

ATHLII GWAII LEGACY TRUST
Financial Statements - June 30, 2024
(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 June 30, 2024 and the statements of changes in net assets, revenue and expenses and cash flows for the six-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 June 30, 2024, and the results of its operations and its cash flows for the six-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 by September 30, 2024. These financial statements have been prepared using a liquidation basis of accounting.

Chan Nowosad Boates Inc

Chartered Professional Accountants
Campbell River, BC

August 30, 2024

ATHLII GWAII LEGACY TRUST

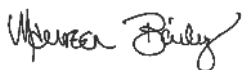
Statement of Financial Position

(Unaudited)

June 30, 2024

	June 30, 2024	December 31, 2023
ASSETS		
Current Assets		
Cash	\$ 535,827	\$ 1,831,926
Interest Receivable	467,193	137,826
Prepaid Expenses	<u>-</u>	<u>1,247</u>
	1,003,020	1,970,999
Long Term Investments (Notes 4 and 5)	<u>21,251,186</u>	<u>60,345,006</u>
	<u>\$ 22,254,206</u>	<u>\$ 62,316,005</u>
LIABILITIES		
Current Liabilities		
Accounts Payable and Accrued Liabilities	\$ 58,500	\$ 54,795
Advances from Gwaii Trust Society (Note 6)	<u>68,750</u>	<u>137,500</u>
	<u>127,250</u>	<u>192,295</u>
NET ASSETS		
Unrestricted Net Assets (Liabilities)	(12,887,112)	27,604,471
Internally Restricted Net Assets (Note 7)	<u>35,014,068</u>	<u>34,519,239</u>
	<u>22,126,956</u>	<u>62,123,710</u>
	<u>\$ 22,254,206</u>	<u>\$ 62,316,005</u>

Approved by the Trust:



Trustee



Trustee

ATHLII GWAII LEGACY TRUST

Statement of Changes in Net Assets

(Unaudited)

For the 6 Month Period Ended June 30, 2024

	June 30, 2024	December 31, 2023
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(With comparative figures for the year ended December 31, 2023)

	Unrestricted	Restricted	Total	Total
Beginning Net Assets	\$ 27,604,471	\$ 34,519,239	\$ 62,123,710	\$ 58,674,757
Excess (Deficit) of Revenues over Expenses	(39,996,754)	-	(39,996,754)	3,448,953
Grant Inflation Protection	(494,829)	494,829	-	-
Ending Net Assets (Liabilities)	\$ (12,887,112)	\$ 35,014,068	\$ 22,126,956	\$ 62,123,710

ATHLII GWAII LEGACY TRUST

Statement of Revenues and Expenses

(Unaudited)

For the 6 Month Period Ended June 30, 2024

	June 30, 2024	December 31, 2023
<i>(With comparative figures for the year ended December 31, 2023)</i>		
Revenue		
Investment Income (Note 8)	\$ 4,535,854	\$ 1,421,824
Investment Management and Regulatory Expenses		
Custodial Fees	-	10,850
Investment Management	118,323	219,520
Professional Fees	64,823	65,056
Trust Protector Fees	36,498	11,416
	<u>219,644</u>	<u>306,842</u>
Net Trust Earnings	<u>4,316,210</u>	<u>1,114,982</u>
Expenses		
Advertising and Promotion	2,500	5,000
Bank Charges	219	389
Honoraria	9,000	18,000
Insurance	10,677	7,397
Management Salaries	97,000	194,000
Meetings and Conventions	12,500	25,000
Office and Facility Costs	10,000	20,000
Supplies	4,000	8,000
Travel	2,500	5,000
	<u>148,396</u>	<u>282,786</u>
Excess of Revenues over Expenses from Operations	<u>4,167,814</u>	<u>832,196</u>
Other Income (Losses)		
Unrealized Gains on Long Term Investments	-	2,665,969
Unrealized Foreign Exchange Gains (Losses)	-	(49,212)
Transfer of Assets to Gwaii Trust Society	(44,164,568)	-
	<u>(44,164,568)</u>	<u>2,616,757</u>
Excess (Deficit) of Revenues over Expenses	<u>\$ (39,996,754)</u>	<u>\$ 3,448,953</u>

ATHLII GWAII LEGACY TRUST

Statement of Cash Flows

(Unaudited)

For the 6 Month Period Ended June 30, 2024

	June 30, 2024	December 31, 2023
<i>(With comparative figures for the year ended December 31, 2023)</i>		
Cash Flows From Operating Activities:		
Excess (Deficit) of Revenues over Expenses	\$ (39,996,754)	\$ 3,448,953
Changes in Non-Cash Working Capital		
Interest Receivable	(329,367)	(137,826)
Accounts Payable and Accrued Liabilities	3,705	(5,000)
Prepaid Expenses	1,247	(83)
Advances from (Repayment to) Gwaii Trust Society	<u>(68,750)</u>	<u>75,000</u>
	<u>(40,389,919)</u>	<u>3,381,044</u>
Cash Flows From Investing Activities:		
Net Change in and Withdrawal from (Contribution to) Investments	<u>39,093,820</u>	<u>(13,833,828)</u>
Net Decrease in Cash	(1,296,099)	(10,452,784)
Cash - Beginning of Period	<u>1,831,926</u>	<u>12,284,710</u>
Cash - End of Period	<u>\$ 535,827</u>	<u>\$ 1,831,926</u>

ATHLII GWAII LEGACY TRUST

Notes to Financial Statements

(Unaudited)

6 month period ended June 30, 2024

(With comparative figures for the year ended December 31, 2023)

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:

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 agreed 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").

On March 14, 2024, legislation to allow the dissolution of the Trust and the transfer of its assets to Gwaii Trust Society received Royal Assent and was passed in the Provincial Legislature of British Columbia.

The Trust at present is undertaking the final steps required for dissolution including the transfer of the net assets to the Society and will ultimately dissolve the Trust.

The dissolution of the Trust is expected to occur by September 30, 2024. 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 June 30, 2024.

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 Trust winds down its operations, and transfers its net assets to the Society, it has not been able to maintain investments equal to the initial endowment adjusted for inflation.

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)

6 month period ended June 30, 2024

(With comparative figures for the year ended December 31, 2023)

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)

6 month period ended June 30, 2024

(With comparative figures for the year ended December 31, 2023)

4. Long Term Investments:

	June 30, 2024		December 31, 2023	
	Cost	Market	Cost	Market
Cash	\$ -	\$ -	\$ 8,364	\$ 8,364
Direct Lending	21,251,186	21,251,186	15,624,801	15,732,328
Corporate Bonds	-	-	13,072,123	13,129,001
Canadian Equities	-	-	3,012,223	3,102,830
International Equities	-	-	18,432,414	19,226,489
Commercial Mortgages	-	-	3,036,658	3,090,866
Equities - REITs	-	-	2,129,147	6,055,128
	<u>\$ 21,251,186</u>	<u>\$ 21,251,186</u>	<u>\$ 55,315,730</u>	<u>\$ 60,345,006</u>

At June 30, 2024 and as of the date of issuance of these financial statements, the net asset values (market values) of the investments were not readily available. The Trust understands that there has not been a material change in the nature of the investments and the difference of cost to market value of the investment, given the nature of the investments, specifically being non market investments is not material to the Trust.

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 December 11, 2023 and effective for the period beginning January 1, 2024. The SIPP was 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.

At June 30, 2024 the Trust was not in compliance with the SIPP as it undertook efforts to wind down its operations, disposing of its investments and transferring the proceeds on the investment dispositions to the Gwaii Trust Society. The Trust expects that it will not be in compliance with the SIPP for the remainder of its operations prior to its dissolution.

ATHLII GWAII LEGACY TRUST

Notes to Financial Statements

(Unaudited)

6 month period ended June 30, 2024

(With comparative figures for the year ended December 31, 2023)

6. Related Party Transactions:

During the period, administration fees of \$137,500 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 June 30, 2024 is as follows:

	June 30, <u>2024</u>	December 31, <u>2023</u>
Advertising and Promotion	\$ 2,500	\$ 5,000
Community Consultation	10,000	-
Honoraria	9,000	18,000
Management Salaries	97,000	194,000
Meetings and Conventions	2,500	25,000
Office and Facility Costs	10,000	20,000
Supplies	4,000	8,000
Travel	<u>2,500</u>	<u>5,000</u>
	<u>\$ 137,500</u>	<u>\$ 275,000</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 have 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 under the terms of the trust deed.

The annual inflation adjustment is based on the Canadian Consumer Price Index (CPI). The change for the 6 month period ended June 30, 2024 has been calculated at the average CPI of 2.82% (2023 - 3.40%).

The Trust's net assets no longer exceed the inflation adjusted initial endowment of \$24,000,000 as the Trust winds up its operations and transfers its operations to the Gwaii Trust Society. The Trust is not anticipating having net assets in excess of the inflation adjusted \$24,000,000 for the entirety of its remaining operations up to the date of dissolution.

ATHLII GWAII LEGACY TRUST

Notes to Financial Statements

(Unaudited)

6 month period ended June 30, 2024

(With comparative figures for the year ended December 31, 2023)

8. Investment Income:

	June 30, <u>2024</u>	December 31, <u>2023</u>
Interest Income	\$ 561,251	\$ 1,094,905
Dividend Income	15,248	247,702
Investment Income	492,521	237,899
Realized Gain (Loss) on Investments	<u>3,466,834</u>	<u>(158,682)</u>
	<u>\$ 4,535,854</u>	<u>\$ 1,421,824</u>

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 June 30, 2024.

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. At June 30, 2024 the Trust did not have any investments in foreign currencies and does not consider itself to be exposed to currency risk.

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.