

GWAII FOREST CHARITABLE TRUST
Financial Statements
As at December 31, 2007

McAlpine
& Co. ^{CA}

CHARTERED ACCOUNTANTS

AUDITORS' REPORT

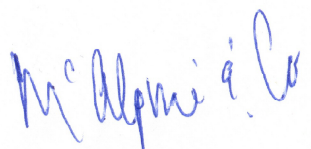
To the Trustees of Gwaii Forest Charitable Trust

We have audited the statement of financial position of Gwaii Forest Charitable Trust as at December 31, 2007 and the statements of revenues and expenditures, changes in net assets and cash flow for the nine month period then ended. These financial statements are the responsibility of the 's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the as at December 31, 2007 and the results of its operations and its cash flows for the period then ended in accordance with Canadian generally accepted accounting principles.

Terrace, B.C.
February 13, 2008


CHARTERED ACCOUNTANTS

GWAII FOREST CHARITABLE TRUST

Statement of Financial Position

As at December 31, 2007

Assets

Current

Cash	\$	50,241
Investment income receivable		63,242

113,483

Long term investments (Notes 2, 3)		25,086,234
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\$ 25,199,717

Liabilities

Current

Accounts payable	\$	109,413
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Net Assets

Grant fund (Note 5)		25,919,724
Unrestricted		(829,420)

25,090,304

\$ 25,199,717

On behalf of the Board

_____ Trustee

_____ Trustee

_____ Trustee

See notes to financial statements

GWAII FOREST CHARITABLE TRUST
Statement of Revenues and Expenditures
Nine Month Period Ended December 31, 2007

Income	
Investment income <i>(Note 4)</i>	\$ 640,221
Investment management expenses	
Actuary	2,432
Custodial fees	14,539
Investment management	60,449
	77,420
Net investment earnings	562,801
Expenses	
Accounting and audit fees	8,313
Bank charges	28
Legal fees	2,500
Trust protector fees	35,721
	46,562
Excess of income over expenses from operations	516,239
Grant inflation protection	458,306
Surplus available for Gwaii Forest Society activities	57,933
Transfers to Gwaii Forest Society	100,000
Net surplus for the period	(42,067)
Unrealized gains (losses) on long term investments	(787,353)
Comprehensive surplus (deficit) for the period	\$ (829,420)

GWAII FOREST CHARITABLE TRUST
Statement of Changes in Net Assets
Nine Month Period Ended December 31, 2007

	Unrestricted	Grant Fund	2007
Balance - beginning of year	\$ -	\$ -	\$ -
Initial fund investment	-	25,461,418	25,461,418
Comprehensive surplus (deficit)	(829,420)	-	(829,420)
Grant inflation protection	-	458,306	458,306
Balance - end of year	\$ (829,420)	\$ 25,919,724	\$ 25,090,304

GWAII FOREST CHARITABLE TRUST
Statement of Cash Flow
Nine Month Period Ended December 31, 2007

Operating activities	
Net loss	\$ (829,420)
Item not affecting cash:	
Grant inflation protection	458,306
	(371,114)
Changes in non-cash working capital:	
Investment income receivable	(63,242)
Accounts payable	109,413
	46,171
Cash flow used by operating activities	(324,943)
Investing activity	
Net change in investments	(25,086,234)
Financing activity	
Grant endowment	25,461,418
Increase in cash	50,241
Cash - beginning of period	
Cash - end of period	\$ 50,241

GWAII FOREST CHARITABLE TRUST
Notes to Financial Statements
Nine Month Period Ended December 31, 2007

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

	2007	
	Cost	Market
Cash	\$ 23,056	\$ 23,056
Treasury bills and short term investments	174,611	174,611
Federal and Provincial Government bonds	7,837,302	7,942,388
Corporate bonds	6,366,984	6,319,756
Mortgages	1,665,257	1,668,484
Equities	3,411,234	3,169,970
International equities	6,395,144	5,787,970
	\$ 25,873,588	\$ 25,086,235

GWAII FOREST CHARITABLE TRUST
Notes to Financial Statements
Nine Month Period Ended December 31, 2007

4. Investment income

Interest income	\$	462,007
Dividend income		75,238
Other investment income		119,277
Realized gain (loss) on sale of investments		(16,301)
	\$	640,221

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.

The annual inflation adjustment is based on the Canadian Consumer Price Index (CPI). The change for the year ended December 31, 2007 was 2.4%. This amount has been prorated for the April 1 - December 31, 2007 period.

6. Financial instruments

The Charitable Trust'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.