

**HERITAGE CANADA THE NATIONAL TRUST**

FINANCIAL STATEMENTS

MARCH 31, 2015

# HERITAGE CANADA THE NATIONAL TRUST

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## INDEPENDENT AUDITOR'S REPORT

To the Members of  
Heritage Canada The National Trust

We have audited the accompanying financial statements of Heritage Canada The National Trust, which comprise the statement of financial position as at March 31, 2015, 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*

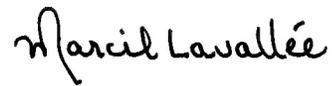
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable 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 Heritage Canada The National Trust as at March 31, 2015, 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.

A handwritten signature in black ink that reads "Marcil Lavallée". The signature is written in a cursive, flowing style.

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Ontario  
June 4, 2015

# HERITAGE CANADA THE NATIONAL TRUST

## STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2015

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	2015	2014
<b>REVENUE</b>		
YCW contribution (Note 10)	\$ 287,190	\$ 273,950
Donations and bequests	208,671	58,681
Grants, contributions and sponsorships	113,475	165,930
Memberships	88,138	77,918
Conference registrations	66,849	90,960
Contracts	43,794	33,440
Property	28,860	28,860
Other	8,073	7,756
Publications	93	1,164
<b>TOTAL REVENUE FROM OPERATIONS BEFORE INVESTMENT REVENUE</b>		
	845,143	738,659
Investment revenue (Note 3)	2,348,410	2,643,009
	3,193,553	3,381,668
<b>EXPENSES</b>		
Programs (leadership, policy, regeneration)	828,839	603,890
YCW (Note 10)	287,190	273,950
Management and administration	229,995	229,973
Investment management	184,320	166,906
Property	142,218	126,092
Communications	139,495	200,273
Governance	132,181	119,363
Publications	124,448	114,880
	2,068,686	1,835,327
<b>EXCESS OF REVENUE OVER EXPENSES</b>	\$ 1,124,867	\$ 1,546,341

# HERITAGE CANADA THE NATIONAL TRUST

## STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED MARCH 31, 2015

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### NON-ENDOWMENT

	Unrestricted	Invested in capital assets	Invested in heritage and other properties	Runciman Endowment Fund for Heritage Conservation	2015	2014
<b>BALANCE, BEGINNING OF YEAR</b>	\$ 5,686,608	\$ 31,581	\$ 150,447	\$ 145,103	\$ 6,013,739	\$ 4,467,398
Excess of revenue over expenses	1,145,128	(12,277)	-	(7,984)	1,124,867	1,546,341
Acquisition of capital assets	(12,987)	12,987	-	-	-	-
<b>BALANCE, END OF YEAR</b>	\$ 6,818,749	\$ 32,291	\$ 150,447	\$ 137,119	\$ 7,138,606	\$ 6,013,739

### ENDOWMENT

	Heritage Canada The National Trust			2015	2014
<b>BALANCE, BEGINNING AND END OF YEAR</b>	\$ 13,180,511	\$ 13,180,511	\$ 13,180,511	\$ 13,180,511	\$ 13,180,511

# HERITAGE CANADA THE NATIONAL TRUST

## STATEMENT OF FINANCIAL POSITION

MARCH 31, 2015

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	2015	2014
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 120,629	\$ 95,657
Accounts receivable (Note 4)	117,938	62,610
Grants receivable	691	6,500
Prepaid expenses	48,660	50,459
	<b>287,918</b>	215,226
<b>INVESTMENTS (Note 5)</b>	<b>20,259,012</b>	19,003,439
<b>CAPITAL ASSETS (Note 6)</b>	<b>32,291</b>	31,581
<b>HERITAGE AND OTHER PROPERTIES (Note 7)</b>	<b>150,447</b>	150,447
	<b>20,441,750</b>	19,185,467
	<b>\$ 20,729,668</b>	\$ 19,400,693

## LIABILITIES

### CURRENT LIABILITIES

Accounts payable and accrued liabilities	\$ 173,786	\$ 157,883
Deferred revenue (Note 8)	236,765	48,560
	<b>410,551</b>	206,443

## NET ASSETS

### NON-ENDOWMENT

Unrestricted	6,818,749	5,686,608
Internal restrictions (Note 9)		
Invested in capital assets	32,291	31,581
Invested in heritage and other properties	150,447	150,447
Runciman Endowment Fund for Heritage Conservation	137,119	145,103
	<b>7,138,606</b>	6,013,739

### ENDOWMENT (Note 9)

Heritage Canada The National Trust	13,180,511	13,180,511
	<b>20,319,117</b>	19,194,250
	<b>\$ 20,729,668</b>	\$ 19,400,693

*Contractual obligations* (Note 14)

ON BEHALF OF THE BOARD

 , Director

 , Director

# HERITAGE CANADA THE NATIONAL TRUST

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2015

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	2015	2014
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenses	\$ 1,124,867	\$ 1,546,341
<b>Adjustments for:</b>		
Unrealized gains on investments	(491,148)	(1,462,450)
Amortization of capital assets	10,522	9,053
Loss on disposal of capital assets	1,485	367
	<b>645,726</b>	<b>93,311</b>
<b>Net change in non-cash working capital items:</b>		
Accounts receivable	(55,328)	(13,490)
Grants receivable	5,809	20,352
Prepaid expenses	1,799	(13,806)
Accounts payable and accrued liabilities	15,903	77
Deferred revenue	188,205	(7,721)
	<b>802,114</b>	<b>78,723</b>
<b>INVESTING ACTIVITIES</b>		
Acquisition of investments	(1,859,319)	(1,182,580)
Disposal of investments	1,094,894	1,195,773
Acquisition of capital assets	(12,987)	(5,842)
Proceeds from disposal of capital assets	270	-
Investment in heritage properties	-	(35,429)
	<b>(777,142)</b>	<b>(28,078)</b>
<b>INCREASE IN CASH</b>	<b>24,972</b>	<b>50,645</b>
<b>CASH, BEGINNING OF YEAR</b>	<b>95,657</b>	<b>45,012</b>
<b>CASH, END OF YEAR</b>	<b>\$ 120,629</b>	<b>\$ 95,657</b>

# HERITAGE CANADA THE NATIONAL TRUST

## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2015

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### 1. STATUTE AND NATURE OF OPERATIONS

Heritage Canada The National Trust (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 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. The main estimate relates to the useful life of capital assets.

#### 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 are recognized when they are received.

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 use of the National Trust.

# HERITAGE CANADA THE NATIONAL TRUST

## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2015

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### 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 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.

# HERITAGE CANADA THE NATIONAL TRUST

## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2015

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### 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 and other properties

Heritage and other properties are accounted for at cost. If the cost of a property exceeds its net realizable value, the cost would be reduced accordingly. No amortization of heritage and other properties is recognized in operations.

#### Impairment of long-lived assets

A long-lived asset is tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

### 3. INVESTMENT REVENUE

	2015	2014
Interest	\$ 255,298	\$ 271,741
Dividends	273,418	225,618
Realized gains	1,328,546	683,200
Unrealized gains	491,148	1,462,450
	<b>\$ 2,348,410</b>	<b>\$ 2,643,009</b>

### 4. ACCOUNTS RECEIVABLE

	2015	2014
Accounts receivable	\$ 92,294	\$ 40,792
Harmonized Sales Tax receivable	25,644	21,818
	<b>\$ 117,938</b>	<b>\$ 62,610</b>

# HERITAGE CANADA THE NATIONAL TRUST

## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2015

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### 5. INVESTMENTS

	2015		2014	
Cash and cash equivalents	\$	63,592	\$	111,135
Bond funds		8,039,427		7,549,845
Equity instruments		12,155,993		11,342,459
	\$	20,259,012	\$	19,003,439

### 6. CAPITAL ASSETS

	Cost		Accumulated amortization		2015		2014	
Furniture and equipment	\$	56,797	\$	37,785	\$	19,012	\$	18,700
Computer equipment		35,932		22,653		13,279		12,881
	\$	92,729	\$	60,438	\$	32,291	\$	31,581

The total amortization expense for the year is \$10,522 (2014: \$9,053).

### 7. HERITAGE AND OTHER PROPERTIES

	2015		2014	
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

	2015		2014	
Balance, beginning of year	\$	48,560	\$	56,281
Less: Amount recognized as revenue in the year		(415,657)		(351,868)
Plus: Amount received in the year		603,862		344,147
Balance, end of year	\$	236,765	\$	48,560

# HERITAGE CANADA THE NATIONAL TRUST

## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2015

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### 9. INTERNAL RESTRICTIONS AND ENDOWMENT FUND

#### Non-endowment - Internal restrictions

In addition to the net assets invested in capital assets and in heritage and other properties, the National Trust created the Runciman Endowment Fund for Heritage Conservation, following the sale of the Annapolis Royal property. Proceeds from the sale of the Annapolis Royal property, net of all costs incurred to purchase and maintain this property were transferred to the Fund. The amounts have been invested and net revenues and expenses related to these investments are being added to this fund, annually.

#### Endowment

Endowment grants totalling \$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 the National Trust be 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:

	2015	2014
Contributions to employers - YCW in Heritage Organizations	\$ 206,170	\$ 202,930
Contributions to employers - YCW at Building Careers in Heritage	40,000	30,000
Administration costs	41,020	41,020
	<b>\$ 287,190</b>	<b>\$ 273,950</b>

# HERITAGE CANADA THE NATIONAL TRUST

## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2015

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### 11. ALLOCATED EXPENSES

Salaries and benefits are allocated to activities as follows:

	2015	2014
Programs (leadership, policy, regeneration)	\$ 420,811	\$ 304,687
YCW	33,760	34,817
Management and administration	106,640	99,435
Property	8,471	11,489
Communications	109,923	129,630
Governance	54,667	58,008
Publications	54,565	53,272
	<b>\$ 788,837</b>	<b>\$ 691,338</b>

In addition, administration costs for a total amount of \$4,434 (2014: \$2,098) from the line item "Management and administration" and \$719 (2014: \$335) from line item "Property" have been reallocated to the YCW Program.

Also, an amount of \$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, 2015, assets include investments of \$1,754,099 (2014: \$2,829,189) in International Equity Units and investments of \$1,380,124 (2014: \$2,674,903) in U.S. Equities, which have been converted into Canadian dollars.

# HERITAGE CANADA THE NATIONAL TRUST

## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2015

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### 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.

	2015	2014
Cash and cash equivalents	0.3 %	0.6 %
Bonds		
Corporate	29.9	25.6
Federal and provincial governments and other	9.8	14.1
Total bonds	39.7	39.7
Canadian equity instruments		
Canadian Units	0.0	0.7
Canadian Pooled Fund Units	28.6	30.0
Total Canadian equity instruments	28.6	30.7
Foreign equity instruments		
International Segregated Fund	8.7	14.9
U.S. Segregated Fund	6.8	14.1
Global Pooled Fund Units	15.9	0.0
Total foreign equity instruments	31.4	29.0
Total equity instruments	60.0	59.7
Total investments	100.0 %	100.0 %

# HERITAGE CANADA THE NATIONAL TRUST

## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2015

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### 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 8.15% up to the yearly maximum pensionable earnings under the Plan, and 10.4% 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 7.05% and 8.54% respectively. In accordance with the PSSA, the National Trust pays 1.28 times the contributions made by the employees who entered the Plan prior to January 1, 2013, and 1.28 times the contributions made by employees who entered the Plan post December 31, 2012. For the calendar year 2014, the employer's contribution rate was 1.43 and 1.45 times respectively. The employer's contributions for the year ended March 31, 2015 are \$70,325 (2014: \$62,025).

### 14. CONTRACTUAL OBLIGATIONS

The commitments of the National Trust under lease agreements aggregate to \$71,200. The instalments over the next two years are the following:

2016	\$	53,400
2017	\$	17,800