

GWAII FOREST CHARITABLE TRUST
Financial Statements
As at December 31, 2009

McAlpine
& Co. CA¹¹

CHARTERED ACCOUNTANTS

AUDITORS' REPORT

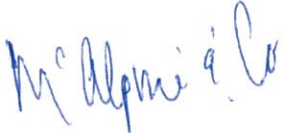
To the Trustees of Gwaii Forest Charitable Trust

We have audited the statement of financial position of Gwaii Forest Charitable Trust as at December 31, 2009 and the statements of revenues and expenditures, changes in net assets and cash flow for the year then ended. These financial statements are the responsibility of the Charitable Trust'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 Charitable Trust as at December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.


Terrace, B.C.
February 8, 2010



CHARTERED ACCOUNTANTS

GWAII FOREST CHARITABLE TRUST
Statement of Financial Position
As at December 31, 2009

	2009	2008
Assets		
Current		
Cash	\$ 3,066	\$ 10,986
Investment income receivable	46,400	54,479
Loans receivable		190,000
Prepaid expenses	564	
	50,030	255,465
Long term investments (Notes 3, 4)	26,348,662	22,833,202
	\$ 26,398,692	\$ 23,088,667
Liabilities		
Current		
Accounts payable	\$ 25,000	\$ 36,000
Due to Gwaii Trust Society	384,732	246,771
Funding commitment - Gwaii Forest Society		190,000
	409,732	472,771
Long term debt (Note 5)	800,000	800,000
	1,209,732	1,272,771
Net Assets		
Grant fund (Note 7)	25,046,611	24,725,184
Unrestricted	142,349	(2,909,288)
	25,188,960	21,815,896
	\$ 26,398,692	\$ 23,088,667

ON BEHALF OF THE BOARD


 _____ Trustee


 _____ Trustee

See notes to financial statements

GWAII FOREST CHARITABLE TRUST
Statement of Revenues and Expenditures
Year Ended December 31, 2009

	2009	2008
Income		
Investment income <i>(Note 6)</i>	\$ 946,103	\$ 1,155,447
Investment management expenses		
Actuary	24,000	37,213
Custodial fees	26,995	26,255
Investment management	84,038	90,594
	135,033	154,062
Net investment earnings	811,070	1,001,385
Expenses		
Accounting and audit fees	10,605	11,099
Administration fees <i>(Note 8)</i>	55,409	
Advertising and promotion		687
Bank charges	26	213
Communication	448	680
Insurance	3,046	
Legal fees	29,251	28,714
Office and miscellaneous		4,526
Travel		3,854
Trust protector fees	26,733	39,485
	125,518	89,258
Excess of income over expenses from operations	685,552	912,127
Grant inflation protection <i>(Note 7)</i>	321,427	293,184
Surplus available for Gwaii Forest Society activities	364,125	618,943
Transfers to (recoveries from) Gwaii Forest Society <i>(Note 9)</i>	(98,988)	900,000
Net surplus for the period	463,113	(281,057)
Unrealized gains (losses) on long term investments	2,588,524	(3,286,535)
Comprehensive surplus (deficit) for the period	\$ 3,051,637	\$ (3,567,592)

GWAIL FOREST CHARITABLE TRUST
Statement of Changes in Net Assets
Year Ended December 31, 2009

	Unrestricted	Grant Fund	2009	2008
Balance - beginning of year	\$ (2,909,288)	\$ 24,725,184	\$ 21,815,896	\$
Comprehensive surplus (deficit)	3,051,637		3,051,637	(3,567,592)
Grant inflation protection		321,427	321,427	725,184
Balance - end of year	\$ 142,349	\$ 25,046,611	\$ 25,188,960	\$ (2,842,408)

See notes to financial statements

GWAII FOREST CHARITABLE TRUST**Statement of Cash Flow****Year Ended December 31, 2009**

	2009	2008
Operating activities		
Net income (loss)	\$ 3,051,637	\$ (3,567,592)
Item not affecting cash:		
Grant inflation protection	321,427	293,184
	3,373,064	(3,274,408)
Changes in non-cash working capital:		
Investment income receivable	8,079	8,763
Accounts payable	(11,000)	(4,719)
Prepaid expenses	(564)	
Loans receivable	190,000	(190,000)
Due to Gwaii Trust Society	137,961	178,077
Funding commitment - Gwaii Forest Society	(190,000)	190,000
	134,476	182,121
Cash flow from (used by) operating activities	3,507,540	(3,092,287)
Investing activity		
Net change in investments	(3,515,460)	2,253,032
Financing activity		
Proceeds from long term financing		800,000
Decrease in cash	(7,920)	(39,255)
Cash - beginning of year	10,986	50,241
Cash - end of year	\$ 3,066	\$ 10,986

See notes to financial statements

GWAII FOREST CHARITABLE TRUST

Notes to Financial Statements

Year Ended December 31, 2009

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. Going concern

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

As at December 31, 2009, the market value of the investment portfolio of the Trust of \$26,348,662 had risen above the inflation adjusted endowment value of \$25,046,611. While the Gwaii Forest Charitable Trust is currently not in breach of the terms of the Deed of Trust, the Trustees have suspended any further disbursements of Trust assets for program funding until such time as the market value of the Trust assets recovers to at least \$3,000,000 greater than the inflation adjusted endowment value. The Trust will continue to pay such expenses as are required to maintain the Trust and meet all regulatory requirements, either directly or as reimbursement of amounts expended on behalf of the Trust by the Trustees.

3. 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.

(continues)

GWAII FOREST CHARITABLE TRUST

Notes to Financial Statements

Year Ended December 31, 2009

5. Long term debt (continued)

Gwaii Trust Society unsecured, non-interest bearing note. The note is to be repaid periodically with 20% of surplus earnings of the Gwaii Forest Charitable Trust as determined by the trustees.

\$ 800,000 \$ 800,000

During the prior period the Gwaii Trust Society agreed to advance the Gwaii Forest Charitable Trust funds to facilitate the commencement of operations and projects of the Gwaii Forest Society. The funds to be advanced have a maximum limit of \$800,000. Of this total \$800,000 has been advanced to December 31, 2009.

6. Investment income

	2009	2008
Interest income	\$ 732,635	\$ 726,727
Dividend income	168,201	143,674
Other investment income	116,170	439,751
Realized gain (loss) on investments	(70,903)	(154,705)
	\$ 946,103	\$ 1,155,447

7. Restricted net assets

The Gwaii Trust Charitable Trust Investment Fund represents the initial endowment of \$24,000,000 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, 2009 has been calculated at the published CPI index of 1.3% for the previous twelve month period.

GWAII FOREST CHARITABLE TRUST

Notes to Financial Statements

Year Ended December 31, 2009

8. Related party transaction

During the year, administration fees of \$13,852 per quarter for a total of \$55,408 were paid to the Gwaii Trust Society. These fees represent operating costs paid by the Gwaii Trust Society on behalf of the Gwaii Forest Charitable Trust.

	2009	
Advertising and promotion	\$	1,500
Bank charges		563
Board honoraria		10,000
Meetings		2,400
Office and postage		2,400
Rent and utilities		3,445
Office supplies		1,000
Telecommunications		5,500
Travel		2,400
Vehicle expense		1,200
Wages and benefits		25,000
	\$	55,408

9. Transfers to Gwaii Forest Society

The amount transferred to (recovered from) the Gwaii Forest Society during the year for administration and program funding included the following:

	2009	2008
Payment for Gwaii Forest Society fiscal year ended March 31, 2008 - funded by advances from Gwaii Trust Society	\$	\$ 100,000
Payment for Gwaii Forest Society fiscal year ended March 31, 2009 - funded by loan from Gwaii Trust Society		800,000
Recovery of surplus funds from Gwaii Forest Society	(119,243)	
Gwaii Forest Society administration expense funded by advances from Gwaii Trust Society	12,743	
Gwaii Forest Society final program expense funded by advances from Gwaii Trust Society	7,513	
	\$ (98,987)	\$ 900,000

10. 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 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.

Bank Confirmation

Areas to be completed by client are marked §, while those to be completed by the financial institution are marked †

FINANCIAL INSTITUTION §
 (Name, branch and full mailing address)

Northern Savings Credit Union
 Box 94
 Masset, BC
 V0T 1M0

CONFIRMATION DATE § December 31, 2009
 (All information to be provided as of this date)
 (See Bank Confirmation Completion Instructions)

CLIENT (Legal Name) §
 GWAIH FOREST CHARITABLE TRUST
 P.O. BOX ~~207~~ 588
 OLD MASSET, B.C.
 V0T 1M0

The financial institution is authorized to provide the details requested herein to the below-noted firm of accountants
 § _____

Client's authorized signature
 Please supply copy of the most recent credit facility agreement (initial if required) § _____

1. LOANS AND OTHER DIRECT AND CONTINGENT LIABILITIES (if balances are nil, please state)

NATURE OF LIABILITY/ CONTINGENT LIABILITY †	INTEREST (Note per contract)		DUE DATE †	DATE OF CREDIT FACILITY AGREEMENT †	AMOUNT AND CURRENCY OUTSTANDING †
	RATE †	DATE PAID TO †			

2. DEPOSITS/OVERDRAFTS

TYPE OF ACCOUNT §	ACCOUNT NUMBER §	INTEREST RATE §	ISSUE DATE (if applicable) §	MATURITY DATE (if applicable) §	AMOUNT AND CURRENCY (Brackets if Overdraft) †
Bus. Chequing	7045354				
Membership Shares	7045354				

EXCEPTIONS AND COMMENTS (See Bank Confirmation Completion Instructions) †

STATEMENT OF PROCEDURES PERFORMED BY FINANCIAL INSTITUTION †
 The above information was completed in accordance with the Bank Confirmation Completion Instructions

BRANCH CONTACT

Authorized signature of financial institution _____ Name and telephone number _____

Please mail this form directly to our accountants in the enclosed addressed envelope

Name: McAlpine & Co.
Address: Chartered Accountants
 201-4630 Lazelle Ave., Terrace, BC
 V8G 1S6

Telephone: (250) 635-4925
Fax: (250) 635-4975

Bank Confirmation

Areas to be completed by client are marked §, while those to be completed by the financial institution are marked †

FINANCIAL INSTITUTION §
(Name, branch and full mailing address)

Royal Trust
600-1055 W Georgia Street
Vancouver, BC
V6E 4P3

CONFIRMATION DATE § December 31, 2009
(All information to be provided as of this date)
(See Bank Confirmation Completion Instructions)

CLIENT (Legal Name) §
GWAI FOREST CHARITABLE TRUST
P.O. BOX 397588
OLD MASSET, B.C.
VOT 1M0

The financial institution is authorized to provide the details requested herein to the below-noted firm of accountants
§

Client's authorized signature
Please supply copy of the most recent credit facility agreement
(Initial if required) §

1. LOANS AND OTHER DIRECT AND CONTINGENT LIABILITIES (if balances are nil, please state)

NATURE OF LIABILITY/ CONTINGENT LIABILITY †	INTEREST (Note per contract)		DUE DATE †	DATE OF CREDIT FACILITY AGREEMENT †	AMOUNT AND CURRENCY OUTSTANDING †
	RATE †	DATE PAID TO †			

2. DEPOSITS/OVERDRAFTS

TYPE OF ACCOUNT §	ACCOUNT NUMBER §	INTEREST RATE §	ISSUE DATE (if applicable) §	MATURITY DATE (if applicable) §	AMOUNT AND CURRENCY (Brackets if Overdraft) †
Investment Account	774-155910-001				
Investment Account	774-155910-002				

EXCEPTIONS AND COMMENTS (See Bank Confirmation Completion Instructions) †

STATEMENT OF PROCEDURES PERFORMED BY FINANCIAL INSTITUTION †
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