

THE NATURE TRUST OF NEW BRUNSWICK, INC.

FINANCIAL STATEMENTS

APRIL 30, 2018

(UNAUDITED)

Shannon & Buffett, LLP

Chartered Professional Accountants

HAL C. BUFFETT, CPA, CA GARRY L. ARMSTRONG, CPA, CA
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September 5, 2018

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, 2018, 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, 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.

Shannon & Buffett LLP

Chartered Professional Accountants

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THE NATURE TRUST OF NEW BRUNSWICK, INC.**STATEMENT OF FINANCIAL POSITION****APRIL 30, 2018****(UNAUDITED)**

	<u>General Operating Fund</u>	<u>Stewardship Fund</u>	<u>Endowment Fund</u>	<u>Total 2018</u>	<u>Total 2017</u>
ASSETS:					
Current:					
Cash	\$ 140,885	\$ 14,157	\$ 7,687	\$ 162,729	\$ 91,620
Short-term investments (note 5)	75,000	-	-	75,000	150,000
Accounts receivable	25,675	2,823	5,895	34,393	71,124
Unbilled costs	72,404	-	-	72,404	19,095
Prepaid expenses	<u>8,050</u>	<u>-</u>	<u>-</u>	<u>8,050</u>	<u>6,337</u>
	<u>322,014</u>	<u>16,980</u>	<u>13,582</u>	<u>352,576</u>	<u>338,176</u>
Interfund balances	<u>-</u>	<u>227</u>	<u>596</u>	<u>823</u>	<u>-</u>
Investments (note 5)	<u>-</u>	<u>790,046</u>	<u>1,800,837</u>	<u>2,590,883</u>	<u>2,099,090</u>
Capital assets (note 3)	<u>2,598</u>	<u>-</u>	<u>-</u>	<u>2,598</u>	<u>1,982</u>
Conservation lands/easements (note 4)	<u>8,872,297</u>	<u>-</u>	<u>-</u>	<u>8,872,297</u>	<u>8,576,797</u>
	<u>\$ 9,196,909</u>	<u>\$ 807,253</u>	<u>\$ 1,815,015</u>	<u>\$ 11,819,177</u>	<u>\$ 11,016,045</u>
LIABILITIES:					
Current:					
Accounts payable & accrued liabilities (note 6)	\$ 56,144	\$ -	\$ -	\$ 56,144	\$ 55,374
Deferred revenue	<u>100,100</u>	<u>-</u>	<u>-</u>	<u>100,100</u>	<u>33,014</u>
	<u>156,244</u>	<u>-</u>	<u>-</u>	<u>156,244</u>	<u>88,388</u>
Interfund balances	<u>823</u>	<u>-</u>	<u>-</u>	<u>823</u>	<u>-</u>
total liabilities	<u>157,067</u>	<u>-</u>	<u>-</u>	<u>157,067</u>	<u>88,388</u>
NET ASSETS:					
Unrestricted (note 7)	164,947	-	-	164,947	215,810
Invested in capital assets	2,598	-	-	2,598	1,982
Invested in conservation lands/easements (note 4)	8,872,297	-	-	8,872,297	8,576,797
Stewardship Fund (note 8)	-	807,253	-	807,253	699,510
Endowment Fund (note 9)	<u>-</u>	<u>-</u>	<u>1,815,015</u>	<u>1,815,015</u>	<u>1,433,558</u>
	<u>9,039,842</u>	<u>807,253</u>	<u>1,815,015</u>	<u>11,662,110</u>	<u>10,927,657</u>
	<u>\$ 9,196,909</u>	<u>\$ 807,253</u>	<u>\$ 1,815,015</u>	<u>\$ 11,819,177</u>	<u>\$ 11,016,045</u>

On behalf of the Board:

Trustee: _____

THE NATURE TRUST OF NEW BRUNSWICK, INC.

STATEMENT OF REVENUE AND EXPENSES

FOR THE YEAR ENDED APRIL 30, 2018

(UNAUDITED)

	General Operating Fund	Stewardship Fund	Endowment Fund	Total 2018	Total 2017
Revenue:					
Donations, grants and contracts	\$ 1,127,012	\$ 15,000	\$ 1,332	\$ 1,143,344	\$ 1,427,263
Donations-in-kind (note 4)	251,998	32,335	-	284,333	79,842
Fundraising and miscellaneous	14,494	-	-	14,494	12,986
Investment income	614	20,375	53,061	74,050	49,892
Change in market value of investments	-	-	-	-	114,510
	<u>1,394,118</u>	<u>67,710</u>	<u>54,393</u>	<u>1,516,221</u>	<u>1,684,493</u>
Expenses:					
Amortization	1,067	-	-	1,067	1,159
Board meetings	2,056	-	-	2,056	1,044
Conferences, workshops and travel	66,755	-	-	66,755	51,908
Fundraising and miscellaneous	4,548	-	-	4,548	5,623
Insurance	5,753	-	-	5,753	6,954
Interest, bank charges and broker fees	1,876	3,253	8,547	13,676	3,879
Office and computer expenses	41,690	-	-	41,690	28,025
Postage	3,746	-	-	3,746	3,651
Professional fees	43,048	-	-	43,048	65,854
Projects, sites and preserves (note 4)	305,478	-	-	305,478	345,479
Property taxes	2,890	-	-	2,890	14,337
Rent	11,398	-	-	11,398	9,989
Subcontract	49,416	-	-	49,416	38,424
Telephone and utilities	8,821	-	-	8,821	10,974
Unbilled costs adjustment	(53,308)	-	-	(53,308)	(13,964)
Wages and benefits	546,500	-	-	546,500	452,561
Change in market value of investments	-	8,621	15,113	23,734	-
	<u>1,041,734</u>	<u>11,874</u>	<u>23,660</u>	<u>1,077,268</u>	<u>1,025,897</u>
Excess of revenue over expenses for the year	<u>\$ 352,384</u>	<u>\$ 55,836</u>	<u>\$ 30,733</u>	<u>\$ 438,953</u>	<u>\$ 658,596</u>

THE NATURE TRUST OF NEW BRUNSWICK, INC.**STATEMENT OF CHANGES IN NET ASSETS****FOR THE YEAR ENDED APRIL 30, 2018****(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 2018</u>	<u>Total 2017</u>
Balance, beginning of year	\$ 215,810	\$ 1,982	\$ 8,576,797	\$ 699,510	\$ 1,433,558	\$10,927,657	\$ 9,926,836
Excess of revenue over expenses for the year	352,384	-	-	55,836	30,733	438,953	658,596
Amortization of capital assets	1,067	(1,067)	-	-	-	-	-
Additions to capital assets	(1,683)	1,683	-	-	-	-	-
Acquisition of conservation lands/easements (note 4)	-	-	295,500	-	-	295,500	342,225
Transfers	<u>(402,631)</u>	<u>-</u>	<u>-</u>	<u>51,907</u>	<u>350,724</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 164,947</u>	<u>\$ 2,598</u>	<u>\$ 8,872,297</u>	<u>\$ 807,253</u>	<u>\$ 1,815,015</u>	<u>\$11,662,110</u>	<u>\$10,927,657</u>

THE NATURE TRUST OF NEW BRUNSWICK, INC.**STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED APRIL 30, 2018****(UNAUDITED)**

	<u>2018</u>	<u>2017</u>
CASH GENERATED FROM (USED IN):		
OPERATING ACTIVITIES:		
Excess of revenue over expenses for the year	\$ 438,953	\$ 658,596
Items not requiring a cash outlay:		
Amortization	1,067	1,159
Change in market value of investments	<u>23,734</u>	<u>(114,510)</u>
	463,754	545,245
Net change in current assets and liabilities other than cash and short-term investments (note 10)	<u>49,565</u>	<u>(169,304)</u>
	<u>513,319</u>	<u>375,941</u>
INVESTING ACTIVITIES:		
Decrease in short-term investments	75,000	50,000
Additions to investments	(1,089,720)	(2,160,633)
Proceeds on disposal of investments	574,193	1,498,121
Additions to capital assets	<u>(1,683)</u>	<u>-</u>
	<u>(442,210)</u>	<u>(612,512)</u>
INCREASE (DECREASE) IN CASH, in the year	71,109	(236,571)
Cash, beginning of year	<u>91,620</u>	<u>328,191</u>
Cash, end of year	<u>\$ 162,729</u>	<u>\$ 91,620</u>

THE NATURE TRUST OF NEW BRUNSWICK, INC.

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2018

(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. \$210,758 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. \$20,586 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) Investments -

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

(d) 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.

THE NATURE TRUST OF NEW BRUNSWICK, INC.

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2018

(UNAUDITED)

2. Significant accounting policies (continued):

(e) 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.

(f) 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.

(g) Donations-in-kind -

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

(h) Donated services -

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

THE NATURE TRUST OF NEW BRUNSWICK, INC.**NOTES TO THE FINANCIAL STATEMENTS****APRIL 30, 2018****(UNAUDITED)****2. Significant accounting policies (continued):****(i) 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>2018 Net Book Value</u>	<u>2017 Net Book Value</u>
Equipment	\$ <u>26,817</u>	\$ <u>24,219</u>	\$ <u>2,598</u>	\$ <u>1,982</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 four sites (Hyla Park, Shea Lake, Beardsley Hill and Ferris Street).

During 2018, the organization acquired three properties with a total appraised value of \$250,500 by donations-in-kind. The organization also purchased one property for a total purchase price of \$45,000.

The organization also received 2018 donations-in-kind of shares (in public companies) at quoted fair value \$32,335 (2017 - \$1,052) and items donated for a fund-raising auction of fair value \$1,498 (2017 - \$ 2,605).

During 2017, the organization acquired four properties with a total appraised value of \$74,100 by donations-in-kind and purchased three properties for a total purchase price of \$ 268,125.

THE NATURE TRUST OF NEW BRUNSWICK, INC.**NOTES TO THE FINANCIAL STATEMENTS****APRIL 30, 2018****(UNAUDITED)****5. Investments:**

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

	<u>Internally Restricted</u>	<u>Externally Restricted</u>	<u>April 30, 2018 Total</u>
Foreign security investments (Stewardship Fund)	\$ 200,257	\$ -	\$ 200,257
Foreign security investments (Endowment Fund)	416,916	20,586	437,502
Equity investments (Stewardship Fund)	289,085	-	289,085
Equity investments (Endowment Fund)	650,353	-	650,353
Fixed income investments (Endowment Fund)	712,982	-	712,982
Fixed income investments (Stewardship Fund)	<u>89,946</u>	<u>210,758</u>	<u>300,704</u>
	<u>\$ 2,359,539</u>	<u>\$ 231,344</u>	<u>\$ 2,590,883</u>

The \$712,982 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.

Also, the General Operating Fund has a short-term fixed income investment of \$ 75,000 (2017 - \$150,000) at April 30, 2018 which is unrestricted, bears interest at 0.8% and matures May 23, 2018.

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 \$8,718 on the fixed income investments is included with accounts receivable.

THE NATURE TRUST OF NEW BRUNSWICK, INC.

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2018

(UNAUDITED)

6. Accounts payable and accrued liabilities:

	<u>2018</u>	<u>2017</u>
Payroll deductions payable	\$ 10,230	\$ 8,568
Other amounts	<u>45,914</u>	<u>46,806</u>
	<u>\$ 56,144</u>	<u>\$ 55,374</u>

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>2018</u>	<u>2017</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	-
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>596,495</u>	<u>503,752</u>

THE NATURE TRUST OF NEW BRUNSWICK, INC.**NOTES TO THE FINANCIAL STATEMENTS****APRIL 30, 2018****(UNAUDITED)****9. Endowment Fund:**

	<u>2018</u>	<u>2017</u>
Externally restricted amount received for funding Lieutenant Governor award.	\$ 20,586	\$ 20,586
Internally restricted amounts which can be transferred to Unrestricted net assets with approval of Board of Trustees.	<u>1,794,429</u>	<u>1,412,972</u>
	<u>\$ 1,815,015</u>	<u>\$ 1,433,558</u>

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

	<u>2018</u>	<u>2017</u>
(Increase) decrease in accounts receivable	\$ 36,731	\$ (28,268)
(Increase) in unbilled costs	(53,309)	(13,964)
(Increase) in prepaid expenses	(1,713)	(1,096)
Increase in accounts payable and accrued liabilities	770	19,805
Increase (decrease) in deferred revenue	<u>67,086</u>	<u>(145,781)</u>
	<u>\$ 49,565</u>	<u>\$ (169,304)</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:

2019	\$ 34,100
2020	36,500
2021	<u>3,000</u>
	<u>\$ 73,600</u>

12. Comparative figures:

Certain 2017 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2018.

THE NATURE TRUST OF NEW BRUNSWICK, INC.

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2018

(UNAUDITED)

13. 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.