

ATHLII GWAI LEGACY TRUST
Financial Statements - September 30, 2023
(Unaudited)

Review Engagement 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 PRACTITIONERS' REVIEW ENGAGEMENT REPORT

To the Trustees of Athlii Gwaii Legacy Trust

We have reviewed the accompanying financial statements of Athlii Gwaii Legacy Trust that comprise the statement of financial position as at September 30, 2023 and the statements of changes in net assets, revenues and expenses, and cash flows for the nine month period 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.

Practitioners' Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the statement of financial position of Athlii Gwaii Legacy Trust as at September 30, 2023, and the results of its operations and its cash flows for the nine month period then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Emphasis of Matter

Without modifying our conclusion, we draw attention to Note 2 of the financial statements which describes the intention of the Trustees of the Trust to transfer all assets of the Trust to the Gwaii Trust Society (the "Society") and dissolve the Trust. At the date of this report, it is expected that the dissolution of the Trust will occur in the foreseeable future, though an exact date for the dissolution of the Trust and the transfer of its assets to the Society is not determinable, as it is dependent on outside parties. These financial statements have been prepared using a liquidation basis of accounting.

Chan Nowosad Boates Inc

Chartered Professional Accountants
Campbell River, BC

October 27, 2023

ATHLII GWAII LEGACY TRUST

Statement of Financial Position

(Unaudited)

September 30, 2023

	September 30, 2023	December 31, 2022
ASSETS		
Current Assets		
Cash	\$ 2,094,097	\$ 12,284,710
Interest Receivable	77,240	-
Prepaid Expenses	<u>3,117</u>	<u>1,164</u>
	2,174,454	12,285,874
Long Term Investments (Notes 4 and 5)	<u>57,080,087</u>	<u>46,511,178</u>
	<u>\$ 59,254,541</u>	<u>\$ 58,797,052</u>
LIABILITIES		
Current Liabilities		
Accounts Payable and Accrued Liabilities	\$ 51,400	\$ 59,795
Advances from Gwail Trust Society (Note 6)	<u>137,500</u>	<u>62,500</u>
	<u>188,900</u>	<u>122,295</u>
NET ASSETS		
Unrestricted Net Assets	24,635,130	25,290,581
Internally Restricted Net Assets (Note 7)	<u>34,430,511</u>	<u>33,384,176</u>
	<u>59,065,641</u>	<u>58,674,757</u>
	<u>\$ 59,254,541</u>	<u>\$ 58,797,052</u>

Approved by the Trust:

Maureen Bailey
Trustee

Freda Dew
Trustee

ATHLII GWAII LEGACY TRUST

Statement of Changes in Net Assets

(Unaudited)

For the 9 Month Period Ended September 30, 2023

September 30, 2023 December 31, 2022

(With comparative figures for the year ended December 31, 2022)

	Unrestricted	Restricted	Total	Total
Beginning Net Assets	\$ 25,290,581	\$ 33,384,176	\$ 58,674,757	\$ 60,143,183
Excess of Revenues over Expenses	390,884	-	390,884	(1,468,426)
Grant Inflation Protection	<u>(1,046,335)</u>	<u>1,046,335</u>	<u>-</u>	<u>-</u>
Ending Net Assets	<u>\$ 24,635,130</u>	<u>\$ 34,430,511</u>	<u>\$ 59,065,641</u>	<u>\$ 58,674,757</u>

ATHLII GWAII LEGACY TRUST

Statement of Revenues and Expenses

(Unaudited)

For the 9 Month Period Ended September 30, 2023

	September 30, 2023	December 31, 2022
<i>(With comparative figures for the year ended December 31, 2022)</i>		
Revenue		
Investment Income (Note 8)	\$ 530,118	\$ 1,476,792
Investment Management and Regulatory Expenses		
Custodial Fees	10,850	25,933
Investment Management	147,964	276,887
Professional Fees	47,364	85,124
Trust Protector Fees	8,916	12,022
	<u>215,094</u>	<u>399,966</u>
Net Trust Earnings	<u>315,024</u>	<u>1,076,826</u>
Expenses		
Advertising and Promotion	3,750	5,000
Bank Charges	231	68
Honoraria	13,500	16,250
Insurance	5,527	6,831
Management Salaries	145,500	173,750
Meetings and Conventions	18,750	25,000
Office and Facility Costs	15,000	17,152
Supplies	6,000	5,750
Travel	3,750	5,000
Vehicle	-	2,250
	<u>212,008</u>	<u>257,051</u>
Excess of Revenues over Expenses from Operations	<u>103,016</u>	<u>819,775</u>
Other Income (Losses)		
Unrealized Gains (Losses) on Long Term Investments	291,324	(2,947,983)
Unrealized Foreign Exchange Gains (Losses)	(3,456)	659,782
	<u>287,868</u>	<u>(2,288,201)</u>
Excess (Deficiency) of Revenues over Expenses	<u>\$ 390,884</u>	<u>\$ (1,468,426)</u>

ATHLII GWAII LEGACY TRUST

Statement of Cash Flows

(Unaudited)

For the 9 Month Period Ended September 30, 2023

September 30,
2023

December 31,
2022

(With comparative figures for the year ended December 31, 2022)

Cash Flows From Operating Activities:

Excess (Deficiency) of Revenues over Expenses	\$ 390,884	\$ (1,468,426)
Changes in Non-Cash Working Capital		
Interest Receivable	(77,240)	-
Accounts Payable and Accrued Liabilities	(8,395)	(36,454)
Prepaid Expenses	(1,953)	(152)
Advances from Gwaii Trust Society	75,000	-
	<u>378,296</u>	<u>(1,505,032)</u>

Cash Flows From Investing Activities:

Net Change in and Withdrawal from (Contribution to) Investments	<u>(10,568,909)</u>	<u>13,451,943</u>
Net Increase (Decrease) in Cash	(10,190,613)	11,946,911
Cash - Beginning of Period	<u>12,284,710</u>	<u>337,799</u>
Cash - End of Period	<u>\$ 2,094,097</u>	<u>\$ 12,284,710</u>

ATHLII GWAII LEGACY TRUST

Notes to Financial Statements

(Unaudited)

9 month period ended September 30, 2023

(With comparative figures for the year ended December 31, 2022)

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 \$57,080,087 at September 30, 2023 has risen above the inflation adjusted endowment value of \$34,430,511, 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 above described next steps to be taken to transfer the net assets of the Trust to the Society are expected to occur in the foreseeable future, though the exact dates are indeterminable at the date of these financial statements. These financial statements have been prepared under the liquidation basis of presentation, with all of the Trust's material assets and liabilities being presented at their liquidation values as at September 30, 2023.

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

The Trust recognizes its financial instruments when it 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 Part II of the CPA Canada Handbook - Accounting, Section 3840 Related Party Transactions (Note 6).

ATHLII GWAII LEGACY TRUST

Notes to Financial Statements

(Unaudited)

9 month period ended September 30, 2023

(With comparative figures for the year ended December 31, 2022)

3. Summary of Significant Accounting Policies (continued):

Financial Instruments (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 period. 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 period. 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 period 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 period.

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 period 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 the statement of revenues and expenses in the period in which they become known.

ATHLII GWAII LEGACY TRUST

Notes to Financial Statements

(Unaudited)

9 month period ended September 30, 2023

(With comparative figures for the year ended December 31, 2022)

4. Long Term Investments:

	September 30, 2023		December 31, 2022	
	Cost	Market	Cost	Market
Cash	\$ 8,378	\$ 8,378	\$ 7,327	\$ 7,327
Direct Lending	11,177,785	11,177,785	-	-
Corporate Bonds	17,003,128	16,298,214	16,208,876	15,861,372
Canadian Equities	2,927,421	2,840,699	3,092,393	2,930,720
International Equities	18,204,717	17,562,804	18,282,617	17,402,203
Commercial Mortgages	3,036,658	3,024,158	-	-
Equities - REITs	<u>2,143,847</u>	<u>6,168,049</u>	<u>3,829,160</u>	<u>10,309,556</u>
	<u>\$ 54,501,934</u>	<u>\$ 57,080,087</u>	<u>\$ 41,420,373</u>	<u>\$ 46,511,178</u>

5. Statement of Investment Policies and Procedures:

The Trust's investment strategies are guided by the Statement of Investment Policies and Procedures (the "SIPP") approved on November 28, 2022 and effective for the period beginning January 1, 2023. 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 Trust. A summary of the current investment guidelines contained in the SIPP and the current asset mix at September 30, 2023 is as follows:

	Portfolio Value		% of Portfolio		AGLT Current SIPP %		
	Cost	Market	Cost	Market	Min.	Target	Max.
Canadian Equities	\$ 2,927,421	\$ 2,840,699	5%	5%	-%	5%	10%
Global Equities	<u>18,204,717</u>	<u>17,562,804</u>	<u>33%</u>	<u>31%</u>	<u>20%</u>	<u>30%</u>	<u>40%</u>
Total Equities	<u>21,132,138</u>	<u>20,403,503</u>	<u>38%</u>	<u>36%</u>	<u>20%</u>	<u>35%</u>	<u>50%</u>
Short Term Bonds	10,726,709	10,473,098	20%	18%	-%	-%	-%
Universe Bonds	6,276,419	5,825,116	12%	10%	5%	10%	15%
Commercial Mortgages	3,036,658	3,024,158	5%	5%	-%	5%	10%
Direct Lending	<u>3,752,000</u>	<u>3,752,000</u>	<u>7%</u>	<u>7%</u>	<u>-%</u>	<u>10%</u>	<u>15%</u>
Total Fixed Income	<u>23,791,786</u>	<u>23,074,372</u>	<u>44%</u>	<u>40%</u>	<u>5%</u>	<u>25%</u>	<u>40%</u>
Real Estate	<u>2,143,847</u>	<u>6,168,049</u>	4%	11%	5%	10%	22%
Infrastructure Equity	<u>7,425,785</u>	<u>7,425,785</u>	14%	13%	-%	30%	40%
Private Placement	-	-	-%	-%	-%	-%	10%
Cash	<u>8,378</u>	<u>8,378</u>	-%	-%	-%	-%	10%
Total	<u>\$ 54,501,934</u>	<u>\$ 57,080,087</u>	<u>100%</u>	<u>100%</u>			

Funds that are committed to but not yet invested in illiquid investments such as mortgages, direct lending, real estate and infrastructure equity are held in a temporary short term bond that adheres to the Trust's fossil fuel free investment mandate.

ATHLII GWAII LEGACY TRUST

Notes to Financial Statements

(Unaudited)

9 month period ended September 30, 2023

(With comparative figures for the year ended December 31, 2022)

6. Related Party Transactions:

During the period, administration fees of \$206,250 were charged by the Society. These fees represent operating costs paid by the Society on behalf of the Trust. The administration costs have been calculated and allocated as follows to represent the actual costs of operating and administering the Trust. The Society is related to the Trust through shared Trustees/Directors.

The administrative fee breakdown for the period ended September 30, 2023 is as follows:

	September 30, <u>2023</u>	December 31, <u>2022</u>
Advertising and Promotion	\$ 3,750	\$ 5,000
Community Consultation	15,000	-
Honoraria	13,500	16,250
Management Salaries	145,500	173,750
Meetings and Conventions	3,750	25,000
Office and Facility Costs	15,000	17,000
Supplies	6,000	5,750
Travel	3,750	5,000
Vehicle	-	2,250
	<u>\$ 206,250</u>	<u>\$ 250,000</u>

Balances outstanding consisted of the administration fees or other operating costs paid by the Society on behalf of the Trust and bear no interest nor had stated terms of repayment, and are considered to be current and payable when services are rendered.

7. Internally Restricted Net Assets:

The Trust's Internally Restricted Net Assets represents the initial endowment of \$24,000,000 received from the Governments of Canada and British Columbia. The amount is adjusted annually by the inflation rate for the period to protect the value of the original grant for future generations. The amount received 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 9 month period ended September 30, 2023 has been calculated at the average CPI of 4.12% (2022 - 6.3%).

8. Investment Income:

	September 30, <u>2023</u>	December 31, <u>2022</u>
Interest Income	\$ 723,621	\$ 556,935
Dividend Income	-	698,004
Realized Gain (Loss) on Investments	<u>(193,503)</u>	<u>221,853</u>
	<u>\$ 530,118</u>	<u>\$ 1,476,792</u>

ATHLII GWAII LEGACY TRUST

Notes to Financial Statements

(Unaudited)

9 month period ended September 30, 2023

(With comparative figures for the year ended December 31, 2022)

9. 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 September 30, 2023.

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 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 US Dollar denominated transactions for which the related revenues, expenses, accounts receivable and accounts payable balances are subject to exchange rate fluctuations.

During the period, the value of the Canadian dollar appreciated by \$0.001 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 \$3,456 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.