

THE BERMUDA NATIONAL TRUST

Consolidated Financial Statements
(With Independent Auditors' Report Thereon)

Year Ended December 31, 2009

TO THE MEMBERS OF THE BERMUDA NATIONAL TRUST

The consolidated financial statements of The Bermuda National Trust (the “Trust”) are the responsibility of the Council.

The consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in Bermuda and Canada, and necessarily include some amounts that are based on management’s best estimates and judgements.

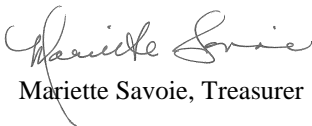
Management has developed and maintains systems of internal accounting controls, policies and procedures in order to provide reasonable assurance as to the reliability of the financial records of the Trust.

The Trust Council has established a Finance Committee. Its members are volunteers drawn from the community. This Committee reviews the consolidated financial statements with management prior to submission to the Trust Council for approval.

KPMG, Chartered Accountants, are responsible for performing an independent audit of the consolidated financial statements in accordance with auditing standards generally accepted in Bermuda and Canada and for expressing an opinion on the consolidated financial statements.



Paul Leseur, Acting President



Mariette Savoie, Treasurer



Jennifer Gray, Executive Director



KPMG

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

We have audited the consolidated balance sheet of The Bermuda National Trust as at December 31, 2009 and the consolidated statements of operations, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in Bermuda and Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many charitable organisations, the Trust derives revenue from donations, which are included as non-government gifts and grants, revenues on admissions, membership fees, sales, and special events in the consolidated statement of operations, the completeness of which is not susceptible to satisfactory audit procedures. Accordingly, our audit of these revenues was limited to the amounts recorded in the records of the Trust and we were not able to determine whether any adjustments might be necessary to non-government gifts and grants, revenues on admissions, membership fees, sales, and special events, excess (deficiency) of revenues over expenses, total assets and fund balances.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of revenue derived from donations referred to in the preceding paragraph, these consolidated financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in Bermuda and Canada.

Chartered Accountants
Hamilton, Bermuda
October 7, 2010

THE BERMUDA NATIONAL TRUST

Consolidated Balance Sheet

December 31, 2009

(Expressed in Bermuda Dollars)

	2009					2008 (As restated - Note 2(m))				
	General	Capital	Property	Endow- ment	Total	General	Capital	Property	Endow- ment	Total
Assets										
Current assets										
Cash and cash equivalents (Notes 3, 6 and 13)	\$ 661,855	\$ 1,315,079	\$ -	\$ 598,165	\$ 2,575,099	\$ 328,599	\$ 2,721,442	\$ -	\$ 562,371	\$ 3,612,412
Accounts receivable	65,955	4,686	-	-	70,641	96,299	3,906	-	-	100,205
Prepaid expenses	14,072	-	-	-	14,072	-	-	-	-	-
Pledges receivable	-	144,000	-	-	144,000	-	394,000	-	-	394,000
Accrued interest and dividends	-	-	-	1,850	1,850	-	558	-	2,170	2,728
Inventory (Note 5)	55,424	28,177	-	-	83,601	53,734	25,946	-	-	79,680
Deposit (Note 13)	-	-	462,500	-	462,500	-	-	125,000	-	125,000
Due from (to) other funds	<u>137,661</u>	<u>(121,446)</u>	<u>484</u>	<u>(16,699)</u>	<u>-</u>	<u>380,791</u>	<u>(212,782)</u>	<u>483</u>	<u>(168,492)</u>	<u>-</u>
Total current assets	934,967	1,370,496	462,984	583,316	3,351,763	859,423	2,933,070	125,483	396,049	4,314,025
Non-current assets										
Investments in marketable securities (Notes 4 and 6)	-	897,014	-	1,626,668	2,523,682	-	800,125	-	1,700,452	2,500,577
Investment in FIDNAT (Note 7)	-	-	7,098	-	7,098	-	-	7,098	-	7,098
Capital assets (Note 8)	-	-	193,179	-	193,179	-	-	233,307	-	233,307
Properties and collections (Notes 9 and 13)	<u>-</u>	<u>-</u>	<u>9,436,286</u>	<u>-</u>	<u>9,436,286</u>	<u>-</u>	<u>-</u>	<u>8,055,460</u>	<u>-</u>	<u>8,055,460</u>
Total assets	<u>\$ 934,967</u>	<u>\$ 2,267,510</u>	<u>\$ 10,099,547</u>	<u>\$ 2,209,984</u>	<u>\$ 15,512,008</u>	<u>\$ 859,423</u>	<u>\$ 3,733,195</u>	<u>\$ 8,421,348</u>	<u>\$ 2,096,501</u>	<u>\$ 15,110,467</u>

See accompanying notes to consolidated financial statements

THE BERMUDA NATIONAL TRUST

Consolidated Balance Sheet (continued)

December 31, 2009
(Expressed in Bermuda Dollars)

	2009					2008 (As restated - Note 2(m))				
	General	Capital	Property	Endow- ment	Total	General	Capital	Property	Endow- ment	Total
Liabilities and fund balances										
Current liabilities										
Accounts payable	\$ 66,461	\$ 22,459	\$ -	\$ -	\$ 88,920	\$ 121,473	\$ 9,155	\$ -	\$ -	\$ 130,628
Deferred rental income	21,199	-	-	-	21,199	26,075	-	-	-	26,075
Deferred gifts and grants (Note 6)	25,893	-	-	-	25,893	47,054	-	-	-	47,054
Deferred membership (Note 6)	11,180	-	-	-	11,180	12,290	-	-	-	12,290
Deposits	<u>39,832</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,832</u>	<u>33,052</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,052</u>
Total current liabilities	164,565	22,459	-	-	187,024	239,944	9,155	-	-	249,099
Non-current liabilities										
Deferred membership (Note 6)	9,165	-	-	-	9,165	11,280	-	-	-	11,280
Deferred rental income	<u>2,968</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,968</u>	<u>9,447</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,447</u>
Total liabilities	<u>176,698</u>	<u>22,459</u>	<u>-</u>	<u>-</u>	<u>199,157</u>	<u>260,671</u>	<u>9,155</u>	<u>-</u>	<u>-</u>	<u>269,826</u>
Fund balances										
Invested in capital assets, properties and collections	-	-	10,099,547	-	10,099,547	-	-	8,421,348	-	8,421,348
Externally restricted (Notes 6 and 11)	-	1,742,051	-	816,309	2,558,360	-	2,498,041	-	716,679	3,214,720
Internally restricted (Note 11)	-	503,000	-	1,393,675	1,896,675	-	1,225,999	-	1,379,822	2,605,821
Unrestricted	<u>758,269</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>758,269</u>	<u>598,752</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>598,752</u>
	<u>758,269</u>	<u>2,245,051</u>	<u>10,099,547</u>	<u>2,209,984</u>	<u>15,312,851</u>	<u>598,752</u>	<u>3,724,040</u>	<u>8,421,348</u>	<u>2,096,501</u>	<u>14,840,641</u>
	<u>\$ 934,967</u>	<u>\$ 2,267,510</u>	<u>\$ 10,099,547</u>	<u>\$ 2,209,984</u>	<u>\$ 15,512,008</u>	<u>\$ 859,423</u>	<u>\$ 3,733,195</u>	<u>\$ 8,421,348</u>	<u>\$ 2,096,501</u>	<u>\$ 15,110,467</u>

See accompanying notes to consolidated financial statements

Approved by Trust Council

Jennifer Gray, Executive Director

Mariette Savoie, Treasurer

THE BERMUDA NATIONAL TRUST

Consolidated Statement of Operations

Year Ended December 31, 2009

(Expressed in Bermuda Dollars)

	2009					2008 (As restated - Note 2(m))				
	General	Capital	Property	Endow- ment	Total	General	Capital	Property	Endow- ment	Total
Revenues										
Admissions	\$ 27,731	\$ –	\$ –	\$ –	\$ 27,731	\$ 42,241	\$ –	\$ –	\$ –	\$ 42,241
Gifts and grants										
Bermuda government	365,036	–	–	–	365,036	150,756	–	–	–	150,756
Non-government	567,357	365,256	–	–	932,613	540,669	3,299,063	–	–	3,839,732
Bequests	7,218	100,000	–	–	107,218	221,542	–	–	–	221,542
Interest and dividend income (Note 13)	411	46,746	–	59,892	107,049	4,221	104,848	–	60,595	169,664
Membership fees	57,726	–	–	–	57,726	61,476	–	–	–	61,476
Rental income	641,383	–	–	–	641,383	661,467	–	–	–	661,467
Sales – Trustworthy and publications	131,986	8,878	–	–	140,864	162,708	6,856	–	–	169,564
Special events (Note 17)	216,451	–	–	–	216,451	291,646	258,794	–	–	550,440
Tour income	99,012	–	–	–	99,012	115,855	–	–	–	115,855
Other income	69,957	22,232	–	–	92,189	94,205	–	–	–	94,205
Total revenues	2,184,268	543,112	–	59,892	2,787,272	2,346,786	3,669,561	–	60,595	6,076,942
Expenses										
Administrative (Note 13)	621,419	43,481	–	–	664,900	722,058	58,745	–	–	780,803
Amortisation	–	–	44,480	–	44,480	–	–	45,995	–	45,995
Development	239,351	–	–	–	239,351	293,897	–	–	–	293,897
Education	322,569	–	–	–	322,569	172,730	–	–	–	172,730
Museums	141,737	–	–	–	141,737	237,934	–	–	–	237,934
Loss on sale of investments	–	3,145	–	54,486	57,631	–	74,624	–	49,749	124,373
Restoration/renovation (Note 17)	701,214	3,440	–	–	704,654	633,734	–	–	–	633,734
Tour expenses	35,442	–	–	–	35,442	73,771	–	–	–	73,771
Trustworthy/publications	111,296	6,659	–	–	117,955	166,296	5,000	–	–	171,296
Total expenses	2,173,028	56,725	44,480	54,486	2,328,719	2,300,420	138,369	45,995	49,749	2,534,533
Excess (deficiency) of revenues over expenses	\$ 11,240	\$ 486,387	\$ (44,480)	\$ 5,406	\$ 458,553	\$ 46,366	\$ 3,531,192	\$ (45,995)	\$ 10,846	\$ 3,542,409

See accompanying notes to consolidated financial statements

THE BERMUDA NATIONAL TRUST

Consolidated Statement of Changes in Fund Balances

Year Ended December 31, 2009

(Expressed in Bermuda Dollars)

	2009					2008 (As restated - Note 2(m))				
	General	Capital	Property	Endow- ment	Total	General	Capital	Property	Endow- ment	Total
Fund balances, beginning of year	\$ 598,752	\$ 3,724,040	\$ 8,421,348	\$ 2,096,501	\$ 14,840,641	\$ 555,524	\$ 2,453,520	\$ 6,527,209	\$ 2,264,845	\$ 11,801,098
Excess (deficiency) of revenues over expenses, as previously reported	11,240	486,387	(44,480)	5,406	458,553	46,366	2,681,192	(45,995)	10,846	2,692,409
Donation of "Elm Lodge" property (Note 2(m))	—	—	—	—	—	—	850,000	—	—	850,000
Excess (deficiency) of revenues over expenses, as restated	<u>11,240</u>	<u>486,387</u>	<u>(44,480)</u>	<u>5,406</u>	<u>458,553</u>	<u>46,366</u>	<u>3,531,192</u>	<u>(45,995)</u>	<u>10,846</u>	<u>3,542,409</u>
	609,992	4,210,427	8,376,868	2,101,907	15,299,194	601,890	5,984,712	6,481,214	2,275,691	15,343,507
Net unrealised gains (losses) on available-for-sale securities during the year	—	(102,049)	—	115,706	13,657	—	(330,876)	—	(171,990)	(502,866)
Interfund transfers, as previously reported (Note 10)	148,277	(1,863,327)	1,722,679	(7,629)	—	(3,138)	(1,079,796)	1,090,134	(7,200)	—
Interfund transfer relating to "Elm Lodge" property (Note 2 (m))	—	—	—	—	—	—	(850,000)	850,000	—	—
Interfund transfers, as restated	<u>148,277</u>	<u>(1,863,327)</u>	<u>1,722,679</u>	<u>(7,629)</u>	<u>—</u>	<u>(3,138)</u>	<u>(1,929,796)</u>	<u>1,940,134</u>	<u>(7,200)</u>	<u>—</u>
Fund balances, end of year, as restated	\$ <u>758,269</u>	\$ <u>2,245,051</u>	\$ <u>10,099,547</u>	\$ <u>2,209,984</u>	\$ <u>15,312,851</u>	\$ <u>598,752</u>	\$ <u>3,724,040</u>	\$ <u>8,421,348</u>	\$ <u>2,096,501</u>	\$ <u>14,840,641</u>

See accompanying notes to consolidated financial statements

THE BERMUDA NATIONAL TRUST

Consolidated Statement of Cash Flows

Year Ended December 31, 2009

(Expressed in Bermuda Dollars)

	Operating activities		Financing and investing activities					Total	
	2009	2008	2009				2008	2009	2008
	General	General	Capital	Property	Endowment	Total	Total (As restated - Note 2 (m))	(As restated - Note 2 (m))	
Sources of cash									
Admissions and membership fees	\$ 82,232	\$ 124,103	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 82,232	\$ 124,103
Gifts and grants	918,450	960,021	465,256	-	-	465,256	2,055,063	1,383,706	3,015,084
Interest and dividends	411	4,221	47,304	-	60,212	107,516	166,708	107,927	170,929
Sale of marketable securities and interfund settlement	-	-	262,173	-	847,393	1,109,566	1,002,391	1,109,566	1,002,391
Rent	629,995	598,305	-	-	-	-	-	629,995	596,842
Sales - Trustworthy and publications	131,986	162,708	8,878	-	-	8,878	6,856	140,864	169,564
Tours, special events and other	385,420	416,620	22,232	-	-	22,232	258,794	407,652	675,414
Uses of cash									
Acquisition of capital assets	-	-	-	(4,352)	-	(4,352)	(10,338)	(4,352)	(10,338)
Acquisition of and improvements to property and collections	-	-	-	(1,130,826)	-	(1,130,826)	(1,079,796)	(1,130,826)	(1,079,796)
Administrative	(639,273)	(640,205)	(44,261)	-	-	(44,261)	(63,190)	(683,534)	(872,104)
Deposit paid	-	-	-	(337,500)	-	(337,500)	-	(337,500)	-
Development	(239,351)	(293,897)	-	-	-	-	-	(239,351)	(208,811)
Education	(322,569)	(172,730)	-	-	-	-	-	(322,569)	(172,730)
Museums	(141,737)	(237,934)	-	-	-	-	-	(141,737)	(237,934)
Purchase of marketable securities and interfund settlement	-	-	(464,256)	-	(712,390)	(1,176,646)	(1,305,990)	(1,176,646)	(1,305,990)
Restoration and renovation	(715,286)	(633,734)	9,864	-	-	9,864	-	(705,422)	(548,648)
Tours	(35,442)	(73,771)	-	-	-	-	-	(35,442)	(73,771)
Trustworthy and publications	(112,986)	(141,718)	(8,890)	-	-	(8,890)	15,433	(121,876)	(126,285)
Net increase (decrease) in cash and cash equivalents	(58,150)	71,989	298,300	(1,472,678)	195,215	(979,163)	1,045,931	(1,037,313)	1,117,920
Cash and cash equivalents, beginning of year	328,599	348,606	2,721,442	-	562,371	3,283,813	2,145,886	3,612,412	2,494,492
Interfund cash transfers	391,406	(91,996)	(1,704,663)	1,472,678	(159,421)	(391,406)	91,996	-	-
Cash and cash equivalents, end of year	\$ 661,855	\$ 328,599	\$ 1,315,079	\$ -	\$ 598,165	\$ 1,913,244	\$ 3,283,813	\$ 2,575,099	\$ 3,612,412

See accompanying notes to consolidated financial statements

THE BERMUDA NATIONAL TRUST

Notes to Consolidated Financial Statements

December 31, 2009

1. **Incorporation and organization**

The Bermuda National Trust (the "Trust") was established by the Bermuda National Trust Act, 1969 (as amended by the Bermuda National Trust Amendment Acts, 1970, 1982, 1984 and 1989).

The principal objectives of the Trust are to promote for the benefit of Bermuda the permanent preservation of buildings of beauty, historical interest or public interest and their surroundings, as well as lands with regard to their natural features and animal and plant life, furniture, pictures, documents and chattels of any description having national, historical or artistic interest, to maintain and manage lands acquired by the Trust as open spaces and buildings acquired for public use, and to promote the enjoyment of these properties by the public.

2. **Summary of significant accounting policies**

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Bermuda and Canada which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to useful lives of capital assets for purposes of amortisation, fair values of donated properties, valuation of accounts receivable and the provision for inventory obsolescence. Actual results could differ from those estimates. The significant accounting policies adopted by the Trust are as follows:

(a) Basis of consolidation

The consolidated financial statements include the accounts of the Trust and its wholly-owned subsidiaries, the Bermuda National Trust Unfinished Church Refurbishment Company Limited and the Bermuda National Trust Endowment Company Limited (the "Endowment Company"). All significant intercompany accounts and transactions have been eliminated on consolidation.

Interests in jointly controlled assets and related fund-raising projects are accounted for using the proportionate consolidation method. This results in the Trust recognising in its balance sheet its share of jointly controlled assets as well as its share of liabilities incurred jointly with other venturers, and in its statement of operations its proportionate share of any related revenues earned and expenses incurred (see Note 13).

(b) Fund accounting

The Trust maintains its financial statements in accordance with the restricted fund method of accounting. Resources are classified for accounting and reporting purposes into funds according to the activity or objective specified.

The General Fund accounts for the Trust's operating activities. This fund reports unrestricted resources and deferred operating gifts and grants.

The Capital Fund accounts for the Trust's capital related fund-raising activities.

The Property Fund accounts for the Trust's collections and capital assets.

The Endowment Fund accounts for gifts which are permanently restricted as to principal. Income on restricted endowments may only be used for maintenance of specified properties or nature reserves.

THE BERMUDA NATIONAL TRUST

Notes to Consolidated Financial Statements

December 31, 2009

2. Summary of significant accounting policies (continued)

(c) Revenue recognition

Restricted contributions related to general operations are recognised as revenues of the General Fund in the period received or receivable, or if made for future periods' operating expenses, are deferred and included in revenues in the periods when applicable expenses are incurred. All other restricted contributions are recognised as revenues of the appropriate restricted fund in the year received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Unrestricted contributions are recognised as revenue of the General Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions for endowment are recognised as revenue in the Endowment Fund.

Investment income is recognised as revenue of the appropriate fund when earned.

Realized gains and losses on the sale of investments are recorded in the statement of operations. Net unrealised gains and losses on investments classified as available-for-sale are recorded in the appropriate fund in the statement of changes in fund balances.

Rental income is recognised as revenue of the General Fund on a straight-line basis over the period of the lease.

(d) Inventory

Inventory is carried at the lower of cost and net realisable value. Cost is determined on an average cost basis.

(e) Investment in FIDNAT

The investment in the FIDNAT partnership (Note 7) is stated at cost.

THE BERMUDA NATIONAL TRUST

Notes to Consolidated Financial Statements

December 31, 2009

2. Summary of significant accounting policies (continued)

(f) Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Amortisation is provided on a straight-line basis over the assets' estimated useful lives as follows:

Computer equipment and software	3 years
Office equipment	5 years
Vehicles and other equipment	7 years
Park improvements	20 years

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When a capital asset no longer has any long-term service potential to the Trust, the excess of its net carrying value over any residual value is recognised as an expense in the statement of operations.

(g) Properties and collections

The Trust's properties and collections represent purchased historic buildings and surrounding land, nature reserves, museum artifacts, and works of art and are recorded at cost. Donated properties and collections are recognised when legal title passes to the Trust and are recorded at management's estimate of fair market value using independent appraisals where available. Proceeds from the sale of properties and collections are restricted to the purchase, restoration and maintenance of properties and collections, respectively. Properties and collections are not amortised.

(h) Cash and cash equivalents

For purposes of the statement of cash flows, the Trust considers all money market instruments and short term deposits with an original maturity of ninety days or less as equivalent to cash.

(i) Donated services

Donated services, other than volunteer services, are included in the financial statements at fair value. Professional fees donated with a fair value of \$73,938 (2008 - \$63,000) have been recorded in non-government gifts and grants in the statement of operations. The Trust is dependent on the efforts of its volunteers for the continuing operations of the Trust. Because of the difficulty in establishing the fair value of volunteer services, they are not recorded in the financial statements.

(j) Financial instruments

Financial instruments are classified either as available-for-sale, held-for-trading, held-to-maturity, loans and receivables, or other financial liabilities.

Cash and cash equivalents are classified as held-for-trading and are measured at fair value with changes therein recognised in the statement of operations.

The Trust has classified its investments in marketable securities as available-for-sale. Available-for-sale investments are valued at fair value based on the quoted closing bid price at the reporting date. Changes in fair value are included in fund balances until they are realised.

THE BERMUDA NATIONAL TRUST

Notes to Consolidated Financial Statements

December 31, 2009

2. Summary of significant accounting policies (continued)

(j) Financial instruments (continued)

Other financial assets, being accounts receivable, pledges receivable, deposits and accrued interest and dividends are classified as loans and receivables. Loans and receivables are recorded at amortised cost using the effective interest method, adjusted for any impairment.

All financial liabilities are classified as other financial liabilities and are recorded at amortised cost using the effective interest method.

(k) Accounting changes

In September 2008, the Canadian Institute of Chartered Accountants issued amendments to Handbook Sections 4400, *Financial Statement Presentation by Not-for-Profit Organisations*, and 4470, *Disclosure of Allocated Expenses by Not-for-Profit Organisations*. The amendments are effective for The Trust's fiscal year commencing January 1, 2009 and remove the requirement to disclose net assets invested in capital assets, clarify capital asset recognition criteria and depreciation, require disclosure of allocated fundraising and general support expenses by not-for-profit organisations, and include the requirement to follow Handbook Section 1540, *Cash Flow Statements*. These changes have had no impact on the Trust's financial statements.

(l) Future accounting pronouncements

In March 2010, the Canadian Accounting Standards Board ("AcSB") issued an exposure draft containing details of proposed new accounting standards for not-for-profit organisations. The Trust is in the process of reviewing the impact of these proposed new standards on its future reporting framework and financial statements.

(m) Prior year adjustment

On June 20, 2008, the Trust received by way of a donation, the Wingate Woodland Nature Reserve ("Elm Lodge Nature Reserve") comprising approximately 5.6 acres of land in Warwick. The nature reserve is included in properties and collections in the financial statements at its appraised fair value of \$850,000 (Note 9).

The Trust did not recognise the nature reserve in its financial statements for the year ended December 31, 2008. Accordingly the comparative figures for the year ended December 31, 2008 have been restated. The effect of this prior year adjustment is as follows:

	December 31, <u>2008</u>
Increase in properties and collections, total assets and fund balances	\$ 850,000
	=====
Increase in gifts and grants – non government and excess of revenues over expenses	\$ 850,000
	=====

3. Cash and cash equivalents

Cash and cash equivalents in the General Fund include money market funds in the amount of \$138,951 (2008 - \$138,726). Interest earned on cash and cash equivalents during the year was at an average effective interest rate of 0.61% (2008 - 2.52%).

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Notes to Consolidated Financial Statements

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4. Investments in marketable securities

Investments in marketable securities and time deposits are as follows:

	2009								
	Capital			Endowment			Total		
	Fair value	Net unrealised gain/(loss)	Cost	Fair value	Net unrealised gain/(loss)	Cost	Fair value	Net unrealised gain/(loss)	Cost
Bermuda equities	\$ 147,668	\$ (78,632)	\$ 226,300	\$ –	\$ –	\$ –	\$ 147,668	\$ (78,632)	\$ 226,300
U.S. equities	–	–	–	233,218	16,835	216,383	233,218	16,835	216,383
Time deposits	68,268	–	68,268	160,498	–	160,498	228,766	–	228,766
Debt securities	585,320	6,015	579,305	1,167,135	11,993	1,155,142	1,752,455	18,008	1,734,447
Mutual funds	95,758	50,441	45,317	65,817	(24,546)	90,363	161,575	25,895	135,680
Total	\$ 897,014	\$ (22,176)	\$ 919,190	\$ 1,626,668	\$ 4,282	\$ 1,622,386	\$ 2,523,682	\$ (17,894)	\$ 2,541,576
	2008								
	Capital			Endowment			Total		
	Fair value	Net unrealised gain/(loss)	Cost	Fair value	Net unrealised gain/(loss)	Cost	Fair value	Net unrealised gain/(loss)	Cost
Bermuda equities	\$ 361,796	\$ 135,498	\$ 226,298	\$ –	\$ –	\$ –	\$ 361,796	\$ 135,498	\$ 226,298
U.S. equities	–	–	–	273,453	(58,028)	331,481	273,453	(58,028)	331,481
Time deposits	67,865	–	67,865	158,194	–	158,194	226,059	–	226,059
Debt securities	266,394	(11,421)	277,815	1,197,275	(51,329)	1,248,604	1,463,669	(62,750)	1,526,419
Mutual funds	104,070	(44,204)	148,274	71,530	(2,067)	73,597	175,600	(46,271)	221,871
Total	\$ 800,125	\$ 79,873	\$ 720,252	\$ 1,700,452	\$ (111,424)	\$ 1,811,876	\$ 2,500,577	\$ (31,551)	\$ 2,532,128

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4. **Investments in marketable securities** (continued)

Time deposits mature in May, June and September 2010, and their carrying value approximates fair value. The fair value of other investments is based on year-end quoted market values. Interest earned on time deposits during the year was at an average effective interest rate of 2.11% (2008 - 2.43%).

5. **Inventory**

Inventory of \$83,601 (2008 - \$79,680) is stated net of a provision for obsolescence of \$25,000 (2008 - \$30,000). Inventory recognised as an expense amounted to \$85,596 (2008 - \$107,032) and is included in Expenses – Trustworthy and Publications in the statement of operations.

6. **Restricted amounts**

General Fund cash and cash equivalents of \$25,893 (2008 - \$47,054) relate to gifts and grants received to fund certain of the Trust's activities in future years such as archaeological and environmental projects, maintenance of government cemeteries, and restoration of government furnishings. The Trust has recorded a liability for deferred gifts and grants of an equivalent amount.

Capital Fund cash and cash equivalents of \$1,315,079 (2008 - \$2,721,442) and investments in marketable securities of \$526,814 (2008 - \$719,402) are restricted for restoration of specific properties, the funding of an education program, the acquisition and restoration of museum collections, and the acquisition of open space (Note 11).

Endowment Fund cash and cash equivalents of \$598,165 (2008 - \$562,371) and investments in marketable securities of \$936,878 (2008 - \$964,005) are restricted for the purposes set out in Note 11.

The deferred membership income of \$20,345 (2008 - \$23,570) represents that portion of income received for future years.

7. **Investment in FIDNAT**

The Endowment Company is a corporate general partner in the Fidelity National Trust Partnership ("FIDNAT") with a capital contribution equal to 0.5% of initial partnership capital. Per the partnership agreement, the Trust's maximum capital contributions cannot exceed \$7,578. FIDNAT owns a property which is leased to the Bermuda Underwater Exploration Institute, for a nominal amount until the year 2051, at which time the assets will revert back to the FIDNAT.

Profits and losses are allocated to the Endowment Company in proportion to its capital contribution until FIDNAT has received a return of capital and a reasonable return thereon, at which time the Endowment Company will be allocated 59.9% of profits and losses. During 2009 the Endowment Company's share of FIDNAT'S income was \$Nil (2008 - \$Nil).

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8. **Capital assets**

	<u>Cost</u>		<u>Accumulated amortisation</u>		<u>Net book value</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Park improvements	\$ 354,665	\$ 354,665	\$ 181,744	\$ 164,011	\$ 172,921	\$ 190,654
Computer equipment and software	207,320	202,968	203,060	190,650	4,260	12,318
Office equipment	86,002	86,002	75,876	69,504	10,126	16,498
Vehicles and other equipment	<u>111,697</u>	<u>111,697</u>	<u>105,825</u>	<u>97,860</u>	<u>5,872</u>	<u>13,837</u>
	<u>\$ 759,684</u>	<u>\$ 755,332</u>	<u>\$ 566,505</u>	<u>\$ 522,025</u>	<u>\$ 193,179</u>	<u>\$ 233,307</u>

9. **Property and collections**

	<u>2009</u>	<u>2008</u> (As restated)
Museum collections	\$ 90,528	\$ 85,526
Buildings and land	3,216,960	2,318,336
Nature reserves, as previously stated	6,128,798	4,801,598
Donation of "Elm Lodge" property (Note 2 (m))	<u>—</u>	<u>850,000</u>
Nature reserves, as restated	<u>6,128,798</u>	<u>5,651,598</u>
	<u>\$ 9,436,286</u>	<u>\$ 8,055,460</u>

During 2009, the Trust acquired the Lighthouse Hill Nature Reserve ("The Hamptons") for \$263,876 and recorded the donation of a 0.7 acre parcel of land at the southern end of Trimingham Hill, "Shorty's Patch", at its appraised fair value of \$250,000. Buck Island, a 4 acre nature reserve in Southampton donated during the year, has been leased back to the donors for 999 years with covenants preventing any development and, accordingly, has been recorded at its nominal value to the Trust of \$1. The Trust also invested \$861,951 during the year for the renovation of Palmetto House and improvement to the Vesey Nature Reserve (2008 - \$20,120).

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Notes to Consolidated Financial Statements

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10. **Interfund transfers**

Interfund transfers to (from) the following funds occurred for the year:

	2009			
	<u>General</u>	<u>Capital</u>	<u>Property</u>	<u>Endowment</u>
Appropriation for purchase of "The Hamptons" (Note 9)	\$ -	\$ (263,876)	\$ 263,876	\$ -
Appropriation for improvements to historic properties and nature reserves (Note 9)	-	(861,951)	861,951	-
Appropriation from Dennis Sherwin Environment fund for expenses	7,629	-	-	(7,629)
Appropriation for donated nature reserve "Shorty's Patch" (Note 9)	-	(250,000)	250,000	-
Appropriation for 50% of installments paid on Buy Back Bermuda land (Note 13)	-	(337,500)	337,500	-
Appropriation for capital assets	(9,352)	-	9,352	-
Appropriation for the Trust's Axis Education Program	<u>150,000</u>	<u>(150,000)</u>	<u>-</u>	<u>-</u>
	<u>\$ 148,277</u>	<u>\$ (1,863,327)</u>	<u>\$ 1,722,679</u>	<u>\$ (7,629)</u>
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>
	2008 (As restated)			
	<u>General</u>	<u>Capital</u>	<u>Property</u>	<u>Endowment</u>
Appropriation from Dennis Sherwin Environmental Fund for expenses	\$ 7,200	\$ -	\$ -	\$ (7,200)
Appropriation for capital assets	(10,338)	-	10,338	-
Appropriation for donated property "Elm Lodge" (Note 9)	-	(850,000)	850,000	-
Appropriation for 50% of installments paid on Buy Back Bermuda land (Note 13)	-	(795,120)	795,120	-
Appropriation for museum collections	-	(1,469)	1,469	-
Appropriation for improvements to historic properties	<u>-</u>	<u>(283,207)</u>	<u>283,207</u>	<u>-</u>
	<u>\$ (3,138)</u>	<u>\$ (1,929,796)</u>	<u>\$ 1,940,134</u>	<u>\$ (7,200)</u>
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

THE BERMUDA NATIONAL TRUST

Notes to Consolidated Financial Statements

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11. Restricted fund balances*(a)* Externally imposed restrictions on fund balances consist of the following:

	2009		2008	
	<u>Capital</u>	<u>Endowment</u>	<u>Capital</u>	<u>Endowment</u>
Open spaces	\$ 1,360,726	\$ 161,560	\$ 1,876,905	\$ 130,746
Collections	103,486	–	103,486	–
Education	196,846	–	436,657	–
Built Heritage	–	134,884	–	134,583
Unspecified	<u>80,993</u>	<u>519,865</u>	<u>80,993</u>	<u>451,350</u>
	<u>\$ 1,742,051</u>	<u>\$ 816,309</u>	<u>\$ 2,498,041</u>	<u>\$ 716,679</u>

(b) Internal restrictions on fund balances imposed by the Trust consist of the following:

	2009		2008	
	<u>Capital</u>	<u>Endowment</u>	<u>Capital</u>	<u>Endowment</u>
Open spaces				
Dennis Sherwin				
Environmental Fund	\$ –	\$ 12,045	\$ –	\$ 17,378
Built Heritage	180,836	108,277	1,023,796	108,035
Mary G. Williams				
Endowment Fund	–	1,149,091	–	1,146,524
Unspecified	<u>322,164</u>	<u>124,262</u>	<u>202,203</u>	<u>107,885</u>
	<u>\$ 503,000</u>	<u>\$ 1,393,675</u>	<u>\$ 1,255,999</u>	<u>\$ 1,379,822</u>

THE BERMUDA NATIONAL TRUST

Notes to Consolidated Financial Statements

December 31, 2009

12. Pension plan

The Trust operates a defined contribution pension plan whereby the Trust contributes 5% of each employee's gross salary. The pension charge for the year ended December 31, 2009 was \$50,451 (2008 - \$51,819), and is included in administrative expenses in the statement of operations. Contributions payable to the pension plan at December 31, 2009 were \$17,242 (2008: \$Nil).

13. Buy Back Bermuda Campaign

In 2004, the Trust and Bermuda Audubon Society entered into a joint venture initiative, the Buy Back Bermuda Campaign, to acquire and preserve public open space for the benefit of future generations.

The Trust has recorded 50% of all balance and transactions relating to this campaign in its financial statements. As at December 31, 2009, included within the financial statements are the following amounts:

	<u>2009</u>	<u>2008</u>
Cash and cash equivalents	\$ 957,337	\$ 1,224,471
Deposit	462,500	125,000
Property and collections	1,586,135	1,585,601
Gifts and grants (non-government)	84,188	1,739,208
Interest income	9,757	12,050
Administrative expenses	21,475	12,028
	=====	=====

14. Capital commitments

At year-end, the Trust had a commitment, jointly with the Bermuda Audubon Society, of \$1,600,000 to purchase a property in Hamilton Parish in connection with the Buy Back Bermuda Campaign. A deposit of \$925,000 (2008 - \$250,000) was paid on the property. The Trust has recorded 50% of this deposit in its financial statements (Note 13).

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Notes to Consolidated Financial Statements

December 31, 2009

15. Financial instruments

The Trust has designated its financial instruments as follows:

	2009		2008	
	Carrying value	Estimated fair value	Carrying value	Estimated fair value
Held-for-trading:				
Cash and cash equivalents	\$ 2,575,099	\$ 2,575,099	\$ 3,612,412	\$ 3,612,412
Loans and receivables:				
Accounts receivable	70,641	70,641	100,205	100,205
Pledges receivable	144,000	144,000	394,000	394,000
Accrued interest and dividends	1,850	1,850	2,728	2,728
Deposit	462,500	462,500	125,000	125,000
Available-for-sale:				
Investments in marketable securities	<u>2,523,682</u>	<u>2,523,682</u>	<u>2,500,577</u>	<u>2,500,577</u>
	\$ 5,777,772	\$ 5,777,772	\$ 6,734,922	\$ 6,734,922
Other liabilities:				
Accounts payable	\$ <u>88,920</u>	\$ <u>88,920</u>	\$ <u>130,628</u>	\$ <u>130,628</u>
	\$ 88,920	\$ 88,920	\$ 130,628	\$ 130,628

The Trust is exposed to the following financial risks arising from its financial assets and liabilities:

Market price risk

Market risk is the risk that future changes in market prices may render financial instruments less valuable or increase the liability associated with such instruments. Exposure to market risk is determined by a number of factors, including the size, duration, composition and diversification of positions held, the absolute and relative levels of interest rates and foreign exchange rates, as well as market volatility and liquidity.

Exposure to market risk associated with investments is equal to the carrying value of the instruments as recorded in the balance sheet.

The Trust is exposed to the investment activities of the underlying investment portfolios which may not be transparent to investors and could be affected by the actions of other investors. The Trust's exposure to market risk in respect of investments is limited to the on-balance sheet carrying value of the investments. Management engages in initial and on-going assessments of all sources of risk presented to the portfolio.

All of the Trust's investments are classified as available-for-sale. A 10% increase in the market price of these investments would have increased fund balances by \$229,494 (2008 - \$253,213). An equal change in the opposite direction would have decreased fund balances by \$229,494. There would be no effect on reported excess (deficiency) of revenues over expenses. The analysis assumes that all other variables remain constant and is performed on the same basis as for 2008.

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Notes to Consolidated Financial Statements

December 31, 2009

15. **Financial instruments** (continued)

Currency risk

Currency risk arises from changes in the prevailing foreign currency rates. Assets and liabilities are predominantly held in the functional currency of the Trust, which is the Bermuda dollar. The Trust is not exposed to significant foreign currency risks.

Credit risk

Credit risk is the risk that a customer or counterparty to a financial instrument fails to meet its contractual obligations to the Trust, and arises principally from cash and cash equivalents, accounts receivables, pledges receivable and accrued interest and dividends.

Cash and cash equivalents

The Trust maintains all of its cash and cash equivalents with major financial institutions of high quality credit standing. The risk of default is considered minimal.

Accounts receivable

The Trust's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Trust's receivables are with multiple Bermuda based customers, and are subject to normal industry credit risks.

The maximum exposure to credit risk for receivables at the reporting date is represented by the carrying values on the balance sheet.

At December 31, 2009, 38% of receivables were current, 30% of the receivables were past due 31 to 90 days and 32% past due more than 90 days. The receivables past due for more than 90 days are comprised primarily of one account where a contractual arrangement for services rendered exists. This account is not impaired and as such no provision has been established.

Interest rate risk

Interest rate risk arises from changes in the prevailing levels of market interest rates. The Trust is exposed to interest rate risk on its cash and cash equivalents which earn interest at variable market rates.

An increase of 100 basis points in interest rates for cash and cash equivalents as at December 31, 2009 would have increased the excess of revenues over expenses and fund balances by \$25,751 (2008 - \$36,124). A decrease in interest rates of 100 basis points would have had an equal but opposite effect on the excess of revenues over expenses and fund balances. The analysis assumes that all other variables remain constant, and is performed on the same basis as for 2008.

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Notes to Consolidated Financial Statements

December 31, 2009

15. Financial instruments (continued)

Liquidity risk

Liquidity risk is the risk the Trust will encounter difficulties meeting its financial liability obligations. Management does not believe that the Trust is exposed to significant liquidity risk.

The table below categorizes the Trust's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	<u>0-3 months</u>	<u>4-12 months</u>	<u>Greater than 1 year</u>	<u>Total</u>
December 31, 2009				
Accounts payable	\$ <u>68,920</u>	\$ <u>20,000</u>	\$ <u>—</u>	\$ <u>88,920</u>
Total financial liabilities	\$ <u>68,920</u>	\$ <u>20,000</u>	\$ <u>—</u>	\$ <u>88,920</u>
	<u>0-3 months</u>	<u>4-12 months</u>	<u>Greater than 1 year</u>	<u>Total</u>
December 31, 2008				
Accounts payable	\$ <u>130,628</u>	\$ <u>—</u>	\$ <u>—</u>	\$ <u>130,628</u>
Total financial liabilities	\$ <u>130,628</u>	\$ <u>—</u>	\$ <u>—</u>	\$ <u>130,628</u>

16. Capital management

The Trust defines capital, for its own purpose, as cumulative fund balances. During the fiscal year 2009, the Trust's objective when managing capital, which was unchanged from the prior year, was to hold sufficient funds to enable it to withstand negative unexpected financial events and continue as a going concern. The Trust seeks to achieve this objective by minimising its exposure to financial leverage and variable financial obligations and by holding cash and term deposits to maintain liquidity to enable it to meet its obligations as they become due. As at December 31, 2009, the Trust's accumulated fund balance amounted to \$15,312,851 (2008 - \$14,840,641). A significant portion of the fund balance is subject to both internally and externally imposed restrictions.

17. Comparative figures

Certain comparative figures for the year ended December 31, 2008 have been reclassified to conform with presentation adopted in the current year. Specifically special events proceeds and event costs previously presented on a net basis have been shown as gross income and expenses in the statement of operations, and property maintenance expenses previously reported separately in the statement of operations have been included within restoration/renovation expenses.