

THE BERMUDA NATIONAL TRUST

Consolidated Financial Statements
(With Independent Auditor's Report Thereon)

Year Ended December 31, 2017

TO THE MEMBERS OF THE BERMUDA NATIONAL TRUST

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

The consolidated financial statements have been prepared by management in accordance with accounting standards for not-for-profit organizations generally accepted in Bermuda and Canada, and necessarily include some amounts that are based on management’s best estimates and judgments.

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’s Council for approval.

KPMG Audit Limited, Chartered Professional Accountants, are responsible for performing an independent audit of the consolidated financial statements in accordance with International Standards on Auditing and for expressing an opinion on the consolidated financial statements.



Alana Anderson, President



Stephen Kuzyk, Treasurer



William Zuill, Executive Director



KPMG Audit Limited
Crown House
4 Par-la-Ville Road
Hamilton HM 08 Bermuda

Mailing Address:
P.O. Box HM 906
Hamilton HM DX Bermuda

Telephone +1 441 295 5063
Fax +1 441 295 9132
Internet www.kpmg.bm

INDEPENDENT AUDITOR'S REPORT

To the Members of The Bermuda National Trust

Qualified Opinion

We have audited the consolidated financial statements of The Bermuda National Trust (the "Trust"), which comprise the consolidated balance sheet as at December 31, 2017, and the consolidated statements of operations, changes in fund balances and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Trust as at December 31, 2017, and its consolidated financial performance for the year then ended in accordance with accounting standards for not-for-profit organizations generally accepted in Bermuda and Canada ("ASNFP").

Basis for Qualified Opinion

In common with many charitable organizations, the Trust derives the following revenue in the form of donations, which are included as \$621,190 of non-government gifts and grants, \$14,393 of admissions revenues, \$43,767 of membership fees, \$34,786 of sales - Trustworthy and publications, \$89,552 of other income and \$364,826 of revenues from special events in the consolidated statement of operations, the completeness of which is not susceptible to satisfactory audit procedures. We were unable to obtain sufficient appropriate audit evidence over the completeness of these revenues. Accordingly, our audit testing 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 revenues and the excess (deficiency) of revenues over expenses included in the consolidated statement of operations, changes in fund balances and cash flows for the year ended December 31, 2017, and total assets and fund balances included in the consolidated balance sheet as at December 31, 2017.

We conducted our audit in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Bermuda, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with ASNFP and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Trust or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Trust's financial reporting process.



Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG Audit Limited

Chartered Professional Accountants
Hamilton, Bermuda
June 4, 2018

THE BERMUDA NATIONAL TRUST

Consolidated Balance Sheet

December 31, 2017

(Expressed in Bermuda Dollars)

	2017					2016				
	<u>General</u>	<u>Capital</u>	<u>Property</u>	<u>Endowment</u>	<u>Total</u>	<u>General</u>	<u>Capital</u>	<u>Property</u>	<u>Endowment</u>	<u>Total</u>
Assets										
Current assets										
Cash and cash equivalents (Notes 3, 5, 12 and 13)	\$ 746,190	\$ 738,887	\$ –	\$ 653,806	\$ 2,138,883	\$ 891,252	\$ 668,373	\$ –	\$ 617,243	\$ 2,176,868
Accounts receivable (Note 13)	21,827	–	–	–	21,827	28,651	–	–	–	28,651
Accrued interest and dividends	–	–	–	693	693	–	–	–	706	706
Deposit (Notes 12 and 16)	–	–	15,000	–	15,000	–	–	–	–	–
Inventory	2,250	61,188	–	–	63,438	5,491	58,790	–	–	64,281
Due from (to) other funds	359,149	(50,081)	484	(309,552)	–	154,543	117,919	484	(272,946)	–
Total current assets	1,129,416	749,994	15,484	344,947	2,239,841	1,079,937	845,082	484	345,003	2,270,506
Non-current assets										
Investments in marketable securities and time deposits (Notes 4 and 5)	–	965,065	–	2,251,816	3,216,881	–	907,752	–	2,118,087	3,025,839
Investment in FIDNAT (Note 6)	–	–	7,098	–	7,098	–	–	7,098	–	7,098
Capital assets (Note 7)	–	–	108,385	–	108,385	–	–	161,985	–	161,985
Properties and collections (Notes 8 and 12)	–	–	13,212,141	–	13,212,141	–	–	13,139,619	–	13,139,619
Total assets	\$ 1,129,416	\$ 1,715,059	\$ 13,343,108	\$ 2,596,763	\$ 18,784,346	\$ 1,079,937	\$ 1,752,834	\$ 13,309,186	\$ 2,463,090	\$ 18,605,047

The accompanying notes are an integral part of these consolidated financial statements

THE BERMUDA NATIONAL TRUST

Consolidated Balance Sheet (continued)

December 31, 2017

(Expressed in Bermuda Dollars)

	2017					2016				
	General	Capital	Property	Endowment	Total	General	Capital	Property	Endowment	Total
Liabilities and fund balances										
Current liabilities										
Accounts payable (Note 15)	\$ 96,205	\$ 13,643	\$ –	\$ –	\$ 109,848	\$ 115,276	\$ 10,966	\$ –	\$ –	\$ 126,242
Deferred rental income	11,400	–	–	–	11,400	11,400	–	–	–	11,400
Deferred gifts and grants (Note 5)	162,649	–	–	–	162,649	128,321	–	–	–	128,321
Deferred membership (Note 5)	1,693	–	–	–	1,693	2,360	–	–	–	2,360
Deposits	93,853	–	–	–	93,853	95,278	–	–	–	95,278
Total current liabilities	365,800	13,643	–	–	379,443	352,635	10,966	–	–	363,601
Non-current liabilities										
Deferred membership (Note 5)	–	–	–	–	–	1,693	–	–	–	1,693
Deferred rental income	17,100	–	–	–	17,100	28,500	–	–	–	28,500
Total liabilities	382,900	13,643	–	–	396,543	382,828	10,966	–	–	393,794
Fund balances										
Invested in capital assets, properties and collections	–	–	13,343,108	–	13,343,108	–	–	13,309,186	–	13,309,186
Externally restricted (Note 10)	–	1,108,568	–	816,309	1,924,877	–	1,193,036	–	816,309	2,009,345
Internally restricted (Note 10)	–	592,848	–	1,780,454	2,373,302	–	548,832	–	1,646,781	2,195,613
Unrestricted	746,516	–	–	–	746,516	697,109	–	–	–	697,109
Total fund balances	746,516	1,701,416	13,343,108	2,596,763	18,387,803	697,109	1,741,868	13,309,186	2,463,090	18,211,253
Total liabilities and fund balances	\$ 1,129,416	\$ 1,715,059	\$ 13,343,108	\$ 2,596,763	\$ 18,784,346	\$ 1,079,937	\$ 1,752,834	\$ 13,309,186	\$ 2,463,090	\$ 18,605,047

The accompanying notes are an integral part of these consolidated financial statements

Approved by Trust Council



William Zuill, Executive Director



Stephen Kuzyk, Treasurer

THE BERMUDA NATIONAL TRUST

Consolidated Statement of Operations

Year Ended December 31, 2017

(Expressed in Bermuda Dollars)

	2017					2016				
	General	Capital	Property	Endowment	Total	General	Capital	Property	Endowment	Total
Revenues										
Rental income	\$ 880,463	\$ –	\$ –	\$ –	\$ 880,463	\$ 858,029	\$ –	\$ –	\$ –	\$ 858,029
Gifts and grants										
Non-government (Note 12)	423,610	197,580	–	–	621,190	362,680	447,733	–	–	810,413
Bermuda government	13,602	–	–	–	13,602	50,846	–	–	–	50,846
Special events	364,826	–	–	–	364,826	359,869	–	–	–	359,869
Other income	89,552	–	–	–	89,552	136,498	–	–	–	136,498
Membership fees	43,767	–	–	–	43,767	72,534	–	–	–	72,534
Interest and dividend income (Note 12)	1,264	12,823	–	28,694	42,781	485	21,251	–	48,181	69,917
Sales – Trustworthy and publications	26,691	8,095	–	–	34,786	18,518	32,780	–	–	51,298
Admissions	14,393	–	–	–	14,393	11,335	–	–	–	11,335
Net realized gains on sale of marketable securities	–	10,330	–	24,103	34,433	–	3,157	–	7,365	10,522
Change in fair value of marketable securities	–	60,882	–	105,527	166,409	–	38,908	–	(6,970)	31,938
Total revenues	1,858,168	289,710	–	158,324	2,306,202	1,870,794	543,829	–	48,576	2,463,199
Expenses										
Preservation (Note 12)	855,094	81,445	–	–	936,539	935,815	64,570	–	–	1,000,385
Administrative (Notes 11 and 12)	497,611	12,795	–	–	510,406	555,224	14,612	–	–	569,836
Development	325,321	–	–	–	325,321	385,013	–	–	–	385,013
Education and museums	297,769	–	–	–	297,769	295,450	–	–	–	295,450
Depreciation	–	–	53,600	–	53,600	–	–	53,827	–	53,827
Trustworthy and publications	6,017	–	–	–	6,017	14,218	16,009	–	–	30,227
Total expenses	1,981,812	94,240	53,600	–	2,129,652	2,185,720	95,191	53,827	–	2,334,738
Excess (deficiency) of revenues over expenses	\$ (123,644)	\$ 195,470	\$ (53,600)	\$ 158,324	\$ 176,550	\$ (314,926)	\$ 448,638	\$ (53,827)	\$ 48,576	\$ 128,461

The accompanying notes are an integral part of these consolidated financial statements

THE BERMUDA NATIONAL TRUST

Consolidated Statement of Changes in Fund Balances

Year Ended December 31, 2017

(Expressed in Bermuda Dollars)

	2017					2016				
	<u>General</u>	<u>Capital</u>	<u>Property</u>	<u>Endowment</u>	<u>Total</u>	<u>General</u>	<u>Capital</u>	<u>Property</u>	<u>Endowment</u>	<u>Total</u>
Fund balances, beginning of year	\$ 697,109	\$ 1,741,868	\$ 13,309,186	\$ 2,463,090	\$ 18,211,253	\$ 776,392	\$ 1,718,303	\$ 13,133,690	\$ 2,454,407	\$ 18,082,792
Excess (deficiency) of revenues over expenses	(123,644)	195,470	(53,600)	158,324	176,550	(314,926)	448,638	(53,827)	48,576	128,461
Interfund transfers (Note 9)	<u>173,051</u>	<u>(235,922)</u>	<u>87,522</u>	<u>(24,651)</u>	<u>—</u>	<u>235,643</u>	<u>(425,073)</u>	<u>229,323</u>	<u>(39,893)</u>	<u>—</u>
Fund balances, end of year	<u>\$ 746,516</u>	<u>\$ 1,701,416</u>	<u>\$ 13,343,108</u>	<u>\$ 2,596,763</u>	<u>\$ 18,387,803</u>	<u>\$ 697,109</u>	<u>\$ 1,741,868</u>	<u>\$ 13,309,186</u>	<u>\$ 2,463,090</u>	<u>\$ 18,211,253</u>

The accompanying notes are an integral part of these consolidated financial statements

THE BERMUDA NATIONAL TRUST

Consolidated Statement of Cash Flows

Year Ended December 31, 2017

(Expressed in Bermuda Dollars)

	Operating activities		Financing and investing activities				Total		
	2017	2016	2017				2016		
	General	General	Capital	Property	Endowment	Total	Total	2017	2016
Sources of cash-									
Admissions and membership fees	\$ 55,800	\$ 79,191	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 55,800	\$ 79,191
Gifts and grants	471,540	390,149	197,580	–	–	197,580	447,737	669,120	837,886
Interest and dividends	1,264	485	12,823	–	28,707	41,530	69,427	42,794	69,912
Sale of marketable securities and interfund settlement	–	–	209,051	–	452,206	661,257	978,136	661,257	978,136
Rent	874,432	836,688	–	–	–	–	–	874,432	836,688
Sales - Trustworthy and publications	26,691	18,518	8,095	–	–	8,095	32,780	34,786	51,298
Special events, tours and other	454,378	496,338	–	–	–	–	–	454,378	496,338
Uses of cash									
Acquisition of capital assets	–	–	–	–	–	–	(35,850)	–	(35,850)
Acquisition of and improvements to property and collections	–	–	–	(72,522)	–	(72,522)	(193,473)	(72,522)	(193,473)
Administrative	(516,683)	(512,757)	(15,164)	–	–	(15,164)	(14,612)	(531,847)	(527,369)
Deposit paid	–	–	–	(15,000)	–	(15,000)	–	(15,000)	–
Development	(325,321)	(385,013)	–	–	–	–	–	(325,321)	(385,013)
Education and museums	(297,769)	(295,450)	–	–	–	–	–	(297,769)	(295,450)
Purchase of marketable securities and interfund settlement	–	–	(195,152)	–	(456,305)	(651,457)	(1,024,919)	(651,457)	(1,024,919)
Preservation	(855,064)	(935,815)	(78,797)	–	–	(78,797)	(65,820)	(933,861)	(1,001,635)
Trustworthy and publications	(2,775)	(17,910)	–	–	–	–	(20,639)	(2,775)	(38,549)
Net (decrease) increase in cash and cash equivalents	(113,507)	(325,576)	138,436	(87,522)	24,608	75,522	172,767	(37,985)	(152,809)
Cash and cash equivalents, beginning of year	891,252	1,100,104	668,373	–	617,243	1,285,616	1,229,573	2,176,868	2,329,677
Interfund cash transfers	(31,555)	116,724	(67,922)	87,522	11,955	31,555	(116,724)	–	–
Cash and cash equivalents, end of year	\$ 746,190	\$ 891,252	\$ 738,887	\$ –	\$ 653,806	\$ 1,392,693	\$ 1,285,616	\$ 2,138,883	\$ 2,176,868

The accompanying notes are an integral part of these consolidated financial statement

THE BERMUDA NATIONAL TRUST

Notes to Consolidated Financial Statements

December 31, 2017

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 Standards for Not-for-Profit Organizations (“ASNFO”) contained in Part III of the Chartered Professional Accountants of Canada Handbook - Accounting and include the following significant accounting policies:

(a) *Basis of consolidation*

These consolidated financial statements include the accounts of the Trust and its wholly-owned subsidiary, the Bermuda National Trust Endowment Company Limited (the “Endowment Company”). All intercompany accounts and transactions have been eliminated upon consolidation.

Interests in jointly controlled assets and related fund-raising projects are accounted for using the proportionate consolidation method. This results in the Trust recognizing in its consolidated balance sheet its share of jointly controlled assets as well as its share of liabilities incurred jointly with other venturers, and in its consolidated statement of operations its proportionate share of any related revenues earned and expenses incurred (Note 12).

(b) *Fund accounting*

The Trust maintains its consolidated 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.

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 endowments may be used for maintenance of specified properties, nature reserves, or in support of general operations.

THE BERMUDA NATIONAL TRUST

Notes to Consolidated Financial Statements

December 31, 2017

2. **Summary of significant accounting policies** (continued)

(c) *Revenue recognition*

Restricted contributions related to general operations are recognized as revenue of the General Fund in the period received or receivable, or if made for future periods' operating expenses, are deferred and included in revenue in the periods when applicable expenses are incurred. All other restricted contributions are recognized as revenue 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 recognized 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 recognized as revenue in the Endowment Fund.

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

Net realized gains and losses on the sale of investments and changes in fair value of investments are recorded in the Capital and Endowment Funds in the consolidated statement of operations.

Rental income is recognized 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 realizable value. Cost is determined on a weighted average cost basis. Provision is made where necessary for slow-moving or obsolete inventory.

(e) *Investment in FIDNAT*

The investment in the FIDNAT partnership is stated at cost.

(f) *Capital assets*

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Depreciation 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 recognized as an impairment expense in the consolidated statement of operations.

THE BERMUDA NATIONAL TRUST

Notes to Consolidated Financial Statements

December 31, 2017

2. **Summary of significant accounting policies** (continued)

(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 recognized 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 amortized.

(h) *Cash and cash equivalents*

For purposes of the consolidated 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 consolidated financial statements at fair value on the date of the donation. Professional fees donated with a fair value of \$36,315 (2016 - \$31,288) have been recorded in non-government gifts and grants in the consolidated 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 consolidated financial statements.

(j) *Financial instruments*

Financial instruments consist of cash and cash equivalents, investment in marketable securities, accounts receivable and accounts payable.

Marketable securities quoted in an active market are carried at fair value, with the related net change in fair value included in the consolidated statement of operations. The fair value of the marketable securities is based on quoted market values. Transaction costs are recognized in the consolidated statement of operations in the period incurred.

Purchases and sales of marketable securities are accounted for at the transaction date.

Accounts receivable are measured at amortized cost using the effective interest method, less any adjustment for impairment.

Accounts payable are measured at amortized cost using the effective interest method.

Financial assets are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in the consolidated statement of operations. Any previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the consolidated statement of operations.

3. **Cash and cash equivalents**

Cash and cash equivalents in the General Fund include money market funds in the amount of \$140,782 (2016 - \$139,520). Interest earned on cash and cash equivalents during the year was at an average effective interest rate of 0.31% (2016 - 0.20%).

THE BERMUDA NATIONAL TRUST

Notes to Consolidated Financial Statements

December 31, 2017

4. Investments in marketable securities and time deposits

Investments in marketable securities and time deposits are as follows:

	2017								
	Capital			Endowment			Total		
	Cost	Net unrealised gain (loss)	Fair value	Cost	Net unrealised gain	Fair value	Cost	Net unrealised gain (loss)	Fair value
Bermuda equities	\$ 46,041	\$ 81,899	\$ 127,940	\$ –	\$ –	\$ –	\$ 46,041	\$ 81,899	\$ 127,940
Time deposits	68,563	–	68,563	169,685	–	169,685	238,248	–	238,248
Debt securities	779,756	(11,194)	768,562	1,029,657	2,989	1,032,646	1,809,413	(8,205)	1,801,208
Mutual funds	–	–	–	887,497	161,988	1,049,485	887,497	161,988	1,049,485
	<u>\$ 894,360</u>	<u>\$ 70,705</u>	<u>\$ 965,065</u>	<u>\$ 2,086,839</u>	<u>\$ 164,977</u>	<u>\$ 2,251,816</u>	<u>\$ 2,981,199</u>	<u>\$ 235,682</u>	<u>\$ 3,216,881</u>
	2016								
	Capital			Endowment			Total		
	Cost	Net unrealised gain (loss)	Fair value	Cost	Net unrealised gain	Fair value	Cost	Net unrealised gain (loss)	Fair value
Bermuda equities	\$ 46,041	\$ 66,243	\$ 112,284	\$ –	\$ –	\$ –	\$ 46,041	\$ 66,243	\$ 112,284
Time deposits	68,507	–	68,507	168,791	–	168,791	237,298	–	237,298
Debt securities	772,422	(45,461)	726,961	1,019,547	22,235	1,041,782	1,791,969	(23,226)	1,768,743
Mutual funds	–	–	–	881,258	26,256	907,514	881,258	26,256	907,514
	<u>\$ 886,970</u>	<u>\$ 20,782</u>	<u>\$ 907,752</u>	<u>\$ 2,069,596</u>	<u>\$ 48,491</u>	<u>\$ 2,118,087</u>	<u>\$ 2,956,566</u>	<u>\$ 69,273</u>	<u>\$ 3,025,839</u>

Time deposits mature in May, June and September 2018, 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 0.40% (2016 - 0.37%).

THE BERMUDA NATIONAL TRUST

Notes to Consolidated Financial Statements

December 31, 2017

5. Restricted amounts

General Fund cash and cash equivalents of \$162,649 (2016 - \$128,321) 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 \$738,887 (2016 - \$668,373) and investments in marketable securities of \$965,065 (2016 - \$907,752) 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 10).

Endowment Fund cash and cash equivalents of \$653,806 (2016 - \$617,243) and investments in marketable securities of \$2,251,816 (2016 - \$2,118,087) are restricted for the purposes set out in Note 10.

The deferred membership income of \$1,693 (2016 - \$4,053) represents that portion of income received for future years.

6. 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 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 59.5% of profits and losses. During 2017 the Endowment Company's share of FIDNAT'S income was \$nil (2016 - \$nil) and the cost of its investment in FIDNAT as at December 31, 2017 was \$7,098 (2016 - \$7,098).

7. Capital assets

	2017		2016	
	Cost	Accumulated depreciation	Net book value	Net book value
Park improvements	\$ 354,665	\$ 323,608	\$ 31,057	\$ 48,790
Computer equipment and software	259,432	250,550	8,882	24,309
Office equipment	126,002	114,002	12,000	20,000
Vehicles and other equipment	<u>221,278</u>	<u>164,832</u>	<u>56,446</u>	<u>68,886</u>
	<u>\$ 961,377</u>	<u>\$ 852,992</u>	<u>\$ 108,385</u>	<u>\$ 161,985</u>

The cost and accumulated depreciation of capital assets at December 31, 2016 were \$961,377 and \$799,392 respectively.

THE BERMUDA NATIONAL TRUST

Notes to Consolidated Financial Statements

December 31, 2017

8. Property and collections

	<u>2017</u>	<u>2016</u>
Museum collections	\$ 90,528	\$ 90,528
Buildings and land	6,297,647	6,225,125
Nature reserves	<u>6,823,966</u>	<u>6,823,966</u>
	<u>\$ 13,212,141</u>	<u>\$ 13,139,619</u>

During the year the Trust invested a further \$72,522 (2016 - \$193,473) on renovations to its Springfield property in Sandys.

9. Interfund transfers

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

	<u>2017</u>			
	<u>General</u>	<u>Capital</u>	<u>Property</u>	<u>Endowment</u>
Appropriation for improvements to historic properties (Note 8)	\$ -	\$ (72,522)	\$ 72,522	\$ -
Appropriation for 50% installment on Buy Back Bermuda land (Notes 12 and 16)	-	(15,000)	15,000	-
Appropriation from Dennis Sherwin Environment Fund for expenses	7,200	-	-	(7,200)
Appropriation from Endowment Fund for operations	17,451	-	-	(17,451)
Appropriation for the Trust's Education Program	<u>148,400</u>	<u>(148,400)</u>	<u>-</u>	<u>-</u>
	<u>\$ 173,051</u>	<u>\$ (235,922)</u>	<u>\$ 87,522</u>	<u>\$ (24,651)</u>
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>
	<u>2016</u>			
	<u>General</u>	<u>Capital</u>	<u>Property</u>	<u>Endowment</u>
Appropriation for improvements to historic properties (Note 8)	\$ -	\$ (193,473)	\$ 193,473	\$ -
Appropriation for capital assets	-	(35,850)	35,850	-
Appropriation from Dennis Sherwin Environment Fund for expenses	7,200	-	-	(7,200)
Appropriation from Endowment Fund for operations	32,693	-	-	(32,693)
Appropriation for the Trust's Education Program	<u>195,750</u>	<u>(195,750)</u>	<u>-</u>	<u>-</u>
	<u>\$ 235,643</u>	<u>\$ (425,073)</u>	<u>\$ 229,323</u>	<u>\$ (39,893)</u>
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

THE BERMUDA NATIONAL TRUST

Notes to Consolidated Financial Statements

December 31, 2017

10. Restricted fund balances

(a) Externally imposed restrictions on fund balances consist of the following:

	2017		2016	
	Capital	Endowment	Capital	Endowment
Open spaces				
Buy Back Bermuda Fund	\$ 360,966	\$ –	\$ 399,496	\$ –
Dennis Sherwin Environmental Fund	–	161,560	–	161,560
Nature Reserves Fund	543,829	–	510,158	–
Collections	87,785	–	88,109	–
Education	5,000	–	28,357	–
Built Heritage	110,988	134,884	166,916	134,884
Unspecified	–	519,865	–	519,865
	<u>\$ 1,108,568</u>	<u>\$ 816,309</u>	<u>\$ 1,193,036</u>	<u>\$ 816,309</u>

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

	2017		2016	
	Capital	Endowment	Capital	Endowment
Publications	\$ 207,914	\$ –	\$ 187,448	\$ –
Built Heritage	42,077	108,277	45,671	108,277
Mary G. Williams Endowment Fund	–	1,149,091	–	1,149,091
Unspecified	<u>342,857</u>	<u>523,086</u>	<u>315,713</u>	<u>389,413</u>
	<u>\$ 592,848</u>	<u>\$ 1,780,454</u>	<u>\$ 548,832</u>	<u>\$ 1,646,781</u>

11. Pension plan

The Trust operates a defined contribution pension plan whereby the Trust contributes 5% of each employee's gross salary. The pension expense for the year ended December 31, 2017 was \$52,306 (2016 - \$47,668), and is included in administrative expenses in the consolidated statement of operations. Contributions payable to the pension plan at December 31, 2017 were \$nil (2016 - \$nil).

12. Buy Back Bermuda Campaign

In 2004, the Trust and Bermuda Audubon Society entered 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 balances and transactions relating to this campaign in its consolidated financial statements. As at December 31, 2017, included within the consolidated financial statements are the following amounts:

	2017	2016
Cash and cash equivalents	\$ 364,394	\$ 400,246
Deposit (Note 16)	15,000	–
Property and collections	2,386,136	2,386,136
Gifts and grants (non-government)	2,728	146
Interest income	38	40
Preservation expenses	13,689	9,983
Administrative expenses	12,606	12,554

THE BERMUDA NATIONAL TRUST

Notes to Consolidated Financial Statements

December 31, 2017

13. Financial instruments

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

Market price risk

Market price 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 price 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 price risk associated with investments in marketable securities is equal to the carrying value of the instruments as recorded in the consolidated 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 price 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.

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 risk.

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 and accounts receivable.

All of the Trust's cash and cash equivalents are held with Bermuda based financial institutions. Standard and Poors have rated these financial institutions as A2.

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 value on the consolidated balance sheet.

At December 31, 2017, 57% of receivables were current, 14% of the receivables were 31 to 90 days past due and 29% were more than 90 days past due. The receivables past due for more than 90 days are considered collectible for services rendered and as such no provision for impairment 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.

Liquidity risk

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

THE BERMUDA NATIONAL TRUST

Notes to Consolidated Financial Statements

December 31, 2017

14. **Capital management**

The Trust defines capital, for its own purpose, as cumulative fund balances. During the fiscal year 2017, 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 minimizing 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, 2017, the Trust's consolidated total fund balances amounted to \$18,387,803 (2016 - \$18,211,253). A significant portion of the fund balance is subject to both internally and externally imposed restrictions (Note 10).

15. **Government remittances payable**

Included in accounts payable are government remittances payable of \$21,322 (2016 - \$34,236).

16. **Subsequent events**

During the year the Buy Back Bermuda Campaign paid a deposit of \$30,000 for the purchase of a parcel of land in Warwick. However, subsequent to year end the deposit was returned when conditions of the Purchase and Sale Agreement were not met.