

**NATIONAL TRUST FOR CANADA**

FINANCIAL STATEMENTS

MARCH 31, 2017

# NATIONAL TRUST FOR CANADA

## TABLE OF CONTENTS

	PAGE
Independent Auditor's Report	1
Financial Statements	
Statement of Operations	3
Statement of Changes in Net Assets	4
Statement of Financial Position	5
Statement of Cash Flows	6
Notes to the Financial Statements	7

## INDEPENDENT AUDITOR'S REPORT

To the Members of the  
National Trust for Canada

We have audited the accompanying financial statements of the National Trust for Canada, which comprise the statement of financial position as at March 31, 2017, 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*

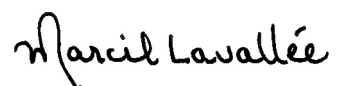
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable 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 the National Trust for Canada as at March 31, 2017, 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 1, 2017

# NATIONAL TRUST FOR CANADA

## STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2017

3

	2017	2016
<b>REVENUE</b>		
Donations and bequests	\$ 454,793	\$ 458,037
YCW contribution	391,460	284,795
Grants, contributions and sponsorships	256,293	143,190
Conference registrations	108,065	83,050
Memberships	94,611	90,998
Contracts	74,463	56,951
Other	24,887	17,189
Property	11,760	19,410
Publications	358	177
	<b>1,416,690</b>	<b>1,153,797</b>
<b>EXPENSES</b>		
Programs (leadership, policy, regeneration)	1,333,193	1,353,008
YCW (Note 10)	391,460	284,795
Management and administration	211,871	273,618
Investment management	201,518	188,050
Communications	186,454	151,905
Property	124,102	156,997
Governance	121,180	131,325
Publications	107,161	122,964
	<b>2,676,939</b>	<b>2,662,662</b>
<b>DEFICIENCY OF REVENUE OVER EXPENSES BEFORE INVESTMENT REVENUE</b>	<b>(1,260,249)</b>	<b>(1,508,865)</b>
<b>INVESTMENT REVENUE (Note 3)</b>	<b>2,108,549</b>	<b>502,304</b>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	<b>\$ 848,300</b>	<b>\$ (1,006,561)</b>

# NATIONAL TRUST FOR CANADA

## STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED MARCH 31, 2017

4

### NON-ENDOWMENT

	Unrestricted	Invested in capital assets	Invested in heritage and other properties	Runciman Endowment Fund for Heritage Conservation	2017	2016
<b>BALANCE, BEGINNING OF YEAR</b>	\$ 5,891,684	\$ 48,816	\$ 150,447	\$ 41,098	\$ 6,132,045	\$ 7,138,606
Excess (deficiency) of revenue over expenses	865,752	(17,512)	-	60	848,300	(1,006,561)
Acquisition of capital assets	(20,072)	20,072	-	-	-	-
<b>BALANCE, END OF YEAR</b>	\$ 6,737,364	\$ 51,376	\$ 150,447	\$ 41,158	\$ 6,980,345	\$ 6,132,045

### ENDOWMENT

	National Trust for Canada			2017	2016
<b>BALANCE, BEGINNING AND END OF YEAR</b>	\$ 13,180,511	\$ 13,180,511	\$ 13,180,511	\$ 13,180,511	\$ 13,180,511

# NATIONAL TRUST FOR CANADA

## STATEMENT OF FINANCIAL POSITION

MARCH 31, 2017

5

	2017	2016
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 106,657	\$ 106,936
Accounts receivable (Note 4)	86,128	78,541
Grants receivable	2,551	18,761
Prepaid expenses	65,781	45,551
	<b>261,117</b>	<b>249,789</b>
<b>INVESTMENTS</b> (Note 5)	<b>20,107,834</b>	<b>19,355,083</b>
<b>CAPITAL ASSETS</b> (Note 6)	<b>51,376</b>	<b>48,816</b>
<b>HERITAGE PROPERTIES</b> (Note 7)	<b>150,447</b>	<b>150,447</b>
	<b>20,309,657</b>	<b>19,554,346</b>
	<b>\$ 20,570,774</b>	<b>\$ 19,804,135</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 335,698	\$ 319,965
Deferred revenue (Note 8)	74,220	171,614
	<b>409,918</b>	<b>491,579</b>
<b>NET ASSETS</b> (Note 9)		
<b>NON-ENDOWMENT</b>		
Unrestricted	6,737,364	5,891,684
Internal restrictions		
Invested in capital assets	51,376	48,816
Invested in heritage properties	150,447	150,447
Runciman Endowment Fund for Heritage Conservation	41,158	41,098
	<b>6,980,345</b>	<b>6,132,045</b>
<b>ENDOWMENT</b>		
The National Trust for Canada	13,180,511	13,180,511
	<b>20,160,856</b>	<b>19,312,556</b>
	<b>\$ 20,570,774</b>	<b>\$ 19,804,135</b>

ON BEHALF OF THE BOARD

  
\_\_\_\_\_, Director

  
\_\_\_\_\_, Director

# NATIONAL TRUST FOR CANADA

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2017

6

	2017	2016
<b>OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenue over expenses	\$ 848,300	\$ (1,006,561)
<b>Adjustments for:</b>		
Unrealized losses (gains) on investments	(972,679)	716,303
Amortization of capital assets	16,281	12,475
Loss on write-off of capital assets	1,231	1,676
	<b>(106,867)</b>	<b>(276,107)</b>
<b>Net change in non-cash working capital items:</b>		
Accounts receivable	(7,587)	39,397
Grants receivable	16,210	(18,070)
Prepaid expenses	(20,230)	3,109
Accounts payable and accrued liabilities	15,733	146,179
Deferred revenue	(97,394)	(65,151)
	<b>(93,268)</b>	<b>105,464</b>
	<b>(200,135)</b>	<b>(170,643)</b>
<b>INVESTING ACTIVITIES</b>		
Acquisition of investments	(1,135,870)	(1,218,607)
Disposal of investments	1,355,798	1,406,233
Acquisition of capital assets	(20,072)	(30,676)
	<b>199,856</b>	<b>156,950</b>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(279)</b>	<b>(13,693)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>106,936</b>	<b>120,629</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 106,657</b>	<b>\$ 106,936</b>

Cash and cash equivalents consist of cash.



# NATIONAL TRUST FOR CANADA

## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2017

7

### 1. STATUTE AND NATURE OF OPERATIONS

The 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 (ASNFPO) in accordance with Part III of the CPA Canada Handbook – Accounting.

#### Use of estimates

The preparation of financial statements in compliance with the ASNFPO 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) 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.

**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 fluctuate frequently from being positive to overdrawn.

**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 assets measured at fair value include investments.

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

*Impairment*

Financial assets measured at cost or amortized 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.

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

**Financial instruments (continued)**

*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 cost or amortized cost adjust the carrying amount of the financial asset or liability and are accounted for in the statement of operations using the straight-line method.

**Grant receivable**

A grant receivable is recognized as an asset when the amount to be received can be reasonably estimated and ultimate collection is reasonably assured.

**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%

**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.

**Heritage properties**

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

**3. INVESTMENT REVENUE**

	2017	2016
Interest	\$ 414,736	\$ 302,374
Dividends	208,385	307,634
Realized gains	512,749	608,599
Unrealized (losses) gains	972,679	(716,303)
	<b>\$ 2,108,549</b>	<b>\$ 502,304</b>

**NATIONAL TRUST FOR CANADA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2017**

**10**

**4. ACCOUNTS RECEIVABLE**

	<b>2017</b>	<b>2016</b>
Trade accounts	\$ 65,399	\$ 55,724
Harmonized Sales Tax receivable	20,729	22,817
	<b>\$ 86,128</b>	<b>\$ 78,541</b>

**5. INVESTMENTS**

	<b>2017</b>	<b>2016</b>
Cash and cash equivalents	\$ 63,589	\$ 54,553
Canadian pooled bond funds	8,125,027	7,856,641
Canadian pooled fund equities	5,071,803	5,133,507
Global equity pooled funds	3,476,347	3,137,402
International segregated equities	2,054,232	1,744,747
U.S. segregated equities	1,316,836	1,428,233
	<b>\$ 20,107,834</b>	<b>\$ 19,355,083</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 National Trust 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 National Trust 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>2017</b>	<b>2016</b>
Furniture and equipment	\$ 61,401	\$ 37,421	\$ 23,980	\$ 26,250
Computer equipment	57,994	30,598	27,396	22,566
	<b>\$ 119,395</b>	<b>\$ 68,019</b>	<b>\$ 51,376</b>	<b>\$ 48,816</b>

The total amortization expense for the year is \$16,281 (2016: \$12,475) and is included under the "Management and administration" expense category in the statement of operations.

**7. HERITAGE PROPERTIES**

	<b>2017</b>	<b>2016</b>
11-13 Ancien Chantier, Québec City, Québec	\$ 150,445	\$ 150,445
Myrtleville House, Brantford, Ontario	1	1
Papineau Chapel, Montebello, Québec	1	1
	<b>\$ 150,447</b>	<b>\$ 150,447</b>

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**

	<b>2017</b>	<b>2016</b>
Balance, beginning of year	\$ 171,614	\$ 236,765
Plus: Amount received in the year	266,829	367,691
Less: Amount recognized as revenue in the year	(364,223)	(432,842)
Balance, end of year	<b>\$ 74,220</b>	<b>\$ 171,614</b>

Deferred revenue is composed of the following items:

	<b>2017</b>	<b>2016</b>
Membership	\$ 44,725	\$ 43,547
Herb Stovel Scholarship Fund	16,449	13,167
Contribution from the Department of Canadian Heritage - Regeneration Works	11,395	-
Other	1,651	6,400
RBC Foundation	-	100,000
Community Foundation of Ottawa	-	8,500
	<b>\$ 74,220</b>	<b>\$ 171,614</b>

# NATIONAL TRUST FOR CANADA

## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2017

12

### 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.

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.

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 National Trust. This nominally segregated fund's financial activity is tracked internally, with reports provided to the Trust's Board on a regular basis.

Internally restricted amounts include 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.

### 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:

	2017	2016
Contributions to employers - YCW in Heritage Organizations	\$ 204,440	\$ 203,775
Contributions to employers - YCW at Building Careers in Heritage	140,000	40,000
Administration costs	47,020	41,020
	<b>\$ 391,460</b>	<b>\$ 284,795</b>

# NATIONAL TRUST FOR CANADA

## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2017

13

### 11. GOVERNMENT OF ONTARIO SUPPORT FOR INDIGENOUS-THEMED ACTIVITIES

In accordance with the requirements of the Ministry of Tourism, Culture and Sport of Ontario, the revenues and expenditures for the "Government of Ontario support for Indigenous-themed activities" project are as follows:

	2017	2016
<b>Revenue</b>		
Government contribution	\$ 24,715	\$ -
<b>Expenses</b>		
Speaker's fees	4,250	-
Speaker's travel fees	5,494	-
Venue costs	7,888	-
Bus rental costs	738	-
Conference administrative support and brochure set-up	2,520	-
Equipment rental	3,825	-
	\$ 24,715	\$ -

The project revenue is included under the line item "Grants, contributions and sponsorships" in the Statement of Operations.

The project expenses are included under the line item "Programs (leadership, policy, regeneration)" in the Statement of Operations.

### 12. ALLOCATED EXPENSES

Salaries and benefits are allocated to activities as follows:

	2017	2016
Programs (leadership, policy, regeneration)	\$ 558,330	\$ 551,100
YCW	36,988	35,707
Management and administration	101,247	114,310
Property	10,527	13,754
Communications	149,230	110,758
Governance	53,399	52,625
Publications	52,266	67,872
	\$ 961,987	\$ 946,126

**12. ALLOCATED EXPENSES (continued)**

In addition, administration costs for a total amount of \$5,023 (2016: \$1,980) from the line item "Management and administration" and \$1,186 (2016: \$378) from the line item "Property" have been reallocated to the YCW Program.

Administrative costs for a total amount of \$4,020 (2016: \$0) from the line item "Management and administration" and \$2,333 (2016: \$0) from the line item "Property" have been reallocated to the "Programs (leadership, policy, regeneration)" line item to allow for permitted allocations associated with a Department of Canadian Heritage Grant.

Administrative costs for a total amount of \$14,242 (2016: \$0) from the line item "Management and administration" and \$4,449 (2016: \$3,654) from the line item "Property" have been reallocated to the "Programs (leadership, policy, regeneration)" line item to account for costs associated with new initiatives.

**13. 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, 2017, assets include investments of \$2,054,232 (2016: \$1,744,747) in International Equity Units and investments of \$1,316,836 (2016: \$1,428,233) 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 establishes allowances for doubtful accounts while keeping in mind the specific credit risk of clients, their historic tendencies and economic situation. Approximately 82% of the total trade accounts is to be received from four entities. The National Trust considers that no risk arises from that situation.



**13. 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>2017</b>	2016
Cash and cash equivalents	<b>0.3 %</b>	0.3 %
Bond funds		
Corporate	<b>30.2</b>	30.5
Federal and provincial governments and other	<b>10.2</b>	10.1
Total bond funds	<b>40.4</b>	40.6
Canadian equity instruments		
Canadian Pooled Fund Units	<b>25.2</b>	26.5
Total Canadian equity instruments	<b>25.2</b>	26.5
Foreign equity instruments		
International Segregated Fund	<b>10.2</b>	9.0
U.S. Segregated Fund	<b>6.6</b>	7.4
Global Pooled Fund Units	<b>17.3</b>	16.2
Total foreign equity instruments	<b>34.1</b>	32.6
Total equity instruments	<b>59.3</b>	59.1
Total investments	<b>100.0 %</b>	100.0 %

**14. 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 9.47% up to the yearly maximum pensionable earnings under the plan, and 11.68% 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 8.39% and 9.94% respectively. In accordance with the PSSA, the National Trust pays 1.01 times the contributions made by the employees who entered the Plan prior to January 1, 2013, and 1.00 times the contributions made by employees who entered the Plan post December 31, 2012. For the calendar year 2016, the employer's contribution rates were 1.15 and 1.11 times respectively. The employer's contributions for the year ended March 31, 2017 are \$74,726 (2016: \$74,433).

**15. CONTRACTUAL OBLIGATIONS**

The commitments of the National Trust under a lease agreement aggregates to \$245,090. The instalments over the next five years are the following:

2018	\$	56,560
2019	\$	56,560
2020	\$	56,560
2021	\$	56,560
2022	\$	18,850

The commitment of the National Trust under an investment management agreement aggregates to \$35,000 for the next year. The instalment may vary depending on the value of the investments.