

THE BERMUDA NATIONAL TRUST

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

Year Ended December 31, 2015

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 standards for not-for-profit organisations 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 Council for approval.

KPMG Audit Limited, Chartered Professional 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.



Lt. Col. (Retd) William K. White, President



Stephen Kuzyk, Treasurer



Jennifer Gray, 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

We have audited the accompanying consolidated financial statements of The Bermuda National Trust (the "Trust"), which comprise the consolidated balance sheet as at December 31, 2015, the consolidated statements of operations, changes in fund balances and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting standards for not-for-profit organisations generally accepted in Bermuda and Canada, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Bermuda and Canada. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Trust's preparation and fair presentation of the consolidated 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 Trust'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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

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 verification. 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, special events and excess (deficiency) of revenues over expenses included in the consolidated statements of operations, changes in fund balances and cash flows for the year ended December 31, 2015, and total assets and fund balances included in the consolidated balance sheet as at December 31, 2015.



Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Trust as at December 31, 2015 and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with accounting standards for not-for-profit organisations generally accepted in Bermuda and Canada.

KPMG Audit Limited

Chartered Professional Accountants
Hamilton, Bermuda
June 10, 2016

THE BERMUDA NATIONAL TRUST

Consolidated Balance Sheet

December 31, 2015

(Expressed in Bermuda Dollars)

	2015					2014				
	<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 and 12)	\$ 1,100,104	\$ 628,739	\$ –	\$ 600,834	\$ 2,329,677	\$ 1,066,744	\$ 585,177	\$ –	\$ 576,557	\$ 2,228,478
Accounts receivable	18,181	–	–	–	18,181	21,784	–	–	–	21,784
Accrued interest and dividends	–	–	–	700	700	–	–	–	568	568
Inventory	1,801	54,189	–	–	55,990	18,478	52,658	–	–	71,136
Due from (to) other funds	<u>35,625</u>	<u>166,619</u>	<u>484</u>	<u>(202,728)</u>	<u>–</u>	<u>(170,553)</u>	<u>343,306</u>	<u>484</u>	<u>(173,237)</u>	<u>–</u>
Total current assets	1,155,711	849,547	484	398,806	2,404,548	936,453	981,141	484	403,888	2,321,966
Non-current assets										
Investments in marketable securities (Notes 4 and 5)	–	880,972	–	2,055,601	2,936,573	–	882,642	–	2,059,499	2,942,141
Investment in FIDNAT (Note 6)	–	–	7,098	–	7,098	–	–	7,098	–	7,098
Capital assets (Note 7)	–	–	179,962	–	179,962	–	–	109,650	–	109,650
Properties and collections (Notes 8 and 12)	<u>–</u>	<u>–</u>	<u>12,946,146</u>	<u>–</u>	<u>12,946,146</u>	<u>–</u>	<u>–</u>	<u>12,664,916</u>	<u>–</u>	<u>12,664,916</u>
Total assets	\$ 1,155,711	\$ 1,730,519	\$ 13,133,690	\$ 2,454,407	\$18,474,327	\$ 936,453	\$ 1,863,783	\$12,782,148	\$ 2,463,387	\$18,045,771

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

THE BERMUDA NATIONAL TRUST

Consolidated Balance Sheet (continued)

December 31, 2015

(Expressed in Bermuda Dollars)

	2015					2014				
	General	Capital	Property	Endowment	Total	General	Capital	Property	Endowment	Total
Liabilities and fund balances										
Current liabilities										
Accounts payable (Note 15)	\$ 72,812	\$ 12,216	\$ –	\$ –	\$ 85,028	\$ 86,975	\$ 13,594	\$ –	\$ –	\$ 100,569
Deferred rental income	11,400	–	–	–	11,400	12,742	–	–	–	12,742
Deferred gifts and grants (Note 5)	151,698	–	–	–	151,698	59,382	–	–	–	59,382
Deferred membership (Note 5)	6,103	–	–	–	6,103	6,437	–	–	–	6,437
Deposits	94,778	–	–	–	94,778	73,108	–	–	–	73,108
Total current liabilities	336,791	12,216	–	–	349,007	238,644	13,594	–	–	252,238
Non-current liabilities										
Deferred membership (Note 5)	2,628	–	–	–	2,628	3,841	–	–	–	3,841
Deferred rental income	39,900	–	–	–	39,900	50,879	–	–	–	50,879
Total liabilities	379,319	12,216	–	–	391,535	293,364	13,594	–	–	306,958
Fund balances										
Invested in capital assets, properties and collections	–	–	13,133,690	–	13,133,690	–	–	12,782,148	–	12,782,148
Externally restricted (Note 10)	–	1,211,406	–	816,309	2,027,715	–	1,191,595	–	816,309	2,007,904
Internally restricted (Note 10)	–	506,897	–	1,638,098	2,144,995	–	658,594	–	1,647,078	2,305,672
Unrestricted	776,392	–	–	–	776,392	643,089	–	–	–	643,089
Total fund balances	776,392	1,718,303	13,133,690	2,454,407	18,082,792	643,089	1,850,189	12,782,148	2,463,387	17,738,813
Total liabilities and fund balances	\$ 1,155,711	\$ 1,730,519	\$ 13,133,690	\$ 2,454,407	\$18,474,327	\$ 936,453	\$ 1,863,783	\$12,782,148	\$ 2,463,387	\$18,045,771

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

Approved by Trust Council

Jennifer Gray, Executive Director

Stephen Kuzyk, Treasurer

THE BERMUDA NATIONAL TRUST

Consolidated Statement of Operations

Year Ended December 31, 2015
 (Expressed in Bermuda Dollars)

	2015					2014				
	General	Capital	Property	Endowment	Total	General	Capital	Property	Endowment	Total
Revenues										
Admissions	\$ 16,850	\$ –	\$ –	\$ –	\$ 16,850	\$ 17,479	\$ –	\$ –	\$ –	\$ 17,479
Gifts and grants										
Bermuda government	49,990	–	–	–	49,990	34,787	–	–	–	34,787
Non-government (Note 12)	417,182	638,492	–	–	1,055,674	451,825	2,749,774	–	–	3,201,599
Interest and dividend income (Note 12)	24	16,074	–	35,141	51,239	31	19,833	–	41,972	61,836
Membership fees	65,177	–	–	–	65,177	77,801	–	–	–	77,801
Net realised gains on sale of investments	–	14,855	–	34,661	49,516	–	17,851	–	41,653	59,504
Rental income	804,943	–	–	–	804,943	751,385	–	–	–	751,385
Sales – Trustworthy and publications	56,969	9,592	–	–	66,561	75,562	44,451	–	–	120,013
Special events	357,883	–	–	–	357,883	371,297	–	–	–	371,297
Tour income	2,925	–	–	–	2,925	35,000	–	–	–	35,000
Other income	104,993	–	–	–	104,993	88,573	–	–	–	88,573
Change in fair value of investments	–	(24,356)	–	(47,982)	(72,338)	–	2,737	–	(28,567)	(25,830)
Total revenues	1,876,936	654,657	–	21,820	2,553,413	1,903,740	2,834,646	–	55,058	4,793,444
Expenses										
Administrative (Notes 11 and 12)	545,712	15,724	–	–	561,436	545,318	16,012	–	–	561,330
Depreciation	–	–	43,948	–	43,948	–	–	26,229	–	26,229
Development	291,339	–	–	–	291,339	284,840	–	–	–	284,840
Education and museums	328,479	–	–	–	328,479	372,904	–	–	–	372,904
Preservation (Note 12)	756,246	139,189	–	–	895,435	821,240	76,383	–	–	897,623
Tour expenses	10,936	–	–	–	10,936	9,625	–	–	–	9,625
Trustworthy and publications	65,417	12,444	–	–	77,861	98,312	32,268	–	–	130,580
Total expenses	1,998,129	167,357	43,948	–	2,209,434	2,132,239	124,663	26,229	–	2,283,131
Excess (deficiency) of revenues over expenses	\$ (121,193)	\$ 487,300	\$ (43,948)	\$ 21,820	\$ 343,979	\$ (228,499)	\$ 2,709,983	\$ (26,229)	\$ 55,058	\$ 2,510,313

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, 2015
 (Expressed in Bermuda Dollars)

	2015					2014				
	<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	\$ 643,089	\$ 1,850,189	\$ 12,782,148	\$ 2,463,387	\$17,738,813	\$ 613,169	\$ 1,530,668	\$10,654,362	\$ 2,430,301	\$15,228,500
Excess (deficiency) of revenues over expenses	(121,193)	487,300	(43,948)	21,820	343,979	(228,499)	2,709,983	(26,229)	55,058	2,510,313
Interfund transfers (Note 9)	<u>254,496</u>	<u>(619,186)</u>	<u>395,490</u>	<u>(30,800)</u>	<u>—</u>	<u>258,419</u>	<u>(2,390,462)</u>	<u>2,154,015</u>	<u>(21,972)</u>	<u>—</u>
Fund balances, end of year	\$ <u>776,392</u>	\$ <u>1,718,303</u>	\$ <u>13,133,690</u>	\$ <u>2,454,407</u>	\$18,082,792	\$ <u>643,089</u>	\$ <u>1,850,189</u>	\$12,782,148	\$ <u>2,463,387</u>	\$17,738,813

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, 2015

(Expressed in Bermuda Dollars)

	Operating activities		Financing and investing activities					Total		
	2015	2014	2015					2014	2015	2014
	General	General	Capital	Property	Endowment	Total	Total			
Sources of cash										
Admissions and membership fees	\$ 80,480	\$ 92,850	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 80,480	\$ 92,850	\$ 92,850
Gifts and grants	559,489	484,154	598,492	–	–	598,492	749,774	1,157,981	1,233,928	1,233,928
Interest and dividends	24	31	16,074	–	35,008	51,082	61,853	51,106	61,884	61,884
Sale of marketable securities and interfund settlement	–	–	293,204	–	693,680	986,884	906,493	986,884	906,493	906,493
Rent	817,895	731,419	–	–	–	–	–	817,895	731,419	731,419
Sales - Trustworthy and publications	56,969	75,562	9,592	–	–	9,592	44,451	66,561	120,013	120,013
Special events, tours and other	465,801	494,870	–	–	–	–	–	465,801	494,870	494,870
Uses of cash										
Acquisition of capital assets	–	–	–	(74,260)	–	(74,260)	(15,751)	(74,260)	(15,751)	(15,751)
Acquisition of and improvements to property and collections	–	–	–	(281,230)	–	(281,230)	(138,264)	(281,230)	(138,264)	(138,264)
Administrative	(559,876)	(554,183)	(15,722)	–	–	(15,722)	(16,012)	(575,598)	(570,195)	(570,195)
Development	(291,339)	(284,840)	–	–	–	–	–	(291,339)	(284,840)	(284,840)
Education and museums	(328,479)	(372,904)	–	–	–	–	–	(328,479)	(372,904)	(372,904)
Purchase of marketable securities and interfund settlement	–	–	(301,036)	–	(703,103)	(1,004,139)	(972,949)	(1,004,139)	(972,949)	(972,949)
Preservation	(756,246)	(821,240)	(140,568)	–	–	(140,568)	(76,975)	(896,814)	(898,215)	(898,215)
Tours	(10,936)	(9,625)	–	–	–	–	–	(10,936)	(9,625)	(9,625)
Trustworthy and publications	(48,739)	(77,186)	(13,975)	–	–	(13,975)	(49,612)	(62,714)	(126,798)	(126,798)
Net increase (decrease) in cash and cash equivalents	(14,957)	(241,092)	446,061	(355,490)	25,585	116,156	493,008	101,199	251,916	251,916
Cash and cash equivalents, beginning of year	1,066,744	745,342	585,177	–	576,557	1,161,734	1,231,220	2,228,478	1,976,562	1,976,562
Interfund cash transfers	48,317	562,494	(402,499)	355,490	(1,308)	(48,317)	(562,494)	–	–	–
Cash and cash equivalents, end of year	\$ 1,100,104	\$ 1,066,744	\$ 628,739	\$ –	\$ 600,834	\$ 1,229,573	\$ 1,161,734	\$ 2,329,677	\$ 2,228,478	\$ 2,228,478

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

THE BERMUDA NATIONAL TRUST

Notes to Consolidated Financial Statements

December 31, 2015

1. **Incorporation and organisation**

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 Organisations (“ASNFP”) contained in Part III of the Chartered Professional Accountants of Canada Handbook - Accounting and include the following significant accounting policies:

(a) Basis of consolidation

The 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 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 (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. 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 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, 2015

2. Summary of significant accounting policies (continued)

(c) Revenue recognition

Restricted contributions related to general operations are recognised 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 recognised 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 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.

Net realised gains and losses on the sale of investments and changes in fair value of investments are recorded in the statement of operations.

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. 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 recognised as an impairment expense in the statement of operations.

THE BERMUDA NATIONAL TRUST

Notes to Consolidated Financial Statements

December 31, 2015

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 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 consolidated financial statements at fair value. Professional fees donated with a fair value of \$75,788 (2014 - \$46,511) 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 consolidated financial statements.

(j) *Financial instruments*

Financial instruments consist of cash and cash equivalents, accrued interest and dividends, 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 statement of operations. The fair value of the marketable securities is based on quoted market values. Transaction costs are recognised in the statement of operations in the period incurred.

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

Accounts receivable and accrued interest and dividends are measured at amortised cost using the effective interest method, less any adjustment for impairment.

Accounts payable are measured at amortised 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 recognised in the statement of operations. Any previously recognised 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 recognised previously. The amount of the reversal is recognised in the statement of operations.

3. **Cash and cash equivalents**

Cash and cash equivalents in the General Fund include money market funds in the amount of \$139,040 (2014 - \$139,022). Interest earned on cash and cash equivalents during the year was at an average effective interest rate of 0.19% (2014 - 0.11%).

THE BERMUDA NATIONAL TRUST

Notes to Consolidated Financial Statements

December 31, 2015

4. Investments in marketable securities

Investments in marketable securities and time deposits are as follows:

	2015								
	Capital			Endowment			Total		
	Cost	Net unrealised gain (loss)	Fair value	Cost	Net unrealised gain (loss)	Fair value	Cost	Net unrealised gain (loss)	Fair value
Bermuda equities	\$ 46,041	\$ 24,311	\$ 70,352	\$ –	\$ –	\$ –	\$ 46,041	\$ 24,311	\$ 70,352
Time deposits	68,507	–	68,507	167,904	–	167,904	236,411	–	236,411
Debt securities	755,224	(13,111)	742,113	1,044,627	5,120	1,049,747	1,799,851	(7,991)	1,791,860
Mutual funds	–	–	–	816,935	21,015	837,950	816,935	21,015	837,950
Total	\$ 869,772	\$ 11,200	\$ 880,972	\$ 2,029,466	\$ 26,135	\$ 2,055,601	\$ 2,899,238	\$ 37,335	\$ 2,936,573

	2014								
	Capital			Endowment			Total		
	Cost	Net unrealised gain	Fair value	Cost	Net unrealised gain (loss)	Fair value	Cost	Net unrealised gain (loss)	Fair value
Bermuda equities	\$ 46,041	\$ 28,105	\$ 74,146	\$ –	\$ –	\$ –	\$ 46,041	\$ 28,105	\$ 74,146
Time deposits	68,507	–	68,507	167,220	–	167,220	235,727	–	235,727
Debt securities	735,192	4,797	739,989	1,007,999	(11,898)	996,101	1,743,191	(7,101)	1,736,090
Mutual funds	–	–	–	807,509	88,669	896,178	807,509	88,669	896,178
Total	\$ 849,740	\$ 32,902	\$ 882,642	\$ 1,982,728	\$ 76,771	\$ 2,059,499	\$ 2,832,468	\$ 109,673	\$ 2,942,141

THE BERMUDA NATIONAL TRUST

Notes to Consolidated Financial Statements

December 31, 2015

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

Time deposits mature in May, June and September 2016, 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 0.29% (2014 - 0.35%).

5. **Restricted amounts**

General Fund cash and cash equivalents of \$151,698 (2014 - \$59,382) 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 \$628,739 (2014 - \$585,177) and investments in marketable securities of \$880,972 (2014 - \$882,642) 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 \$600,834 (2014 - \$576,557) and investments in marketable securities of \$2,055,601 (2014 - \$2,059,499) are restricted for the purposes set out in Note 10.

The deferred membership income of \$8,731 (2014 - \$10,278) 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 59.9% of profits and losses. During 2013 the Endowment Company's share of FIDNAT'S income was \$nil (2014 - \$nil) and the cost of its investment in FIDNAT as at December 31, 2015 was \$7,098 (2014 - \$7,098).

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Notes to Consolidated Financial Statements

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7. Capital assets

	2015		2014	
	Cost	Accumulated depreciation	Net book value	Net book value
Park improvements	\$ 354,665	\$ 288,142	\$ 66,523	\$ 84,256
Computer equipment and software	259,432	219,696	39,736	10,752
Office equipment	126,002	98,002	28,000	-
Vehicles and other equipment	<u>185,428</u>	<u>139,725</u>	<u>45,703</u>	<u>14,642</u>
	<u>\$ 925,527</u>	<u>\$ 745,565</u>	<u>\$ 179,962</u>	<u>\$ 109,650</u>

The cost and accumulated depreciation of capital assets at December 31, 2014 were \$811,267 and \$701,617 respectively.

8. Property and collections

	2015	2014
Museum collections	\$ 90,528	\$ 90,528
Buildings and land	6,031,652	5,750,422
Nature reserves	<u>6,823,966</u>	<u>6,823,966</u>
	<u>\$ 12,946,146</u>	<u>\$ 12,664,916</u>

During 2015 the Trust invested an additional \$193,260 (2014: \$70,255) to complete the renovation of its Devondale property and the property has been rented since June 1, 2015. The Trust also invested a further \$87,970 (2014: \$68,009) during the year for renovations to its Springfield property in Sandys. These renovations are ongoing and Springfield is expected to be available for rent in late 2016.

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Notes to Consolidated Financial Statements

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9. **Interfund transfers**

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

	2015			
	<u>General</u>	<u>Capital</u>	<u>Property</u>	<u>Endowment</u>
Appropriation for improvements to historic properties (Note 8)	–	(281,230)	281,230	–
Appropriation for capital assets	–	(114,260)	114,260	–
Appropriation from Dennis Sherwin Environment Fund for expenses	7,200	–	–	(7,200)
Appropriation from Endowment Fund for operations	23,600	–	–	(23,600)
Appropriation for the Trust’s Education Program	<u>223,696</u>	<u>(223,696)</u>	<u>–</u>	<u>–</u>
	<u>\$ 254,496</u>	<u>\$ (619,186)</u>	<u>\$ 395,490</u>	<u>\$ (30,800)</u>

	2014			
	<u>General</u>	<u>Capital</u>	<u>Property</u>	<u>Endowment</u>
Appropriation for donated property “Devondale”	\$ –	\$ (2,000,000)	\$ 2,000,000	\$ –
Appropriation for improvements to historic properties	–	(138,264)	138,264	–
Appropriation for capital assets	–	(15,751)	15,751	–
Appropriation from Dennis Sherwin Environment Fund for expenses	7,200	–	–	(7,200)
Appropriation from Endowment Fund for operations	14,772	–	–	(14,772)
Appropriation for the Trust’s Axis Education Program	<u>236,447</u>	<u>(236,447)</u>	<u>–</u>	<u>–</u>
	<u>\$ 258,419</u>	<u>\$ (2,390,462)</u>	<u>\$ 2,154,015</u>	<u>\$ (21,972)</u>

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Notes to Consolidated Financial Statements

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10. Restricted fund balances

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

	2015		2014	
	Capital	Endowment	Capital	Endowment
Open spaces				
Buy Back Bermuda Fund	\$ 421,847	\$ –	\$ 444,158	\$ –
Dennis Sherwin Environmental Fund	–	161,560	–	161,560
Nature Reserves Fund		510,158	–	347,454
–				
Collections	91,499	–	91,859	–
Education	39,106	–	84,109	–
Built Heritage	148,796	134,884	224,015	134,884
Unspecified	–	519,865	–	519,865
	<u>\$ 1,211,406</u>	<u>\$ 816,309</u>	<u>\$ 1,191,595</u>	<u>\$ 816,309</u>

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

	2015		2014	
	Capital	Endowment	Capital	Endowment
Publications	\$ 161,337	\$ –	\$ 167,351	\$ –
Built Heritage	29,817	108,277	175,500	108,277
Mary G. Williams Endowment Fund	–	1,149,091	–	1,149,091
Unspecified	315,743	380,731	315,743	389,710
	<u>\$ 506,897</u>	<u>\$ 1,638,099</u>	<u>\$ 658,594</u>	<u>\$ 1,647,078</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 charge for the year ended December 31, 2015 was \$53,869 (2014 - \$52,472), and is included in administrative expenses in the statement of operations. Contributions payable to the pension plan at December 31, 2015 were \$ nil (2014 - \$ nil).

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Notes to Consolidated Financial Statements

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12. 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 balances and transactions relating to this campaign in its consolidated financial statements. As at December 31, 2015, included within the consolidated financial statements are the following amounts:

	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	\$ 422,347	\$ 444,658
Property and collections	2,386,136	2,386,136
Gifts and grants (non-government)	2,067	4,367
Interest income	42	46
Preservation expenses	11,916	26,432
Administrative expenses	12,505	12,740

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 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 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, accounts receivables 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.

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Notes to Consolidated Financial Statements

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13. **Financial instruments** (continued)

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 balance sheet.

At December 31, 2015, 62% of receivables were current, 19% of the receivables were 31 to 90 days past due and 19% 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 liability obligations. Management does not believe that the Trust is exposed to significant liquidity risk.

14. **Capital management**

The Trust defines capital, for its own purpose, as cumulative fund balances. During the fiscal year 2015, 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, 2015, the Trust's accumulated fund balance amounted to \$18,082,792 (2014 - \$17,738,813). 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 \$20,642 (2014 - \$22,151).

16. **Comparative balances**

Certain comparative balances have been reclassified to conform with the current year's presentation.