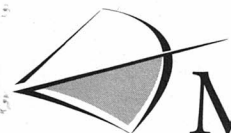


FINANCIAL STATEMENTS

Nova Scotia Nature Trust
March 31, 2018

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MILES · T · SWEENEY LIMITED

CHARTERED PROFESSIONAL ACCOUNTANTS

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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, 2018, and the statements of operations and 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 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, 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.

Dartmouth, Nova Scotia
June 19, 2018

Chartered Professional Accountants
Licensed Public Accountants

NOVA SCOTIA NATURE TRUST

STATEMENT OF FINANCIAL POSITION

March 31

2018

2017

Assets

Current

Cash and cash equivalents	\$ 200,158	\$ 101,026
Short term investments (Note 5)	3,243,790	3,561,692
Accounts receivable (Note 3)	314,415	89,654
Prepaid expenses and deposits on land	3,645	14,755

3,762,008 3,767,127

Long term investments (Note 5)	4,210,146	3,235,137
Conservation lands and easements (Note 6)	12,751,686	11,890,186
Capital assets (Note 4)	507,129	445,008
Trade lands (Note 7)	241,465	241,465

\$21,472,434 \$19,578,923

Liabilities and Net Assets

Current

Accounts payable and accrued liabilities	\$ 41,102	\$ 9,470
Deferred contributions (Note 8)	3,399,457	2,871,509
Deferred contributions for capital assets (Note 9)	318,742	322,088
Loan payable (Note 10)	90,000	-

Total liabilities 3,849,301 3,203,067

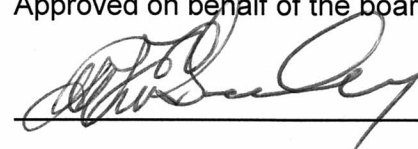
Net assets

Invested in conservation lands and easements	12,751,686	11,890,186
Invested in capital assets	188,387	122,920
Endowment fund - Land Stewardship (Note 11)	3,068,316	2,848,420
Endowment fund - Operating (Note 11)	1,333,938	1,195,286
Internally restricted	-	38,595
Operating - Unrestricted Surplus	280,806	280,449

Total net assets 17,623,133 16,375,856

\$21,472,434 \$19,578,923

Approved on behalf of the board:



Director



Director

(See accompanying notes to the financial statements)

NOVA SCOTIA NATURE TRUST

STATEMENT OF OPERATIONS

Year ended March 31

2018

2017

Revenues

Donations of conservation lands and easements	\$ 841,500	\$ 141,000
Other donations, memberships and grants	1,203,158	1,148,702
Fundraising events and activities	105,711	96,312
Investment income	26,984	22,718
Deferred contributions recognized for capital assets (Note 9)	13,346	6,573

Total revenues	<u>2,190,699</u>	<u>1,415,305</u>
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Expenses

Conservation lands and easements acquired		
Purchased	20,000	95,982
Donated	841,500	141,000

	<u>861,500</u>	<u>236,982</u>
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Programs

Land securement	207,474	214,104
Land stewardship	437,707	138,400
Education and outreach	213,478	393,083
Special projects	-	50,000

	<u>858,659</u>	<u>795,587</u>
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Administration and fundraising	<u>349,311</u>	<u>307,841</u>
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Total expenses	<u>2,069,470</u>	<u>1,340,410</u>
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Excess of revenues over expenses	121,229	74,895
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Board appropriation to land stewardship fund	(75,000)	-
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Board appropriation to operating endowment fund	(19,000)	(60,000)
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Transfer of funds for purchase of capital assets	38,595	111,124
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Net change in assets invested in capital assets	<u>(65,467)</u>	<u>(114,322)</u>
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Net change in operating unrestricted surplus	357	11,697
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Operating unrestricted surplus, beginning of year	<u>280,449</u>	<u>268,752</u>
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Operating unrestricted surplus, end of year	<u>\$ 280,806</u>	<u>\$ 280,449</u>
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(See accompanying notes to the financial statements)

NOVA SCOTIA NATURE TRUST
STATEMENT OF CHANGES IN NET ASSETS
Year end March 31

2018 **2017**

	Invested In Conservation Lands and Easements	Invested In Capital Assets	Land Stewardship Endowment Fund	Operating Endowment Fund	Internally Restricted	Operating Unrestricted Surplus	Total
Balance, beginning of year	\$11,890,186	\$122,920	2,848,420	\$1,195,286	\$38,595	\$280,449	\$16,375,856
Excess of revenues over expenses						121,229	121,229
Amortization of capital assets		(19,258)				19,258	0
Transfer of funds for purchase of capital assets					(38,595)	38,595	0
Deferred contributions recognized (Note 9)		13,346			(13,346)	0	0
Purchase of capital assets		72,460			(72,460)	0	0
Grant received to purchase capital assets		(10,000)			10,000	0	0
Planned gifts				11,691		11,691	29,861
Endowment Fund contributions			21,223	62,355		83,578	202,085
Unrealized gains (losses) on investments			78,178	32,776		110,954	206,746
Investment income (loss) - Endowment Fund			56,586	24,100		80,686	85,266
Investment management fees paid (net of HST)			(25,371)	(11,270)		(36,641)	(26,986)
Acquisition of conservation lands and easements, net of reductions (Note 6)	861,500					861,500	236,982
Internal appropriation from operating surplus			75,000	19,000		(94,000)	0
Transfer of project surpluses to land stewardship endowment			14,280			14,280	745,250
Acquisition of capital assets (excluding land and building)		8,918				(8,918)	0
Balance, end of year	\$12,751,686	\$188,387	\$3,068,316	\$1,333,938	\$0	\$280,806	\$17,623,133
							\$16,375,856

NOVA SCOTIA NATURE TRUST

STATEMENT OF CASH FLOWS

Year ended March 31

2018

2017

Cash generated from (used in) operating activities

Cash received from donations, memberships and grants	\$ 1,506,345	\$ 64,479
Cash received from fundraising events and activities	105,711	96,312
Cash paid for programs, administration and fundraising	(1,165,226)	(1,113,828)
	<u>446,830</u>	<u>(953,037)</u>

Cash generated from (used in) financing activities

Advances from (repayment of) loan payable	<u>90,000</u>	<u>-</u>
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Cash generated from (used in) investing activities

Purchase of investments, net of internal transfers	(336,319)	1,366,693
Purchase of conservation lands	(20,000)	(95,982)
Purchase of capital assets	(81,379)	(447,331)
	<u>(437,698)</u>	<u>823,380</u>

Net increase (decrease) in cash	99,132	(129,657)
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Cash, beginning of year	<u>101,026</u>	<u>230,683</u>
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Cash, end of year	<u>\$ 200,158</u>	<u>\$ 101,026</u>
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(See accompanying notes to the financial statements)

NOVA SCOTIA NATURE TRUST

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2018

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

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

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.

Other revenue is recognized when the Nature Trust becomes entitled to the revenue.

Investments

Investments are recorded at market value. The market value for investments is determined directly from published price quotations in an active market. Unrealized gains and losses are included in the statement of changes in net assets for the year.

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.

NOVA SCOTIA NATURE TRUST
NOTES TO THE FINANCIAL STATEMENTS

March 31, 2018

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.

Nature Trust regularly reviews its property, plant and equipment to eliminate obsolete items. Government grants are treated as deferred contributions and recognized in the statement of operations each year to offset amortization.

Capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

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, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement uncertainty

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. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to record all investments at fair value as they are managed and evaluated on a fair value basis.

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)(f) of the Income Tax Act.

3. ACCOUNTS RECEIVABLE

	2018	2017
Accounts receivable	\$ 313,248	\$ 86,364
Accounts receivable - restricted for land stewardship endowment funds	821	2,697
Accounts receivable - restricted for operating endowment funds	346	593
	<u>\$ 314,415</u>	<u>\$ 89,654</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, 2018

4. CAPITAL ASSETS

		2018		2017	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value	Rates
Land	\$ 111,124	\$ -	\$ 111,124	\$ 111,124	
Building	401,122	21,169	379,953	322,088	25 yrs s.l.
Furniture	12,744	9,878	2,866	-	5 yrs s.l.
Office equipment	96,796	83,610	13,186	11,796	3 or 5 yrs s.l.
	<u>\$ 621,786</u>	<u>\$ 114,657</u>	<u>\$ 507,129</u>	<u>\$ 445,008</u>	

5. INVESTMENTS

	2018	2017
Short term investments:		
Non-endowment	\$ 3,052,849	\$ 2,756,413
Land stewardship endowment	109,586	745,279
Operating endowment	81,355	60,000
	<u>\$ 3,243,790</u>	<u>\$ 3,561,692</u>
Long term investments:		
Land stewardship endowment:		
Cash and equivalents	\$ (6,333)	\$ 331,096
Fixed income	911,323	534,117
Preferred shares	-	93,800
Equities	1,637,213	1,141,430
Hedge strategies	415,706	-
	<u>2,957,909</u>	<u>2,100,443</u>
Operating endowment:		
Cash and equivalents	(2,681)	121,195
Fixed income	385,810	362,258
Preferred shares	-	55,104
Equities	693,118	596,137
Hedge strategies	175,990	-
	<u>1,252,237</u>	<u>1,134,694</u>
	<u>\$ 4,210,146</u>	<u>\$ 3,235,137</u>

NOVA SCOTIA NATURE TRUST

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2018

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 investment performance of the pools is monitored and reported at least quarterly.

The Investment Committee is directly managing the non-endowment pool, which is currently invested in a high rate savings account. The Trust has contracted an investment manager for the endowment funds. The investment manager provides advice with respect to investment selection (buys and sells) and tactical adjustments, subject to the limits and requirements of the IPS for the endowment funds. These monies are invested in a number of pooled funds managed by the investment manager's firm for the benefit of its clients. The highlights of the investment policy statements are as follows:

- Non-endowment and short-term endowment funds: These funds are invested short-term in fixed income instruments only such as Bankers Acceptance, T-Bills, GICs, short-term bonds or savings accounts. The investment priorities are capital preservation, liquidity and cash flow timing.
- Long-term endowment funds: These funds are invested in common stocks, bonds and derivatives through unit holdings of various pooled funds. The pooled funds have unit values determined daily based on end of the day market values. The target asset mix is 25% Canadian equity, 30% global equity, 35% bonds and 10% market neutral hedge strategy which uses derivatives. The maximums for each of the broad asset classes are 60% equity Canadian and Global combined, 60% bonds, including the market neutral hedge strategy, and 15% market neutral hedge strategy. The objective is an average real net return of at least 3% per annum with modest tolerance for short-term volatility. Real return means the return in excess of inflation.

6. CONSERVATION LANDS AND EASEMENTS

	2018	2017
Lands	\$10,119,375	\$ 9,257,875
Easements	<u>2,632,311</u>	<u>2,632,311</u>
	<u>\$12,751,686</u>	<u>\$11,890,186</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 one property for \$20,000 and received six donated properties with a total value of \$841,500.

NOVA SCOTIA NATURE TRUST

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2018

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

	2018	2017
Land securement	\$2,218,907	\$1,784,863
Land stewardship	741,408	405,276
Education and outreach program	93,168	282,062
Special projects	275,974	329,308
Strategic Fund	70,000	70,000
	<u>\$3,399,457</u>	<u>\$2,871,509</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

In fiscal 2017 the Nature Trust purchased land and building at a cost of \$439,785. The land was funded by \$59,719 of deferred contributions and \$51,405 from restricted surplus. The building was funded by \$328,661 of deferred contributions, that 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 \$13,146, (2017 - \$6,573) were recognized as income to offset amortization of the building.

Grants of \$10,000 were received to fund building renovation costs in fiscal 2018. During the year deferred contributions of \$200 were recognized as income to offset amortization of the building.

10. LOAN PAYABLE

Loan payable to an anonymous Nature Trust supporter to assist in the potential purchase of a time-sensitive conservation land purchase. This loan bears no interest and is repayable in April 2018.

NOVA SCOTIA NATURE TRUST

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2018

11. 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.

Contributions to the Land Stewardship Endowment in the current year totalled \$21,223 (2017 - \$2,085). Approved transfers to the Land Stewardship Endowment in the current year totalled \$14,280 (2017 - \$745,250). Approved internal appropriation transfers to the Land Stewardship Endowment in the current year totalled \$75,000 (2017 - \$Nil).

Contributions to the Operating Endowment in the current year totalled \$74,046 (2017 - \$229,861). Approved internal appropriation transfers to the Operating Endowment in the current year totalled \$19,000 (2017 - \$60,000).

12. BANK INDEBTEDNESS

The Nature Trust has an authorized line of credit in the amount of \$300,000 with CIBC. This line of credit was not utilized at March 31, 2018.

13. FINANCIAL INSTRUMENTS

The Nature Trust is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Nature Trust's risk exposure and concentration as of March 31, 2018.

Liquidity risk

Liquidity risk is the risk that the Nature Trust will encounter difficulty in meeting 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. The Nature Trust is also exposed to credit risk on pooled bond funds.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk.

NOVA SCOTIA NATURE TRUST

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2018

13. FINANCIAL INSTRUMENTS (continued)

Currency risk

Currency risk is the risk to Nature Trust's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Nature Trust is exposed to foreign currency exchange risk on investments in global equity funds. The Nature Trust may utilize derivative instruments to reduce its exposure to foreign currency risk.

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. The Nature Trust is also exposed to interest rate risk on pooled bond funds.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Nature Trust is exposed to other price risk through its investment in units of pooled funds.
