies and Procedures (SIPP). The SIPP has been written in order to assist the Trustees in establishing the guidelines for the investment of the assets of the Trust (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, 2020

	Portfolio Value		% of Portfolio		AGLT Current SIPP %		
	Cost	Market	Cost	Market	Min.	Target	Max.
	\$	\$					
Canadian Equities	10,559,350	11,008,007	25%	20%	15%	20%	25%
International Equities	<u>13,270,097</u>	<u>19,808,420</u>	<u>30%</u>	<u>36%</u>	<u>28%</u>	<u>33%</u>	<u>48%</u>
Total Equities	<u>23,829,447</u>	<u>30,816,427</u>	<u>55%</u>	<u>56%</u>	<u>43%</u>	<u>53%</u>	<u>73%</u>
Real Return Bonds	3,828,202	4,073,995	9%	8%	5%	6%	20%
Nominal Bonds	<u>11,158,163</u>	<u>11,318,177</u>	<u>26%</u>	<u>21%</u>	<u>12%</u>	<u>17%</u>	<u>22%</u>
Total Bonds	<u>14,986,365</u>	<u>15,392,172</u>	<u>35%</u>	<u>29%</u>	<u>17%</u>	<u>33%</u>	<u>57%</u>
Total Real Estate and Mortgages	<u>3,651,960</u>	<u>7,365,654</u>	<u>9%</u>	<u>14%</u>	<u>5%</u>	<u>10%</u>	<u>22%</u>
Total Cash, Treasury Bills and Short Term Investments	<u>287,759</u>	<u>287,763</u>	<u>1%</u>	<u>1%</u>	<u>0%</u>	<u>0%</u>	<u>5%</u>
Total	<u>42,755,531</u>	<u>53,862,016</u>	<u>100%</u>	<u>100%</u>			

ATHLII GWAII LEGACY TRUST

Notes to Financial Statements

Year Ended December 31, 2020

6. Related Party Transactions:

During the period, administration fees of \$250,000 were paid to the Society. These fees represent operating costs paid by the Society on behalf of the Trust in the current fiscal year as well as prior years.

The administration costs have been calculated and allocated as follows to represent the actual costs of operating and administering the Trust. The Society is the trustee of the Trust.

	<u>2020</u>	<u>2019</u>
	\$	\$
Advertising and Promotion	5,000	5,000
Bank Charges	1,000	1,000
Community Consultation	20,000	-
Honoraria	20,000	20,000
Meetings	20,000	15,000
Rent and Utilities	15,000	15,000
Travel	15,000	10,000
Vehicle	4,000	4,000
Wages and Benefits	<u>150,000</u>	<u>125,000</u>
	<u>250,000</u>	<u>195,000</u>

Balances outstanding consist of the administration fees or other operating costs paid by the Gwaii Trust Society on behalf of the Athlii Gwaii Legacy Trust.

7. Program Commitments:

The Trust funds projects that are in general agreement with its aims and objectives. The balance outstanding represents projects approved by the Trustees and for which amounts are committed which were not completed as at the fiscal year end. The balance of \$39,915 is expected to be paid within the next fiscal year.

8. Restricted Net Assets:

The Trust's Grant Fund represents the initial endowment of \$24,000,000 received from the Governments of Canada and British Columbia. The grant fund is adjusted annually by the inflation rate for the year to protect the value of the original grant for future generations. The grant 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, 2020 has been calculated at the CPI of 0.7% (2019 - 2.2%) for the year.

ATHLII GWAII LEGACY TRUST

Notes to Financial Statements

Year Ended December 31, 2020

9. Investment Income:

	<u>2020</u>	<u>2019</u>
	\$	\$
Interest Income	1,430,403	416,989
Other Investment Income	612,517	-
Dividend Income	761,354	300,570
Realized Gain on Investments	<u>306,259</u>	<u>2,026,049</u>
	<u>3,110,533</u>	<u>2,743,608</u>

10. Risk Management:

The Trust 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 Trust's risk exposure and concentration as of December 31, 2020.

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.

Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Trust enters into transactions to denominated in United States currency for which the related revenues, expenses, accounts receivable and accounts payable balances are subject to exchange rate fluctuations.

During the year, the value of the Canadian dollar appreciated by \$0.0155 against the US dollar. The Trust has significant investments in US dollars. As a result, the change in the exchange rate has increased the Trust's foreign currency risk exposure, resulting in \$45,845 in unrealized foreign exchange losses.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. The Trust is exposed to interest rate cash flow risk with respect to its investment portfolio.

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

ATHLII GWAII LEGACY TRUST

Notes to Financial Statements

Year Ended December 31, 2020

11. Comparative Figures:

Certain prior year figures have been reclassified, where necessary, to conform with the current years presentation.

12. Subsequent Event:

The global outbreak of COVID-19 (coronavirus), has continued to have a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation / quarantine orders up to the date of these financial statements.

At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Trust as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus and the effect that those items have on the local and world markets and investments.