

THE NATURE TRUST OF NEW BRUNSWICK, INC.

FINANCIAL STATEMENTS

APRIL 30, 2019

(UNAUDITED)

Shannon & Buffett, LLP

Chartered Professional Accountants

HAL C. BUFFETT, CPA, CA GARRY L. ARMSTRONG, CPA, CA
CLAUDE LEGER, CPA, CA RON W. SAUNTRY, CPA, CA

September 5, 2019

INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

To the Board of Trustees of The Nature Trust of New Brunswick, Inc.

We have reviewed the accompanying financial statements of The Nature Trust of New Brunswick, Inc. that comprise the statement of financial position as at April 30, 2019, and the statements of revenue and expenses, 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.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of The Nature Trust of New Brunswick, Inc. as at April 30, 2019, 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.

Shannon & Buffett LLP

Chartered Professional Accountants

535 BEAVERBROOK CT., SUITE #110 FREDERICTON, N.B. E3B 1X6
PHONE: (506) 458-9300 FAX: (506) 458-9317

THE NATURE TRUST OF NEW BRUNSWICK, INC.STATEMENT OF FINANCIAL POSITIONAPRIL 30, 2019
(UNAUDITED)

	<u>General Operating Fund</u>	<u>Stewardship Fund</u>	<u>Endowment Fund</u>	<u>Total 2019</u>	<u>Total 2018</u>
ASSETS:					
Current:					
Cash	\$ 82,623	\$ 38,522	\$ 5,797	\$ 126,942	\$ 162,729
Short-term investments	-	-	-	-	75,000
Accounts receivable	29,072	5,588	9,546	44,206	34,393
Inventory of land	21,000	-	-	21,000	-
Unbilled costs	94,385	-	-	94,385	72,404
Prepaid expenses	10,311	-	-	10,311	8,050
	<u>237,391</u>	<u>44,110</u>	<u>15,343</u>	<u>296,844</u>	<u>352,576</u>
Interfund balances	-	566	1,212	1,778	823
Investments (note 5)	-	1,287,273	1,994,846	3,282,119	2,590,883
Capital assets (note 3)	26,807	-	-	26,807	2,598
Conservation lands/easements (note 4)	9,770,697	-	-	9,770,697	8,872,297
	<u>\$ 10,034,895</u>	<u>\$ 1,331,949</u>	<u>\$ 2,011,401</u>	<u>\$ 13,378,245</u>	<u>\$ 11,819,177</u>
LIABILITIES:					
Current:					
Accounts payable & accrued liabilities (note 6)	\$ 50,361	-	-	\$ 50,361	\$ 56,144
Deferred revenue	45,775	-	-	45,775	100,100
	<u>96,136</u>	<u>-</u>	<u>-</u>	<u>96,136</u>	<u>156,244</u>
Interfund balances	1,778	-	-	1,778	823
	<u>97,914</u>	<u>-</u>	<u>-</u>	<u>97,914</u>	<u>157,067</u>
total liabilities					
NET ASSETS:					
Unrestricted (note 7)	139,477	-	-	139,477	164,947
Invested in capital assets	26,807	-	-	26,807	2,598
Invested in conservation lands/easements (note 4)	9,770,697	-	-	9,770,697	8,872,297
Stewardship Fund (note 8)	-	1,331,949	-	1,331,949	807,253
Endowment Fund (note 9)	-	-	2,011,401	2,011,401	1,815,015
	<u>9,936,981</u>	<u>1,331,949</u>	<u>2,011,401</u>	<u>13,280,331</u>	<u>11,662,110</u>
	<u>\$ 10,034,895</u>	<u>\$ 1,331,949</u>	<u>\$ 2,011,401</u>	<u>\$ 13,378,245</u>	<u>\$ 11,819,177</u>

On behalf of the Board:

Trustee: _____

Shannon & Buffett, LLP
Chartered Professional Accountants

THE NATURE TRUST OF NEW BRUNSWICK, INC.

STATEMENT OF REVENUE AND EXPENSES

FOR THE YEAR ENDED APRIL 30, 2019

(UNAUDITED)

	General Operating Fund	Stewardship Fund	Endowment Fund	Total 2019	Total 2018
Revenue:					
Donations, grants and contracts	\$ 1,287,728	\$ -	\$ 946	\$ 1,288,674	\$ 1,143,344
Donations-in-kind (note 4)	458,900	326,576	-	785,476	284,333
Fundraising and miscellaneous	825	-	-	825	14,494
Investment income	600	27,926	54,936	83,462	74,050
Change in market value of investments	-	87,550	149,336	236,886	-
	<u>1,748,053</u>	<u>442,052</u>	<u>205,218</u>	<u>2,395,323</u>	<u>1,516,221</u>
Expenses:					
Amortization	4,413	-	-	4,413	1,067
Board meetings	5,351	-	-	5,351	2,056
Conferences, workshops and travel	64,467	-	-	64,467	66,755
Fundraising and miscellaneous	-	-	-	-	4,548
Insurance	6,978	-	-	6,978	5,753
Interest, bank charges and broker fees	2,950	4,856	8,832	16,638	13,676
Office and computer expenses	37,030	-	-	37,030	41,690
Postage	5,123	-	-	5,123	3,746
Professional fees	95,069	-	-	95,069	43,048
Projects, sites and preserves (note 4)	905,447	-	-	905,447	305,478
Property taxes	54	-	-	54	2,890
Rent	38,189	-	-	38,189	11,398
Subcontract	24,387	-	-	24,387	49,416
Telephone and utilities	11,707	-	-	11,707	8,821
Unbilled costs adjustment	(21,981)	-	-	(21,981)	(53,308)
Wages and benefits	482,630	-	-	482,630	546,500
Change in market value of investments	-	-	-	-	23,734
	<u>1,661,814</u>	<u>4,856</u>	<u>8,832</u>	<u>1,675,502</u>	<u>1,077,268</u>
Excess of revenue over expenses for the year	\$ 86,239	\$ 437,196	\$ 196,386	\$ 719,821	\$ 438,953

STATEMENT 3

THE NATURE TRUST OF NEW BRUNSWICK, INC.

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED APRIL 30, 2019

(UNAUDITED)

	<u>Unrestricted</u>	<u>Invested in Capital Assets</u>	<u>Invested in Conservation Lands/Easements</u>	<u>Stewardship Fund</u>	<u>Endowment Fund</u>	<u>Total 2019</u>	<u>Total 2018</u>
Balance, beginning of year	\$ 164,947	\$ 2,598	\$ 8,872,297	\$ 807,253	\$ 1,815,015	\$11,662,110	\$10,927,657
Excess of revenue over expenses for the year	86,239	-	-	437,196	196,386	719,821	438,953
Amortization of capital assets	4,413	(4,413)	-	-	-	-	-
Additions to capital assets	(28,622)	28,622	-	-	-	-	-
Acquisition of conservation lands/easements (note 4)	-	-	898,400	-	-	898,400	295,500
Transfers	<u>(87,500)</u>	<u>-</u>	<u>-</u>	<u>87,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 139,477</u>	<u>\$ 26,807</u>	<u>\$ 9,770,697</u>	<u>\$ 1,331,949</u>	<u>\$ 2,011,401</u>	<u>\$13,280,331</u>	<u>\$11,662,110</u>

THE NATURE TRUST OF NEW BRUNSWICK, INC.**STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED APRIL 30, 2019****(UNAUDITED)**

	<u>2019</u>	<u>2018</u>
CASH GENERATED FROM (USED IN):		
OPERATING ACTIVITIES:		
Excess of revenue over expenses for the year	\$ 719,821	\$ 438,953
Items not requiring a cash outlay:		
Amortization	4,413	1,067
Change in market value of investments	<u>(236,886)</u>	<u>23,734</u>
	487,348	463,754
Net change in current assets and liabilities other than cash and short-term investments (note 10)	<u>(115,163)</u>	<u>49,565</u>
	<u>372,185</u>	<u>513,319</u>
INVESTING ACTIVITIES:		
Decrease in short-term investments	75,000	75,000
Additions to investments	(1,289,409)	(1,089,720)
Proceeds on disposal of investments	835,059	574,193
Additions to capital assets	<u>(28,622)</u>	<u>(1,683)</u>
	<u>(407,972)</u>	<u>(442,210)</u>
INCREASE (DECREASE) IN CASH, in the year	(35,787)	71,109
Cash, beginning of year	<u>162,729</u>	<u>91,620</u>
Cash, end of year	<u>\$ 126,942</u>	<u>\$ 162,729</u>

THE NATURE TRUST OF NEW BRUNSWICK, INC.

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2019

(UNAUDITED)

1. The organization:

The organization is a registered charity under the Canadian Income Tax Act. The full official name of the organization per the letters patent is "The Nature Trust of New Brunswick Inc./La Fondation pour la protection des sites naturels du Nouveau-Brunswick Inc." Its primary purpose is the identification, preservation, and protection of sensitive ecological areas of scientific and historical interest for New Brunswick.

2. Significant accounting policies:

(a) Basis of accounting -

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and are in accordance with Canadian generally accepted accounting principles.

The organization uses fund accounting whereby the activities of specific funds are shown separately, as follows:

The Stewardship Fund includes property stewardship investment activities. \$225,758 of the net assets of this Fund are externally restricted and the balance is internally restricted.

The Endowment Fund includes endowment contributions, donor-directed contributions and bequests, proceeds from sales of land/assets and two-thirds of various other unrestricted donations as determined by the Board of Trustees. Investment income earned in this Fund is recorded as revenue, and remains in the Fund until a minimum "capital base" of \$750,000 is achieved. \$20,932 of the net assets of the Fund are externally restricted and the balance is internally restricted and requires approval of the Board of Trustees before withdrawal or transfer out.

The General Operating Fund includes property stewardship operations and all other activities of the organization. The net assets of this Fund (excluding amounts invested in capital assets and conservation lands/easements) are unrestricted.

(b) Cash -

Cash includes cash on hand and cash balances with banks and investment brokers.

(c) Inventory of land -

Inventory of land held for resale is recorded at fair value at time of acquisition.

(d) Investments -

Investments are recorded at fair value (determined by quoted market value).

THE NATURE TRUST OF NEW BRUNSWICK, INC.

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2019

(UNAUDITED)

2. Significant accounting policies (continued):

(e) Capital assets -

Capital assets are recorded at cost. Provision for amortization is made utilizing the declining balance method at annual rates of 45% (computer equipment) and 20% (all other equipment) respectively. One half of annual rates are applied for current year additions.

(f) Conservation lands/easements -

Donated conservation lands and easements are recorded at fair value when title or interest is transferred to the organization. The contributions are recorded as revenue and expenses and also as an asset, offset by Net Assets Invested in Conservation Lands/Easements. The fair market value of donated conservation lands/easements is subject to review by regulatory authorities and may be adjusted. The carrying value of conservation lands/easements recorded on the statement of financial position is changed to reflect any adjustments, offset by a change in the Net Assets Invested in Conservation Lands/Easements balance.

Purchased conservation lands/easements are recorded at cost when title or interest is transferred to the organization. The purchases are recorded as an asset offset by an increase in Net Assets Invested in Conservation Lands/Easements. In addition, the current year purchases are recorded as an expense within the "projects, sites and preserves" expense category on the statement of revenue and expenses.

(g) Revenue recognition -

The organization defines contributions revenue as revenue from grants and donations.

The organization follows the deferral method of accounting for contributions revenue. Contract/project revenue and restricted contributions are recognized as revenue of the appropriate Fund in the year in which the related expenses are incurred. Unrestricted contributions and investment income are recognized as revenue of the appropriate Fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets of the Endowment Fund and/or Stewardship Fund, as appropriate.

Change in market value of investments in the statement of revenue and expenses consists of realized and unrealized gains and losses for the investments in the fiscal year.

(h) Donations-in-kind -

Donations-in-kind are recorded at the estimated fair market value of the item received.

THE NATURE TRUST OF NEW BRUNSWICK, INC.**NOTES TO THE FINANCIAL STATEMENTS****APRIL 30, 2019****(UNAUDITED)****2. Significant accounting policies (continued):****(i) Donated services -**

The value of donated services provided to the organization such as volunteer work is not recorded in the accounts.

(j) Use of estimates -

In preparing the organization's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

3. Capital assets:

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2019 Net Book Value</u>	<u>2018 Net Book Value</u>
Equipment	\$ <u>55,439</u>	\$ <u>28,632</u>	\$ <u>26,807</u>	\$ <u>2,598</u>

4. Conservation lands/easements and donations-in-kind:

The organization owns several property sites, preserves, and easements, the costs of which have been expensed as incurred. The organization also leases three sites (Hyla Park, Shea Lake, Beardsley Hill) and licenses one site (Ferris Street).

During 2019, the organization acquired seven properties (and portions of two other properties) with a total appraised value of \$456,000 by donations-in-kind. The organization also purchased four properties (and portions of two other properties) for a total purchase price of \$463,400.

The organization also received 2019 donations-in-kind of shares (in public companies) at quoted fair value \$326,576 (2018 - \$32,335) and equipment donated of fair value \$2,900.

During 2018, the organization acquired three properties with a total appraised value of \$250,500 by donations-in-kind and purchased one property for a total purchase price of \$45,000. Also, during 2018, the organization received items donated for a fund-raising auction of fair value \$1,498.

THE NATURE TRUST OF NEW BRUNSWICK, INC.**NOTES TO THE FINANCIAL STATEMENTS****APRIL 30, 2019****(UNAUDITED)****5. Investments:**

The organization has fixed income investments, foreign securities, and equity investments with Canadian banks/investment brokers.

	<u>Internally Restricted</u>	<u>Externally Restricted</u>	<u>April 30, 2019 Total</u>
Foreign security investments (Stewardship Fund)	\$ 374,060	\$ -	\$ 374,060
Foreign security investments (Endowment Fund)	563,195	-	563,195
Equity investments (Stewardship Fund)	455,416	-	455,416
Equity investments (Endowment Fund)	682,858	-	682,858
Fixed income investments (Endowment Fund)	727,861	20,932	748,793
Fixed income investments (Stewardship Fund)	<u>232,039</u>	<u>225,758</u>	<u>457,797</u>
	<u>\$ 3,035,429</u>	<u>\$ 246,690</u>	<u>\$ 3,282,119</u>

The \$748,793 fixed income investments of the Endowment Fund includes a market-rate guaranteed investment certificate for \$46,236 whose eventual rate of return will be determined by calculations based on the performance of the market trading index. Maturity date is December 2019.

The organization has established policies for management of its investments.

The organization's investment strategy is designed to maintain an investment portfolio with socially responsible investing.

The fair value of the investments is subject to fluctuations of the corresponding public financial instrument trading index. Accrued interest of \$15,134 on the fixed income investments is included with accounts receivable.

6. Accounts payable and accrued liabilities:

	<u>2019</u>	<u>2018</u>
Payroll deductions payable	\$ 10,051	\$ 10,230
Other amounts	<u>40,310</u>	<u>45,914</u>
	<u>\$ 50,361</u>	<u>\$ 56,144</u>

THE NATURE TRUST OF NEW BRUNSWICK, INC.**NOTES TO THE FINANCIAL STATEMENTS****APRIL 30, 2019****(UNAUDITED)****7. Unrestricted net assets:**

A portion of this balance includes surpluses and/or deficits from funds received from government agencies. Such surpluses/deficits may be subject to repayment or recovery by the government agencies depending on the terms and conditions of the relevant agreements.

8. Stewardship Fund Net Assets:

	<u>2019</u>	<u>2018</u>
Amount classified as externally restricted endowment for stewardship of the South Wolf Island property. Annual investment income earned on this amount is to be used only for land stewardship purposes and, if unspent within five calendar years, is to be added to the principal.	\$ 63,750	\$ 63,750
Amount classified as externally restricted endowment for stewardship of the Kingston Family Nature Preserve property. Annual investment income earned on this amount is to be used only for land stewardship purposes.	14,000	14,000
Amount classified as externally restricted amount available for stewardship of the Seven Day Work Cliff property.	16,758	16,758
Amount classified as externally restricted amount available for stewardship of the Middle Island property.	15,000	15,000
Amount classified as externally restricted amount available for stewardship of the Mapleton property.	11,250	11,250
Amount classified as externally restricted amount available for stewardship of the Caughey-Taylor property.	15,000	15,000
Amount classified as externally restricted amount available for stewardship of the Long Island property.	15,000	-
Other externally restricted endowment for stewardship activities, such amount to be held in the Fund until December 2019.	75,000	75,000
Internally restricted amounts for stewardship activities.	<u>1,106,191</u>	<u>596,495</u>
	<u>\$ 1,331,949</u>	<u>\$ 807,253</u>

THE NATURE TRUST OF NEW BRUNSWICK, INC.**NOTES TO THE FINANCIAL STATEMENTS****APRIL 30, 2019****(UNAUDITED)****9. Endowment Fund:**

	<u>2019</u>	<u>2018</u>
Externally restricted amounts received for funding Lieutenant Governor award.	\$ 20,932	\$ 20,586
Internally restricted amounts which can be transferred to Unrestricted net assets with approval of Board of Trustees.	<u>1,990,469</u>	<u>1,794,429</u>
	<u>\$ 2,011,401</u>	<u>\$ 1,815,015</u>

10. Net change in current assets and liabilities other than cash and short-term investments:

	<u>2019</u>	<u>2018</u>
(Increase) decrease in accounts receivable	\$ (9,813)	\$ 36,731
(Increase) in inventory of land	(21,000)	-
(Increase) in unbilled costs	(21,981)	(53,309)
(Increase) in prepaid expenses	(2,261)	(1,713)
Increase (decrease) in accounts payable and accrued liabilities	(5,783)	770
Increase (decrease) in deferred revenue	<u>(54,325)</u>	<u>67,086</u>
	<u>\$ (115,163)</u>	<u>\$ 49,565</u>

11. Lease commitments:

The organization leases equipment and premises under operating leases which expire in the 2020 and 2021 fiscal year-ends, respectively. Future minimum payments, (excluding HST) by year and in aggregate, are approximately as follows:

2020	\$ 36,500
2021	<u>3,000</u>
	<u>\$ 39,500</u>

THE NATURE TRUST OF NEW BRUNSWICK, INC.

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2019

(UNAUDITED)

12. Financial instruments:

Measurement of financial instruments –

The organization initially measures its financial assets and financial liabilities at fair value. The organization subsequently measures all its financial assets and financial liabilities at amortized cost except investments which are measured at quoted market value. Financial assets measured at amortized cost include cash and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down (reversal) is recognized in the excess of revenue (expenses) for the year in the Statement of Revenue and Expenses. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, 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.

Credit risk –

Credit risk arises from the potential that a counter party will fail to perform its obligations. The organization can be exposed to credit risk from funding agencies. In order to reduce its credit risk, the organization reviews a funding agency's terms before signing the corresponding agreement(s). An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information.

Market risk –

A significant portion of the organization's investments are quoted in an active market and therefore are subject to market rates. Market fluctuation could lead to changes in valuations of these investments.

Liquidity risk –

Liquidity risk is the risk that the organization will not be able to meet a demand for cash or fund its obligations as they come due.

The organization mitigates its liquidity risk by preparing an annual budget for operations, anticipating investing and financing activities and holding assets that can be readily converted into cash.