

NATIONAL TRUST FOR CANADA

FINANCIAL STATEMENTS

MARCH 31, 2018

NATIONAL TRUST FOR CANADA

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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, 2018, 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

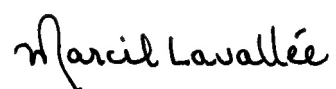
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable 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, 2018, 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, 2018

NATIONAL TRUST FOR CANADA

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2018

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	2018	2017
REVENUE		
Young Canada Works contribution	\$ 697,965	\$ 391,460
Donations and bequests	613,957	454,793
Conference registrations	477,733	116,030
Sponsorships	219,285	92,500
Grants and contributions	167,944	163,793
Memberships	91,277	94,611
Contracts	77,186	74,463
Other	33,120	16,922
Property	11,760	11,760
Publications	775	358
	2,391,002	1,416,690
EXPENSES		
Leadership, Policy, Regeneration	2,258,512	1,333,193
Youth Employment - Young Canada Works (Note 10)	697,965	391,460
Property	238,874	124,102
Management and administration	226,272	211,871
Investment management	203,123	201,518
Communications	161,529	186,454
Governance	136,058	121,180
Publications	43,944	107,161
	3,966,277	2,676,939
DEFICIENCY OF REVENUE OVER EXPENSES BEFORE INVESTMENT REVENUE	(1,575,275)	(1,260,249)
INVESTMENT REVENUE (Note 3)	1,142,327	2,108,549
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ (432,948)	\$ 848,300

NATIONAL TRUST FOR CANADA

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED MARCH 31, 2018

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NON-ENDOWMENT

	Unrestricted	Invested in capital assets	Invested in heritage and other properties	Runciman Fund for Heritage Conservation	2018	2017
BALANCE, BEGINNING OF YEAR	\$ 6,737,364	\$ 51,376	\$ 150,447	\$ 41,158	\$ 6,980,345	\$ 6,132,045
Excess (deficiency) of revenue over expenses	(380,425)	(18,680)	(35,445)	1,602	(432,948)	848,300
Acquisition of capital assets	(10,739)	10,739	-	-	-	-
BALANCE, END OF YEAR	\$ 6,346,200	\$ 43,435	\$ 115,002	\$ 42,760	\$ 6,547,397	\$ 6,980,345

ENDOWMENT

	<u>National Trust for Canada</u>	
	2018	2017
BALANCE, BEGINNING AND END OF YEAR	\$ 13,180,511	\$ 13,180,511

NATIONAL TRUST FOR CANADA

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2018

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	2018	2017
ASSETS		
CURRENT ASSETS		
Cash	\$ 62,741	\$ 106,657
Accounts receivable (Note 4)	56,232	86,128
Grants receivable	26,072	2,551
Prepaid expenses	61,424	65,781
	206,469	261,117
INVESTMENTS (Note 5)	19,863,870	20,107,834
CAPITAL ASSETS (Note 6)	43,435	51,376
HERITAGE PROPERTIES (Note 7)	115,002	150,447
	20,022,307	20,309,657
	\$ 20,228,776	\$ 20,570,774
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 358,292	\$ 335,698
Deferred revenue (Note 8)	142,576	74,220
	500,868	409,918
NET ASSETS (Note 9)		
NON-ENDOWMENT		
Unrestricted	6,346,200	6,737,364
Internal restrictions		
Invested in capital assets	43,435	51,376
Invested in heritage properties	115,002	150,447
Runciman Fund for Heritage Conservation	42,760	41,158
	6,547,397	6,980,345
ENDOWMENT		
The National Trust for Canada	13,180,511	13,180,511
	19,727,908	20,160,856
	\$ 20,228,776	\$ 20,570,774

ON BEHALF OF THE BOARD


_____, Director


_____, Director

NATIONAL TRUST FOR CANADA

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2018

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	2018	2017
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	\$ (432,948)	\$ 848,300
Adjustments for:		
Unrealized losses (gains) on investments	95,381	(972,679)
Amortization of capital assets	15,572	16,281
Loss on write-off of capital assets	3,108	1,231
	(318,887)	(106,867)
Net change in non-cash working capital items:		
Accounts receivable	29,896	(7,587)
Grants receivable	(23,521)	16,210
Prepaid expenses	4,357	(20,230)
Accounts payable and accrued liabilities	22,594	15,733
Deferred revenue	68,356	(97,394)
	101,682	(93,268)
	(217,205)	(200,135)
INVESTING ACTIVITIES		
Acquisition of investments	(1,262,406)	(1,135,870)
Disposal of investments	1,410,989	1,355,798
Acquisition of capital assets	(10,739)	(20,072)
Write-down heritage properties	35,445	-
	173,289	199,856
DECREASE IN CASH AND CASH EQUIVALENTS	(43,916)	(279)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	106,657	106,936
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 62,741	\$ 106,657

Cash and cash equivalents consist of cash.

NATIONAL TRUST FOR CANADA

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2018

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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 the event takes place. 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 they become due.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 and financial assets designated at fair value on initial recognition, 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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.

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 and are not amortized. When conditions indicate that the fair value of an heritage property is lower than the cost, the net carrying amount is written down to the asset's fair value.

NATIONAL TRUST FOR CANADA
NOTES TO THE FINANCIAL STATEMENTS
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3. INVESTMENT REVENUE

	2018	2017
Interest	\$ 281,189	\$ 414,736
Dividends	401,139	208,385
Realized gains	555,380	512,749
Unrealized (losses) gains	(95,381)	972,679
	\$ 1,142,327	\$ 2,108,549

4. ACCOUNTS RECEIVABLE

	2018	2017
Trade accounts	\$ 40,731	\$ 65,399
Harmonized Sales Tax receivable	15,501	20,729
	\$ 56,232	\$ 86,128

5. INVESTMENTS

	2018	2017
Cash and cash equivalents	\$ 91,758	\$ 63,589
Canadian pooled bond funds	5,986,568	8,125,027
Canadian pooled fund equities	4,752,506	5,071,803
Global bond pooled funds	2,139,075	-
Global equity pooled funds	3,484,157	3,476,347
International segregated equities	2,084,348	2,054,232
U.S. segregated equities	1,325,458	1,316,836
	\$ 19,863,870	\$ 20,107,834

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.

6. CAPITAL ASSETS

	Cost	Accumulated amortization	2018	2017
Furniture and equipment	\$ 66,141	\$ 42,739	\$ 23,402	\$ 23,980
Computer equipment	50,691	30,658	20,033	27,396
	\$ 116,832	\$ 73,397	\$ 43,435	\$ 51,376

The total amortization expense of \$15,572 (2017: \$16,281) is included under the "Management and administration" expense category in the statement of operations.

7. HERITAGE PROPERTIES

	2018	2017
11-13 Ancien Chantier, Québec City, Québec	\$ 115,000	\$ 150,445
Myrtleville House, Brantford, Ontario	1	1
Papineau Chapel, Montebello, Québec	1	1
	\$ 115,002	\$ 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.

On January 9, 2018, the National Trust signed an agreement to sell the properties situated at 11-13 Ancien Chantier in Québec City for a total amount of \$115,000. The 11-13 Ancien Chantier heritage properties net book value has been written-down to reflect the selling price. The total written-down expense for the year is \$35,445 (2017: \$0) and is included under the "Property" expense category in the statement of operations.

8. DEFERRED REVENUE

	2018	2017
Balance, beginning of year	\$ 74,220	\$ 171,614
Plus: Amount granted in the year	202,482	266,829
Less: Amount recognized as revenue in the year	(134,126)	(364,223)
Balance, end of year	\$ 142,576	\$ 74,220

8. DEFERRED REVENUE (continued)

Deferred revenue is composed of the following items:

	2018	2017
Membership	\$ 46,115	\$ 44,725
Herb Stovel Scholarship Fund	30,790	16,449
Canadian Construction Association	30,000	-
The Calgary Foundation	10,667	-
The Winnipeg Foundation	10,000	-
Conference and other	5,400	1,651
Ecclesiastical Insurance - Awards sponsorships	5,000	-
Contribution from the Department of Canadian Heritage - Regeneration Works	4,604	11,395
	\$ 142,576	\$ 74,220

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.

The Unrestricted Fund is subject to a Board-imposed spending limit policy designed to restrict the annual draw for National Trust operations, protect the total Fund from the risk of overspending, and help the Fund maintain pace with inflation. The National Trust also has a policy establishing the New Initiatives Fund which allows careful additional spending. This nominally segregated fund within the Unrestricted Fund is tracked internally, with reports provided to the Trust's Board on a regular basis.

Internally restricted amounts include the Runciman 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.

NATIONAL TRUST FOR CANADA

NOTES TO THE FINANCIAL STATEMENTS

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10. YOUTH EMPLOYMENT - 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:

	2018	2017
Contributions to employers - YCW in Heritage		
Organizations	\$ 451,965	\$ 204,440
Contributions to employers - YCW at Building Careers in Heritage	158,980	140,000
Administration costs	87,020	47,020
	\$ 697,965	\$ 391,460

11. ALLOCATED EXPENSES

Salaries and benefits are allocated to activities as follows:

	2018	2017
Leadership, Policy, Regeneration	\$ 698,110	\$ 558,330
YCW	66,135	36,988
Management and administration	132,550	101,247
Property	6,427	10,527
Communications	98,930	149,230
Governance	35,236	53,399
Publications	18,490	52,266
	\$ 1,055,878	\$ 961,987

In addition, administration costs for a total amount of \$9,821 (2017: \$5,023) from the line item "Management and administration" and \$2,979 (2017: \$1,186) from the line item "Property" have been reallocated to the YCW Program.

Administrative costs for a total amount of \$4,497 (2017: \$4,020) from the line item "Management and administration" and \$2,831 (2017: \$2,333) from the line item "Property" have been reallocated to the line item "Leadership, Policy, Regeneration" to allow for permitted allocations associated with a Department of Canadian Heritage Grant.

Administrative costs for a total amount of \$10,998 (2017: \$14,242) from the line item "Management and administration" and \$4,000 (2017: \$4,449) from the line item "Property" have been reallocated to the line item "Leadership, Policy, Regeneration" to account for costs associated with new initiatives.

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.

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.

	2018	2017
Cash and cash equivalents	0.5 %	0.3 %
Bond funds		
Corporate	20.0	30.2
Federal and provincial governments and other	10.1	10.2
Global Pooled Bonds	10.8	-
Total bond funds	40.9	40.4
Canadian equity instruments		
Canadian Pooled Fund Units	23.9	25.2
Total Canadian equity instruments	23.9	25.2
Foreign equity instruments		
International Segregated Fund	10.5	10.2
U.S. Segregated Fund	6.7	6.6
Global Pooled Fund Units	17.5	17.3
Total foreign equity instruments	34.7	34.1
Total equity instruments	58.6	59.3
Total investments	100.0 %	100.0 %

12. FINANCIAL INSTRUMENTS (continued)

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, 2018, assets include investments of \$2,139,076 (2017: \$0) in International Bonds, investments of \$2,084,349 (2017: \$2,054,232) in International Equity Units and investments of \$1,325,460 (2016: \$1,316,836) 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 one company. The National Trust considers that no risk arises from that situation.

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 9.83% up to the yearly maximum pensionable earnings under the plan, and 12.13% 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 8.77% and 10.46% 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 2017, the employer's contribution rates were 1.01 and 1.00 times respectively. The employer's contributions for the year ended March 31, 2018 are \$79,074 (2017: \$74,726).

14. CONTRACTUAL OBLIGATIONS

The commitments of the National Trust under a lease agreement aggregate to \$188,530. The instalments over the next four years are the following:

14. CONTRACTUAL OBLIGATIONS (continued)

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