

FINANCIAL STATEMENTS

Nova Scotia Nature Trust
March 31, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Directors of
Nova Scotia Nature Trust

We have audited the accompanying financial statements of Nova Scotia Nature Trust which comprise the statements of financial position as at March 31, 2017, and the statements of operations and changes in net assets and cash flows for the year ended March 31, 2017 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 in our audit 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 Nova Scotia Nature Trust as at March 31, 2017, and the results of its operations for the year then ended March 31, 2017 in accordance with Canadian accounting standards for not-for-profit organizations.

Dartmouth, Nova Scotia
June 22, 2017



Chartered Professional Accountants

NOVA SCOTIA NATURE TRUST

STATEMENT OF FINANCIAL POSITION

March 31

2017

2016

Assets**Current**

Cash and cash equivalents	\$ 101,026	\$ 230,683
Short term investments (Note 5)	3,561,692	4,144,229
Accounts receivable (Note 3)	89,654	87,253
Prepaid expenses and deposits on land	14,755	2,500
	<u>3,767,127</u>	<u>4,464,665</u>

Long term investments (Note 5)	3,235,137	2,384,849
Conservation lands and easements (Note 6)	11,890,186	11,653,204
Capital assets (Note 4)	445,008	8,597
Trade lands (Note 7)	241,465	241,465
	<u>\$19,578,923</u>	<u>\$18,752,780</u>

Liabilities and Net Assets**Current**

Accounts payable and accrued liabilities	\$ 9,470	\$ 14,186
Deferred contributions (Note 8)	2,871,509	3,976,557
Deferred contributions for capital assets (Note 9)	322,088	-

Total liabilities	<u>3,203,067</u>	<u>3,990,743</u>
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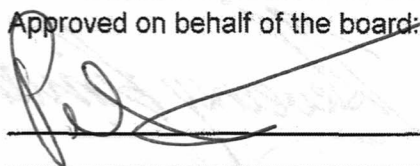
Net assets

Invested in conservation lands and easements	11,890,186	11,653,204
Invested in capital assets	122,920	8,597
Endowment fund - Land Stewardship (Note 10)	2,848,420	1,927,628
Endowment fund - Operating (Note 10)	1,195,286	813,856
Internally restricted	38,595	90,000
Operating - Unrestricted Surplus	280,449	268,752

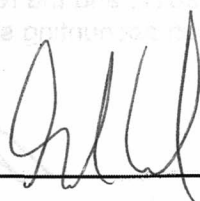
Total Net Assets	<u>16,375,856</u>	<u>14,762,037</u>
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\$19,578,923 \$18,752,780

Approved on behalf of the board:



Director



Director

(See accompanying notes to the financial statements)



MILES T. SWEENEY LIMITED
CHARTERED ACCOUNTANTS

NOVA SCOTIA NATURE TRUST

STATEMENT OF OPERATIONS

Year ended March 31

2017

2016

Revenues

Donations of conservation lands and easements	\$ 141,000	\$ 356,000
Other donations, memberships and grants	1,148,702	1,594,592
Fundraising events and activities	96,312	105,128
Investment income	22,718	14,340
Deferred contributions recognized for capital assets (Note 9)	6,573	-
Total revenues	1,415,305	2,070,060

Expenses

Conservation lands and easements acquired		
Purchased	95,982	541,825
Donated	141,000	356,000
	236,982	897,825
Programs		
Land securement	214,104	240,813
Land stewardship	138,400	151,066
Education and outreach	393,083	259,155
Special projects	50,000	30,000
	795,587	681,034
Administration and fundraising	307,841	351,575
Total expenses	1,340,410	1,930,434

Excess of revenues over expenses

74,895 139,626

Board appropriation to operating endowment fund

(60,000) (120,000)

Transfer of funds for purchase of capital assets (Note 9)

111,124 -

Net change in assets invested in capital assets

(114,322) (283)

Net change in operating unrestricted surplus

11,697 19,343

Operating unrestricted surplus, beginning of year

268,752 249,409

Operating unrestricted surplus, end of year

\$ 280,449 \$ 268,752

(See accompanying notes to the financial statements)

NOVA SCOTIA NATURE TRUST
STATEMENT OF CHANGES IN NET ASSETS

Year end March 31

	2017						2016	
	Invested In Conservation Lands and Easements	Invested In Capital Assets	Land Stewardship Endowment Fund	Operating Endowment Fund	Internally Restricted	Operating Unrestricted Surplus	Total	Total
Balance, beginning of year	\$11,653,204	\$8,597	1,927,628	\$813,856	\$90,000	\$268,752	\$14,762,037	\$13,463,576
Excess of revenues over expenses						74,895	74,895	139,626
Amortization of capital assets		(10,921)				10,921	0	0
Transfer of funds for purchase of capital assets (Note 9)					(51,405)	111,124	59,719	0
Deferred contributions recognized (Note 9)		6,573				(6,573)	0	0
Purchase of capital assets (Note 9)		111,124				(111,124)	0	0
Planned gifts				29,861			29,861	2,500
Endowment Fund contributions			2,085	200,000			202,085	102,501
Unrealized gains (losses) on investments			138,645	68,101			206,746	(150,648)
Investment income (loss) - Endowment Fund			53,302	31,964			85,266	103,231
Investment management fees paid (net of HST)			(18,490)	(8,496)			(26,986)	(21,575)
Acquisition of conservation lands and easements, net of reductions (Note 6)	236,982						236,982	897,826
Internal appropriation from operating surplus				60,000		(60,000)	0	225,000
Transfer of project surpluses to land stewardship endowment			745,250				745,250	0
Acquisition of capital assets (excluding land and building)		7,546				(7,546)	0	0
Balance, end of year	\$11,890,186	\$122,920	\$2,848,420	\$1,195,286	\$38,595	\$280,449	\$16,375,856	\$14,762,037

NOVA SCOTIA NATURE TRUST

STATEMENT OF CASH FLOWS

Year ended March 31

2017

2016

Cash generated from (used in) operating activities

Cash received from donations, memberships and grants	\$ 64,479	\$ 2,501,280
Cash received from fundraising events and activities	96,312	105,128
Cash paid for programs, administration and fundraising	(1,113,828)	(1,094,958)
	<u>(953,037)</u>	<u>1,511,450</u>

Cash generated from (used in) financing activities

Advances from (repayment of) loan payable	-	(111,500)
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Cash generated from (used in) investing activities

Purchase of investments, net of internal transfers	1,366,693	(2,571,101)
Purchase of conservation lands	(95,982)	(541,825)
Purchase of capital assets	(447,331)	(4,631)
	<u>823,380</u>	<u>(3,117,557)</u>

Net increase (decrease) in cash	(129,657)	(1,717,607)
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Cash, beginning of year	<u>230,683</u>	<u>1,948,290</u>
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Cash, end of year	<u>\$ 101,026</u>	<u>\$ 230,683</u>
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(See accompanying notes to the financial statements)

NOVA SCOTIA NATURE TRUST

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2017

1. DESCRIPTION OF ORGANIZATION

Nova Scotia Nature Trust is a society incorporated under the provisions of the Societies Act of Nova Scotia and is a registered charity under the provisions of the Income Tax Act. The Nature Trust is also a designated conservation organization under the Conservation Easements Act of Nova Scotia. The Nature Trust promotes the conservation of ecologically important lands in the Province of Nova Scotia through the acquisition of lands and conservation easements and entering into cooperative agreements with landowners. The Nature Trust also undertakes stewardship of its conservation lands, public education, and engagement in stewardship and conservation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Part III of the Chartered Professional Accountants of Canada ("CPA Canada") Handbook - Accounting which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies set out below.

Cash and cash equivalents

Cash and cash equivalents represent cash in banks and short-term deposits with original maturities of less than 90 days or which are redeemable on notice.

Revenue recognition

The Nature Trust follows the deferral method of accounting for contributions.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted contributions, other than endowment contributions, are recognized as revenue in the year in which the related expenses are incurred or property acquired. Endowment contributions are recognized as direct increases in endowment net assets.

Contributions of conservation lands and easements are recognized as revenues when title or interest is transferred to the Nature Trust.

Investments

Investments are recorded at market value. The market value for investments is determined directly from published price quotations in an active market. Investments have been classified as held for trading, however they are restricted endowment assets. Unrealized gains and losses related to the equity investments are included in the statement of changes in net assets for the year.

NOVA SCOTIA NATURE TRUST
NOTES TO THE FINANCIAL STATEMENTSMarch 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Allowance for doubtful accounts**

An allowance for doubtful accounts receivable is maintained for accounts where there is a reasonable doubt of ultimate collectability. Accounts are written off when there is no reasonable expectation of collection.

Conservation lands and easements

Purchased conservation lands are recorded at cost when title or interest is transferred to the Nature Trust. The purchases are recorded as an asset offset by an increase in Net Assets Invested in Conservation Lands and Easements. In addition, an entry to Expense - Conservation Lands and Easements is recorded, funded by revenue.

Contributed conservation lands and easements are recorded at fair value when title or interest is transferred to the Nature Trust. The contributions are recorded as revenue and expenses and also as an asset, offset by Net Assets Invested in Conservation Lands and Easements. The fair market value of contributed conservation lands and easements donated under the federal ecological gifts program is subject to review by Environment Canada. Should the review not be finalized at the fiscal year end, and the value changes, the impact of that change will be recorded in the following fiscal year.

Conservation lands transferred to the Province of Nova Scotia under a conservation partnership agreement, are recorded as a reduction of net assets invested in conservation lands and easements.

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at the fair value at the date of contribution. Amortization is provided on a diminishing balance and straight-line basis using rates disclosed in Note 4. In the year of acquisition amortization is calculated at one half of the normal rates.

Contributed services

Volunteers contribute their time to assist the Nature Trust in carrying out its activities. Due to the difficulty in determining their fair value, contributed services are not recognized in the statements.

Human resources

Salaries and benefits are allocated on the statement of operations between program, administrative and fundraising expenses based on management's estimate of the portion of each employee's time spent on activities in each area.

NOVA SCOTIA NATURE TRUST

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management 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 the reported amounts of revenues and expenses during the year. Significant items subject to such estimates and assumptions include valuation of accounts receivable, conservation lands and easements, allocation of expenses and the estimated useful life of capital assets. Actual results could differ from those estimates.

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transactions costs on the acquisition, sale, or issue of a financial instrument are expensed when incurred.

When financial instruments that include both a debt and an equity component are issued, the proceeds are allocated firstly to the component for which the fair value is more readily determinable, and the residual is allocated to the other component.

Income taxes

The Nature Trust is a charitable organization from which no part of the income is payable or otherwise available for the personal benefit of any director. Therefore, it is exempt from income tax pursuant to Section 149(1)(l) of the Income Tax Act.

3. ACCOUNTS RECEIVABLE

	2017	2016
Accounts receivable	\$ 86,364	\$ 79,050
Accounts receivable - restricted for land stewardship endowment funds	2,697	6,437
Accounts receivable - restricted for operating endowment funds	593	1,766
	<u>\$ 89,654</u>	<u>\$ 87,253</u>

At year end, management is confident that all accounts receivable will be collected and no allowance for doubtful accounts is required.

NOVA SCOTIA NATURE TRUST

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2017

4. CAPITAL ASSETS

	Cost	2017 Accumulated Amortization	Net Book Value	2016 Net Book Value	Rates
Land	\$ 111,124	\$ -	\$ 111,124	\$ -	
Building	328,661	6,573	322,088	-	4% d.b.
Furniture	9,560	9,560	-	-	5 yrs s.l.
Office equipment	91,062	79,266	11,796	8,597	3 or 5 yrs s.l.
	<u>\$ 540,407</u>	<u>\$ 95,399</u>	<u>\$ 445,008</u>	<u>\$ 8,597</u>	

5. INVESTMENTS

	2017	2016
Short term investments:		
Non-Endowment	\$ 2,756,413	\$ 3,795,797
Land Stewardship Endowment	745,279	225,932
Operating Endowment	60,000	122,500
	<u>\$ 3,561,692</u>	<u>\$ 4,144,229</u>
Long term investments:		
Land stewardship endowment:		
Cash and equivalents	\$ 331,096	\$ 235,775
Fixed income	534,118	418,380
Preferred shares	93,800	76,420
Equities	1,141,430	964,684
	<u>\$ 2,100,444</u>	<u>\$ 1,695,259</u>
Operating endowment:		
Cash and equivalents	121,195	113,196
Fixed income	362,258	135,980
Preferred shares	55,104	44,292
Equities	596,137	396,122
	<u>\$ 1,134,694</u>	<u>\$ 689,590</u>
	<u>\$ 3,235,138</u>	<u>\$ 2,384,849</u>

NOVA SCOTIA NATURE TRUST

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2017

5. INVESTMENTS (continued)

The Trust manages three investment pools, one each for the two endowment funds and another for a combination of operating funds, unrestricted surplus and restricted deferred contributions (non-endowment). These pools are invested in accordance with Board-approved investment policy statements (IPS) and subject to planning, direction and regular oversight by the Investment Committee. The Trust has contracted an investment portfolio manager to provide advice with respect to security selection (buys and sells) and tactical adjustments, subject to the limits and requirements of the applicable IPS. The investment performance of these pools is monitored and reported quarterly. The highlights of the investment policy statements are as follows:

- Short term investments: These funds are invested short-term in fixed income instruments only such as Bankers Acceptance, T-Bills, GIC's, short-term bonds or savings accounts. The priorities are capital preservation, liquidity and cash flow timing. During the current year the Board of Directors approved amounts to be transferred from project surpluses to the Land Stewardship Endowment and from operating surplus to the Operating Endowment. These funds will be transferred from short term to long term investments early in the following fiscal year and will be invested in accordance with the investment policy statements. Approved transfers to the Land Stewardship Endowment in the current year totaled \$745,279 (2016 - \$225,932). Approved transfers to the Operating Endowment in the current year totaled \$60,000 (2016 - \$122,500).
- Endowment funds: Target investment allocation consists of 5% in cash and equivalents, 45% in fixed income and 50% in equity. These funds are invested in common stock - Canadian and non-Canadian, preferred shares, bonds and money-market instruments. The objective is an annual real net return (after inflation) of at least 3% with modest tolerance for short-term volatility.

6. CONSERVATION LANDS AND EASEMENTS

	2017	2016
Lands	\$ 9,257,875	\$9,140,893
Easements	<u>2,632,311</u>	<u>2,512,311</u>
	<u>\$11,890,186</u>	<u>\$11,653,204</u>

Conservation lands are properties owned by the Nature Trust. Conservation easements are legal agreements entered into between the Nature Trust and landowners under which restrictions are placed upon lands in order to help conserve the land and its natural features.

During the year, the Nature Trust purchased two properties for \$97,093, received a donated property with a value of \$21,000 and received an easement with a value of \$120,000. There was a reversal in 2017 of a 2016 purchase of land at a tax sale (\$784) since the original owner subsequently paid the back taxes to the municipality. There was \$327 in credit adjustments received in 2017 regarding a land purchase made in 2016.

NOVA SCOTIA NATURE TRUST

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2017

7. TRADE LANDS

Trade lands represent non-conservation lands donated to the Nature Trust with the understanding (by the donor and the Nature Trust) that they will be used to trade for important conservation lands, or sold to generate funds in support of the Nature Trust's conservation mission.

8. DEFERRED CONTRIBUTIONS

	2017	2016
Land securement	\$1,784,863	\$1,937,618
Land stewardship	405,276	1,001,744
Education and outreach program	282,062	222,842
Special projects	329,308	355,973
Strategic Fund	70,000	458,380
	<u>\$2,871,509</u>	<u>\$3,976,557</u>

Deferred contributions represent unspent contributions deferred to match expenditures in a future period. These amounts include contributions for donor specified programs or initiatives such as specific land securement, education programs, and strategic purposes.

9. DEFERRED CONTRIBUTIONS - CAPITAL ASSETS

During the year the Nature Trust purchased land and building at a cost of \$439,785. Deferred contributions in the amount of \$59,719 plus internally restricted funds in the amount of \$51,405 have been transferred directly to investment in net assets, representing the cost of the land. Deferred contributions in the amount of \$328,661, representing the cost of the building, will be recognized as income in the statement of operations each year to offset the amortization of the building. During the year deferred contributions of \$6,573 were recognized as income to offset amortization of the building.

10. ENDOWMENT FUNDS

Endowment funds are contributed by donors and through appropriations of operational surpluses approved by the Board of Directors. These funds are restricted in that the capital be permanently maintained and the investment income be used for specific purposes. The Land Stewardship Fund is for oversight and maintenance of conservation properties; the Operating Fund is for long-term funding for the Nature Trust's operations.

NOVA SCOTIA NATURE TRUST
NOTES TO THE FINANCIAL STATEMENTS
 March 31, 2017

11. CAPITAL MANAGEMENT

The Nature Trust considers its capital to be the balance maintained in its Net Assets. The primary financial management objective of the organization is to invest its capital in a manner that will allow it to continue as a going concern and comply with its stated objectives. Capital is invested under the direction of the Board of Directors of the organization with the objective of providing a reasonable rate of return, within reasonable risk tolerances and ensuring adequate liquid investments are on hand for current cash flow requirements.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Nature Trust's financial instruments consist of cash, short-term investments, accounts receivable, and accounts payable.

The carrying value of cash, short-term investments, accounts receivable and accounts payable approximate their fair value due to the immediate or short-term maturity of these financial instruments.

Liquidity risk

Liquidity risk is the risk that the Nature Trust will not be able to meet its obligations associated with financial liabilities. Cash flow from operations provides a substantial portion of the Nature Trust's cash requirements.

Credit risk

The Nature Trust is exposed to credit risk in the event of non-performance by counterparties in connection with its accounts receivable. The Nature Trust does not obtain collateral or other security to support the accounts receivable subject to credit risk but mitigates this risk by dealing only with what management believes to be financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance. The majority of the accounts receivable is with government agencies.

Interest rate risk

The Nature Trust's interest-bearing liabilities include an operating line of credit with a variable interest rate. Changes in the bank's prime lending rate can cause fluctuations in interest payments and future cash flows associated with the principal portion of the operating line of credit. The Nature Trust has not utilized the operating line of credit. Consequently, the exposure to fluctuations in the future cash flows, with respect to these instruments, as a result of changes in market interest rates, is limited.

13. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified from those previously presented to conform with the current year's presentation. In particular, investments have been reclassified between short term and long term based on their intended use in the Statement Of Financial Position.
