

**NATIONAL TRUST FOR CANADA**

FINANCIAL STATEMENTS

MARCH 31, 2016

# NATIONAL TRUST FOR CANADA

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## INDEPENDENT AUDITOR'S REPORT

To the Members of  
National Trust for Canada

We have audited the accompanying financial statements of National Trust for Canada, which comprise the statement of financial position as at March 31, 2016, and the statements of operations, changes in net assets and cash flows for the year 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.

### *Auditor's Responsibility*

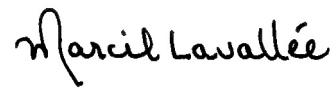
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of National Trust for Canada as at March 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.



Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Ontario  
June 2, 2016

# NATIONAL TRUST FOR CANADA

## STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2016

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	2016	2015
<b>REVENUE</b>		
Donations and bequests	\$ 458,037	\$ 208,671
YCW contribution (Note 10)	284,795	287,190
Grants, contributions and sponsorships	143,190	113,475
Memberships	90,998	88,138
Conference registrations	83,050	66,849
Contracts	56,951	43,794
Property	19,410	28,860
Other	17,189	8,073
Publications	177	93
	<b>1,153,797</b>	<b>845,143</b>
<b>EXPENSES</b>		
Programs (leadership, policy, regeneration)	1,353,008	828,839
YCW (Note 10)	284,795	287,190
Management and administration	273,618	229,995
Investment management	188,050	184,320
Property	156,997	142,218
Communications	151,905	139,495
Governance	131,325	132,181
Publications	122,964	124,448
	<b>2,662,662</b>	<b>2,068,686</b>
<b>DEFICIENCY OF REVENUE OVER EXPENSES BEFORE INVESTMENT REVENUE</b>	<b>(1,508,865)</b>	<b>(1,223,543)</b>
<b>INVESTMENT REVENUE (Note 3)</b>	<b>502,304</b>	<b>2,348,410</b>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	<b>\$ (1,006,561)</b>	<b>\$ 1,124,867</b>

**NATIONAL TRUST FOR CANADA**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED MARCH 31, 2016**

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**NON-ENDOWMENT**

	Unrestricted	Invested in capital assets	Invested in heritage and other properties	Runciman Endowment Fund for Heritage Conservation	2016	2015
<b>BALANCE, BEGINNING OF YEAR</b>	\$ 6,818,749	\$ 32,291	\$ 150,447	\$ 137,119	\$ 7,138,606	\$ 6,013,739
Excess (deficiency) of revenue over expenses	(896,389)	(14,151)	-	(96,021)	(1,006,561)	1,124,867
Acquisition of capital assets	(30,676)	30,676	-	-	-	-
<b>BALANCE, END OF YEAR</b>	\$ 5,891,684	\$ 48,816	\$ 150,447	\$ 41,098	\$ 6,132,045	\$ 7,138,606

**ENDOWMENT**

	National Trust for Canada	
	2016	2015
<b>BALANCE, BEGINNING AND END OF YEAR</b>	\$ 13,180,511	\$ 13,180,511

# NATIONAL TRUST FOR CANADA

## STATEMENT OF FINANCIAL POSITION

MARCH 31, 2016

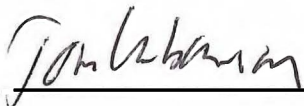
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	2016	2015
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 106,936	\$ 120,629
Accounts receivable (Note 4)	78,541	117,938
Grants receivable	18,761	691
Prepaid expenses	45,551	48,660
	<b>249,789</b>	<b>287,918</b>
<b>INVESTMENTS</b> (Note 5)	<b>19,355,083</b>	<b>20,259,012</b>
<b>CAPITAL ASSETS</b> (Note 6)	<b>48,816</b>	<b>32,291</b>
<b>HERITAGE PROPERTIES</b> (Note 7)	<b>150,447</b>	<b>150,447</b>
	<b>19,554,346</b>	<b>20,441,750</b>
	<b>\$ 19,804,135</b>	<b>\$ 20,729,668</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 319,965	\$ 173,786
Deferred revenue (Note 8)	171,614	236,765
	<b>491,579</b>	<b>410,551</b>
<b>NET ASSETS</b> (Note 9)		
<b>NON-ENDOWMENT</b>		
Unrestricted	5,891,684	6,818,749
Internal restrictions		
Invested in capital assets	48,816	32,291
Invested in heritage properties	150,447	150,447
Runciman Endowment Fund for Heritage Conservation	41,098	137,119
	<b>6,132,045</b>	<b>7,138,606</b>
<b>ENDOWMENT</b>		
The National Trust for Canada	13,180,511	13,180,511
	<b>19,312,556</b>	<b>20,319,117</b>
	<b>\$ 19,804,135</b>	<b>\$ 20,729,668</b>

*Contractual obligations* (Note 14)

ON BEHALF OF THE BOARD

 , Director

 , Director

# NATIONAL TRUST FOR CANADA

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2016

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	2016	2015
<b>OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenue over expenses	\$ (1,006,561)	\$ 1,124,867
<b>Adjustments for:</b>		
Unrealized losses (gains) on investments	716,303	(491,148)
Amortization of capital assets	12,475	10,522
Loss on disposal of capital assets	1,676	1,485
	(276,107)	645,726
<b>Net change in non-cash working capital items:</b>		
Accounts receivable	39,397	(55,328)
Grants receivable	(18,070)	5,809
Prepaid expenses	3,109	1,799
Accounts payable and accrued liabilities	146,179	15,903
Deferred revenue	(65,151)	188,205
	(170,643)	802,114
<b>INVESTING ACTIVITIES</b>		
Acquisition of investments	(1,218,607)	(1,859,319)
Disposal of investments	1,406,233	1,094,894
Acquisition of capital assets	(30,676)	(12,987)
Proceeds from disposal of capital assets	-	270
	156,950	(777,142)
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
	(13,693)	24,972
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>		
	120,629	95,657
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>		
	\$ 106,936	\$ 120,629

Cash and cash equivalents consist of cash.



**1. STATUTE AND NATURE OF OPERATIONS**

National Trust For Canada (the National Trust) is incorporated as a not-for-profit organization under the Canada Not-for-profit Corporations Act. It is a registered charity for income tax purposes and, as such, is exempt from income tax.

The objects of the National Trust are to conserve and promote the conservation of Canada's historic and culturally significant places and communities, to educate and engage the people of Canada in the conservation and appreciation of heritage buildings, landscapes, natural areas and communities, and to advance education by providing publicly available scholarships, bursaries and other forms of financial assistance to Canadian students or young professionals pursuing studies or working in heritage conservation or a related field.

**2. SIGNIFICANT ACCOUNTING POLICIES**

The National Trust applies Canadian accounting standards for not-for-profit organizations (ASNFPPO) in Part III of the CPA Canada Handbook – Accounting.

**Use of estimates**

The preparation of financial statements in compliance with the ASNFPPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses for the periods covered.

**Revenue recognition**

The National Trust follows the deferral method of accounting for grants and contributions. Restricted grants and contributions are recognized as revenue in the year in which the related expenses are incurred.

Memberships are recognized as revenue in the year to which they relate.

Revenues from conference registrations as well as from sponsorships are recognized when earned and donations and bequests are recognized when they are received unless deferred when amounts are designated for a specific program where expenses are to be incurred in future years.

Contract and other revenues are recognized when earned.

**Allocated expenses**

The National Trust allocates some of its salaries and benefits as well as its administration costs to activities by identifying the appropriate basis of allocating expenses and applies that basis consistently each year.

Salaries and benefits as well as administration costs are allocated in accordance with the following apportionment formulas:

- a) Salaries and benefits: on the work plan, based on the estimated time spent on each activity;
- b) Young Canada Works (YCW) administration costs: on the basis of the approved budget of the contribution agreements which are based on the actual usage - prorated.

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Foreign currency transactions**

The National Trust uses the temporal method to translate its foreign currency transactions.

Monetary assets and liabilities are translated at the exchange rate in effect at the balance sheet date. Other assets and liabilities are translated at the exchange rate in effect at the transaction date. Items appearing in the current year's statement of operations, except for the cost of depreciation translated at historic rate, are translated at average year rates. Exchange gains and losses are included in the statement of operations.

**Financial instruments**

*Measurement of financial instruments*

The National Trust initially measures its financial assets and financial liabilities at fair value, except for certain non-arm's length transactions.

The National Trust subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in operations.

Financial assets measured at amortized cost include cash, accounts receivable and grants receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Financial assets measured at fair value include investments.

*Impairment*

Financial assets measured at amortized cost and at cost are tested for impairment when there are indicators of possible impairment. The National Trust determines whether a significant adverse change has occurred in the expected timing or amount of future cash flows from the financial asset. If this is the case, the carrying amount of the asset is reduced directly to the higher of the present value of the cash flows expected to be generated by holding the asset, and the amount that could be realized by selling the asset at the balance sheet date. The amount of the write-down is recognized in operations. The previously recognized impairment loss may be reversed to the extent of the improvement, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in operations.

*Transaction costs*

The National Trust recognizes its transaction costs in operations in the period incurred. However, transaction costs related to financial instruments subsequently measured at amortized cost reduce the carrying amount of the financial asset or liability and are accounted for in the statement of operations using the straight-line method.

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Capital assets**

Capital assets are accounted for at cost. Amortization is calculated on their respective estimated useful life using the diminishing balance method at the following annual rates:

Furniture and equipment	20%
Computer equipment	30%

**Heritage properties**

Heritage properties are accounted for at cost. No amortization of heritage properties is recognized in operations.

**Write-down of capital assets**

When a capital asset no longer contributes to the National Trust's ability to provide services, its carrying amount is written down to residual value, if any. The excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations.

**Cash and cash equivalents**

The National Trust's policy is to disclose bank balances under cash and cash equivalents, including bank overdrafts with balances that may fluctuate from being positive to overdrawn.

**3. INVESTMENT REVENUE**

	<b>2016</b>	<b>2015</b>
Interest	\$ 302,374	\$ 255,298
Dividends	307,634	273,418
Realized gains	608,599	1,328,546
Unrealized (losses) gains	(716,303)	491,148
	<b>\$ 502,304</b>	<b>\$ 2,348,410</b>

**4. ACCOUNTS RECEIVABLE**

	<b>2016</b>	<b>2015</b>
Accounts receivable	\$ 55,724	\$ 92,294
Harmonized Sales Tax receivable	22,817	25,644
	<b>\$ 78,541</b>	<b>\$ 117,938</b>

**NATIONAL TRUST FOR CANADA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2016**

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**5. INVESTMENTS**

	<b>2016</b>	<b>2015</b>
Cash and cash equivalents	\$ 54,553	\$ 63,592
Canadian pooled bond funds	7,856,641	8,039,427
Canadian pooled fund equities	5,133,507	5,793,590
Global equity pooled funds	3,137,402	3,228,179
International segregated equities	1,744,747	1,771,095
U.S. segregated equities	1,428,233	1,363,129
	<b>\$ 19,355,083</b>	<b>\$ 20,259,012</b>

The total fund is invested and managed in a manner consistent with the following principles, which are listed in order of precedence:

- a) To protect the endowment in nominal terms;
- b) To provide a stable source of income to fund the activities of the Trust, without diminishing the real value of the total Fund;
- c) To obtain growth; and
- d) To maximize the Fund's total long-term investment return.

The Organization has a spending limit policy designed to restrict the annual draw to fund the Trust's operations, protect the total Fund from the risk of overspending and help it maintain pace with inflation. The Organization also has a new initiatives policy that allows careful investment in new undertakings designed to create impact.

**6. CAPITAL ASSETS**

	<b>Cost</b>	<b>Accumulated amortization</b>	<b>2016</b>	<b>2015</b>
Furniture and equipment	\$ 58,161	\$ 31,911	\$ 26,250	\$ 19,012
Computer equipment	51,158	28,592	22,566	13,279
	<b>\$ 109,319</b>	<b>\$ 60,503</b>	<b>\$ 48,816</b>	<b>\$ 32,291</b>

The total amortization expense for the year is \$12,475 (2015: \$10,522) and is included under the "Management and administration" expense category in the statement of operations.

# NATIONAL TRUST FOR CANADA

## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2016

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### 7. HERITAGE PROPERTIES

	2016	2015
11-13 Ancien Chantier, Québec City, Québec	\$ 150,445	\$ 150,445
Myrtleville House, Brantford, Ontario	1	1
Papineau Chapel, Montebello, Québec	1	1
	\$ 150,447	\$ 150,447

The heritage properties in Brantford and Montebello are held in trust for the Crown and have no material value in these financial statements.

### 8. DEFERRED REVENUE

	2016	2015
Balance, beginning of year	\$ 236,765	\$ 48,560
Less: Amount recognized as revenue in the year	(432,842)	(415,657)
Plus: Amount received in the year	367,691	603,862
Balance, end of year	\$ 171,614	\$ 236,765

Deferred revenue is composed of the following items:

	2016	2015
RBC Foundation	\$ 100,000	\$ 59,671
Membership income	43,547	35,017
Herb Stovel Scholarship Fund	13,167	13,027
Community Foundation of Ottawa	8,500	-
Other	6,400	8,775
Restricted donations	-	84,275
Alberta Culture and Tourism	-	36,000
Balance, end of year	\$ 171,614	\$ 236,765

# NATIONAL TRUST FOR CANADA

## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2016

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### 9. NET ASSETS, NON-ENDOWMENT AND ENDOWMENT

Net assets include the original endowment received from the Government of Canada, as well as non-endowment amounts.

#### Non-endowment funds

Non-endowment funds are either internally restricted and nominally segregated as follows:

A nominally segregated fund within the unrestricted fund has been set aside for investing in new initiatives designed to generate impact, revenue and/or profile for the Organization. This nominally segregated fund's financial activity is tracked internally, with reports provided to the Trust's Board on a regular basis.

Internal restrictions apply to the Runciman Endowment Fund for Heritage Conservation, created following the sale of the Annapolis Royal property. The amounts are invested and net revenues and expenses related to this investment are being added to this fund, annually.

#### Endowment

Endowment grants totaling \$13,180,511 received from the Government of Canada are held by the National Trust and placed into securities that are authorized investments for the funds of an insurance company under the Insurance Companies Act; the revenue from the investments is used for the objects of the National Trust; and, in the event that the National Trust is ever wound up or dissolved, the entire corpus of the Endowment then existing would be transferred to Her Majesty in Right of Canada.

### 10. YOUNG CANADA WORKS (YCW)

In accordance with the requirements of the Department of Canadian Heritage, the expenditures for the Young Canada Works project are as follows:

	2016	2015
Contributions to employers - YCW in Heritage Organizations	\$ 203,775	\$ 206,170
Contributions to employers - YCW at Building Careers in Heritage	40,000	40,000
Administration costs	41,020	41,020
	\$ 284,795	\$ 287,190

**11. ALLOCATED EXPENSES**

Salaries and benefits are allocated to activities as follows:

	<b>2016</b>	<b>2015</b>
Programs (leadership, policy, regeneration)	\$ <b>551,100</b>	\$ 420,811
YCW	<b>35,707</b>	33,760
Management and administration	<b>114,310</b>	106,640
Property	<b>13,754</b>	8,471
Communications	<b>110,758</b>	109,923
Governance	<b>52,625</b>	54,667
Publications	<b>67,872</b>	54,565
	<b>\$ 946,126</b>	<b>\$ 788,837</b>

In addition, administration costs for a total amount of \$1,980 (2015: \$4,434) from the line item "Management and administration" and \$378 (2015: \$719) from the line item "Property" have been reallocated to the YCW Program.

Also, an amount of \$3,654 (2015: \$3,654) of administration costs was reallocated from "Property" to "Programs (leadership, policy, regeneration)".

## **12. FINANCIAL INSTRUMENTS**

### **Investment risk**

Investment in financial instruments renders the National Trust subject to investment risks. These include the risks arising from changes in interest rates, in rates of exchange for foreign currency, and in equity markets both domestic and foreign. They also include the risks arising from the failure of a party to a financial instrument to discharge an obligation when it is due.

The National Trust follows investment policies and practices to control the amount of risk to which it is exposed. The investment practices of the National Trust are designed to avoid undue risk of loss or impairment of assets and to provide a reasonable expectation of fair return given the nature of the investments. The maximum investment risk to the National Trust is represented by the market value of the investments.

### **Currency risk**

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. As at March 31, 2016, assets include investments of \$1,744,747 (2015: \$1,754,099) in International Equity Units and investments of \$1,428,233 (2015: \$1,380,124) in U.S. Equities, which have been converted into Canadian dollars.

### **Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The National Trust's main credit risks relate to its accounts receivable. The National Trust provides credit to its clients in the normal course of its operations.

Also, the National Trust continuously reviews the financial situation of its clients and examines the credit history of all new clients. The National Trust establishes allowances for doubtful accounts while keeping in mind the specific credit risk of clients, their historic tendencies and economic situation. There is no existing account receivable that represents a substantial risk for the National Trust.



**12. FINANCIAL INSTRUMENTS (continued)**

**Concentration risk**

Concentration of risk exists when a significant proportion of the portfolio is invested in securities with similar characteristics and/or subject to similar economic, political and other conditions that may prevail. The following allocation of funds, described below, is in accordance with the diversification guidelines and investment objectives stated in the National Trust's Investment Policy.

	<b>2016</b>	2015
Cash and cash equivalents	<b>0.3 %</b>	0.3 %
Bonds		
Corporate	<b>30.5</b>	29.9
Federal and provincial governments and other	<b>10.1</b>	9.8
Total bonds	<b>40.6</b>	39.7
Canadian equity instruments		
Canadian Pooled Fund Units	<b>26.5</b>	28.6
Total Canadian equity instruments	<b>26.5</b>	28.6
Foreign equity instruments		
International Segregated Fund	<b>9.0</b>	8.7
U.S. Segregated Fund	<b>7.4</b>	6.8
Global Pooled Fund Units	<b>16.2</b>	15.9
Total foreign equity instruments	<b>32.6</b>	31.4
Total equity instruments	<b>59.1</b>	60.0
Total investments	<b>100.0 %</b>	100.0 %

**13. RETIREMENT BENEFITS**

The National Trust is a member of the Public Service Superannuation Pension Plan (the Plan), which is a contributory defined benefit plan available to all regular employees. The Plan provides retirement benefits based on an employee's years of service and average annual earnings over a period of time prior to retirement. The Plan is a multi-employer plan and is administered by the Federal Government and regulated by the Public Service Superannuation Act (PSSA). As such, the National Trust accounts for it as a defined contribution pension plan.

Under the PSSA, the current rate of contribution for employees is 9.05% up to the yearly maximum pensionable earnings under the plan, and 11.04% contribution rate above the yearly maximum pensionable earnings for employees who became members of the Plan prior to December 31, 2012. For members joining the Plan as at January 1, 2013 or after, the rates are 7.86% and 9.39% respectively. In accordance with the PSSA, the National Trust pays 1.15 times the contributions made by the employees who entered the Plan prior to January 1, 2013, and 1.11 times the contributions made by employees who entered the Plan post December 31, 2012. For the calendar year 2015, the employer's contribution rate was 1.28 and 1.28 times respectively. The employer's contributions for the year ended March 31, 2016 are \$74,433 (2015: \$70,325).

# NATIONAL TRUST FOR CANADA

## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2016

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### 14. CONTRACTUAL OBLIGATIONS

The commitments of the National Trust under lease agreements aggregate to \$298,850. The instalments over the next five years are the following:

2017	\$	55,400
2018	\$	56,200
2019	\$	56,200
2020	\$	56,200
2021	\$	56,200