

**GWAII FOREST CHARITABLE TRUST**

**Financial Statements**

**As at June 30, 2007**

*(Unaudited)*

McAlpine  
& Co. <sup>CA</sup>  
CHARTERED ACCOUNTANTS

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## REVIEW ENGAGEMENT REPORT

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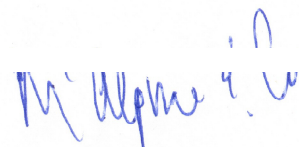
To the Trustees of the Gwaii Forest Charitable Trust

We have reviewed the statement of financial position of Gwaii Forest Charitable Trust as at June 30, 2007 and the statements of revenues and expenditures, changes in net assets and cash flow for the period then ended. Our review was made in accordance with Canadian generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the organization.

A review does not constitute an audit and consequently we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with Canadian generally accepted accounting principles.

Terrace, B.C.  
August 14, 2007



CHARTERED ACCOUNTANTS

**GWAII FOREST CHARITABLE TRUST**

**Statement of Financial Position**

**As at June 30, 2007**

*(Unaudited)*

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<b>Assets</b>	
Current	
Cash	\$ 99,985
Investment income receivable	72,457
	<hr/> 172,442
Long term investments <i>(Notes 2, 3)</i>	25,250,129
	<hr/> <b>\$ 25,422,571</b>
<b>Liabilities</b>	
Current	
Accounts payable	\$ 17,295
	<hr/>
<b>Net Assets</b>	
Grant fund <i>(Note 5)</i>	25,461,418
Unrestricted	(56,142)
	<hr/> 25,405,276
	<hr/> <b>\$ 25,422,571</b>

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**On behalf of the Board**

\_\_\_\_\_ *Trustee*

\_\_\_\_\_ *Trustee*

\_\_\_\_\_ *Trustee*

See notes to financial statements

**GWAII FOREST CHARITABLE TRUST**  
**Statement of Revenues and Expenditures**  
**Period Ended June 30, 2007**

*(Unaudited)*

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<b>Income</b>	
Investment income <i>(Note 4)</i>	\$ 261,267
Investment management expenses	14,295
Net investment earnings	246,972
<b>Expenses</b>	
Bank charges	15
Professional fees	3,000
	3,015
Net surplus for the period	243,957
Unrealized gains (losses) on long term investments	(300,099)
<b>Comprehensive surplus (deficit) for the period</b>	<b>\$ (56,142)</b>

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**GWAII FOREST CHARITABLE TRUST****Statement of Changes in Net Assets****Period Ended June 30, 2007***(Unaudited)*

	Unrestricted	Grant Fund	2007
<b>Balance - beginning of year</b>	\$ -	\$ -	\$ -
Initial fund investment	-	25,461,418	<b>25,461,418</b>
Comprehensive surplus (deficit)	(56,142)	-	<b>(56,142)</b>
<b>Balance - end of year</b>	\$ (56,142)	\$ 25,461,418	<b>\$ 25,405,276</b>

**GWAII FOREST CHARITABLE TRUST****Statement of Cash Flow****Period Ended June 30, 2007***(Unaudited)*

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<b>Operating activities</b>	
Net loss	\$ (56,142)
Changes in non-cash working capital:	
Investment income receivable	(72,457)
Accounts payable	17,295
	<b>(55,162)</b>
Cash flow used by operating activities	<b>(111,304)</b>
<b>Investing activity</b>	
Net change in investments	<b>(25,250,129)</b>
<b>Financing activity</b>	
Grant endowment	<b>25,461,418</b>
<b>Increase in cash</b>	<b>99,985</b>
Cash - beginning of period	
<b>Cash - end of period</b>	<b>\$ 99,985</b>

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# **GWAII FOREST CHARITABLE TRUST**

## **Notes to Financial Statements**

**Period Ended June 30, 2007**

*(Unaudited)*

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### **1. Purpose of the organization**

The Gwaii Forest Charitable 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 the 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 Charitable Trust 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 accounting

The Gwaii Forest Charitable Trust 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.

#### 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.

#### Investments

Marketable securities are classified as held for trading and carried at market value in accordance with Section 3855 of the CICA handbook.

### **3. Investments**

Investments in marketable securities consist of government bonds as well as Canadian equities, International equities and cash. At June 30, 2007 the cost of the investment portfolio was \$25,550,228 with a market value of \$25,250,129.

### **4. Investment income**

Interest income	\$	155,788
Dividend income		10,159
Other investment income		122,913
Realized gain (loss) on sale of investments		(27,594)
	\$	<b>261,266</b>

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# **GWAII FOREST CHARITABLE TRUST**

## **Notes to Financial Statements**

**Period Ended June 30, 2007**

*(Unaudited)*

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### **5. Restricted net assets**

The Gwaii Trust Charitable Trust Investment Fund represents the initial endowment of \$25,461,418 received from the Governments of Canada and British Columbia. 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.

### **6. Financial instruments**

The Charitable Trust's's financial instruments consist of cash and cash equivalents, accounts receivable, investments in marketable securities accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Charitable Trust's is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.