

Financial Statements of

THE BAHAMAS NATIONAL TRUST

December 31, 2016

THE BAHAMAS NATIONAL TRUST

Financial Statements

December 31, 2016

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INDEPENDENT AUDITORS' REPORT

To the Council of
THE BAHAMAS NATIONAL TRUST

Qualified Opinion

We have audited the financial statements of The Bahamas National Trust (the "Trust"), which comprise the statement of financial position as at December 31, 2016 and the statements of comprehensive (loss)/income, changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Qualified Opinion

In common with many non-profit organizations, the Trust derives a portion of its total income from events, contributions, gifts and donations, some of which are received in cash. The completeness of these cash receipts is not always susceptible to satisfactory audit procedures. Accordingly, our audit procedures on such income were limited to amounts recorded in the records of the Trust and we were not able to determine whether any adjustments to these amounts might have been necessary.

Real property bequeathed or donated as gifts in-kind is included in income at the time that title has passed to the Trust and it is made aware of this. Management has elected to record such income at a nominal value, which is not in accordance with IFRS. Such real property is generally received as properties to be held for long-term preservation, and as such, management does not consider these to be "assets" in the normal sense, and further considers that assigning fair values to such property would distort the Trust's financial position.

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

INDEPENDENT AUDITORS' REPORT (continued)

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditors' report is information included in the Trust's Annual Report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management for the Financial Statements

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

In preparing the 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.

The board of directors is responsible for overseeing the Trust's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 ISAs 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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.

INDEPENDENT AUDITORS' REPORT (continued)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- 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 auditors' report to the related disclosures in the 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 auditors' 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 financial statements, including the disclosures, and whether the 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

In our opinion, under the provisions of the Bahamas National Trust Act 1959, as amended (the "Act") the accounting records required by the Act to be kept by the Trust of which we are the auditors have been kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Craig A. (Tony) Gomez.



CHARTERED ACCOUNTANTS

April 20, 2017
Nassau, Bahamas

THE BAHAMAS NATIONAL TRUST

Statement of Financial Position

December 31, 2016

(Expressed in Bahamian dollars)

	General Fund 2016	The Heritage Fund 2016	Total Funds 2016	Total Funds 2015
ASSETS				
Current assets				
Cash and cash equivalents (Note 4)	\$ 589,187	\$ 364	\$ 589,551	\$ 409,730
Term deposits (Note 5)	36,655	-	36,655	35,617
Accounts receivable (Note 6)	45,172	-	45,172	221,043
Interest receivable (Note 7)	52,572	-	52,572	48,400
Inventories	63,439	-	63,439	63,119
Prepayments and other assets	25,805	-	25,805	10,891
	812,830	364	813,194	788,800
Non-current assets				
Investments in government stock (Note 7)	-	2,200,000	2,200,000	2,200,000
Available-for-sale investments (Note 8)	671,861	1,875,985	2,547,846	1,638,579
Capital work in-progress (Note 9)	55,639	-	55,639	-
Property and equipment (Note 10)	910,266	-	910,266	1,007,465
	1,637,766	4,075,985	5,713,751	4,846,044
Total assets	\$2,450,596	\$4,076,349	\$6,526,945	\$5,634,844
LIABILITIES				
Current liabilities				
Bank overdraft (Note 14)	\$ 72,381	\$ -	\$ 72,381	\$ 15,157
Accrued expenses and other liabilities (Note 15)	166,792	-	166,792	110,030
Deferred contribution (Note 16)	817,957	-	817,957	34,060
	1,057,130	-	1,057,130	159,247
Non-current liabilities				
Deferred life membership subscriptions	364	-	364	4,004
Total liabilities	1,057,494	-	1,057,494	163,251
NET ASSETS	\$1,393,102	\$4,076,349	\$5,469,451	\$5,471,593
FUND BALANCES	\$1,393,102	\$4,076,349	\$5,469,451	\$5,471,593

See accompanying notes. See Independent Auditors' Report on pages 1 to 3.

Approved on behalf of the Council of The Bahamas National Trust:

L. H. Smith

President

[Signature]

Honorary Treasurer

THE BAHAMAS NATIONAL TRUST

Statement of Comprehensive (Loss)/Income

For the year ended December 31, 2016

	General Fund 2016	The Heritage Fund 2016	Total Funds 2016	Total Funds 2015
INCOME				
Government grants (Note 12)	\$1,400,000	\$ -	\$1,400,000	\$1,212,500
Contributions from non-profit organizations	972,409	-	972,409	926,357
Park fees, moorings and tours	459,833	-	459,833	470,825
Other gifts and donations	403,524	-	403,524	561,672
Exhibition proceeds and other activities	266,002	-	266,002	249,040
Interest	1,605	111,887	113,492	108,034
Members' subscriptions	88,955	-	88,955	89,222
Income from Discovery Club	72,768	-	72,768	30,359
Shops sales	59,352	-	59,352	61,573
Dive tag sales	35,139	-	35,139	18,070
Dividends (Note 8)	-	21,572	21,572	33,767
Research fee	150	-	150	885
Gain on sale of AFS investment	-	-	-	40,957
Total income	3,759,737	133,459	3,893,196	3,803,261
EXPENSES				
Salaries and benefits (Note 12,18)	1,700,383	-	1,700,383	1,671,415
Projects supported by non-profit organizations	908,868	-	908,868	878,656
Special events	203,449	-	203,449	188,752
Depreciation (Note 10)	197,693	-	197,693	189,360
Repairs and maintenance – general	148,158	-	148,158	143,643
Utilities	128,144	-	128,144	120,234
Maintenance - vehicles and boats	119,624	-	119,624	149,792
General insurance	104,891	-	104,891	119,716
Committees, conferences and travel	98,395	-	98,395	75,209
Postage and office supplies	75,729	-	75,729	72,611
Professional fees	65,525	-	65,525	56,527
Advertising, publications and outreach	64,204	-	64,204	72,504
Miscellaneous	43,345	-	43,345	48,771
In-kind expenses	39,784	-	39,784	-
Cost of sales – shops	37,745	-	37,745	46,211
Rent	24,600	-	24,600	14,000
Freight and duty	21,732	-	21,732	9,826
Bank overdraft interest, fees and foreign exchange	16,895	-	16,895	17,141
Public meetings and school education	8,488	-	8,488	6,070
Security	3,520	-	3,520	4,469
Total expenses	4,011,172	-	4,011,172	3,884,907
Net operating (loss) income	(251,435)	133,459	(117,976)	(81,646)
OTHER COMPREHENSIVE INCOME/(LOSS)				
<i>Item that may be reclassified subsequently to profit or loss</i>				
Net change in fair value of available-for-sale investments (Note 8)	-	115,834	115,834	(207,704)
Net (loss)/income and total comprehensive (loss)/income	\$ (251,435)	\$ 249,293	\$ (2,142)	\$ (289,350)

See accompanying notes. See Independent Auditors' Report on pages 1 to 3.

THE BAHAMAS NATIONAL TRUST

Statement of Changes in Fund Balances

For the year ended December 31, 2016

	General Fund	The Heritage Fund	Total Funds
FUND BALANCE AS AT DECEMBER 31, 2014	\$1,249,973	\$4,510,970	\$5,760,943
Total comprehensive (loss)/income:			
Net operating (loss)/income	(262,147)	180,501	(81,646)
Other comprehensive loss	-	(207,704)	(207,704)
Total comprehensive (loss)/income	(262,147)	(27,203)	(289,350)
Inter-fund transfer	644,759	(644,759)	-
FUND BALANCE AS AT DECEMBER 31, 2015	1,632,585	3,839,008	5,471,593
Total comprehensive (loss)/income:			
Net (loss)/income	(251,435)	133,459	(117,976)
Other comprehensive income	-	115,834	115,834
Total comprehensive (loss)/income	(251,435)	249,293	(2,142)
Inter-fund transfer	11,952	(11,952)	-
FUND BALANCE AS AT DECEMBER 31, 2016	\$1,393,102	\$4,076,349	\$5,469,451

See accompanying notes. See Independent Auditors' Report on pages 1 to 3.

THE BAHAMAS NATIONAL TRUST

Statement of Cash Flows

For the year ended December 31, 2016

	General Fund 2016	The Heritage Fund 2016	Total Funds 2016	Total Funds 2015
Cash flows from operating activities				
Net operating (loss)/income	\$ (251,435)	\$ 133,459	\$ (117,976)	\$ (81,646)
Adjustments to reconcile net operating (loss)/income to cash (used in) operating activities:				
Gain on sale of AFS investment	-	-	-	(40,957)
Depreciation	197,693	-	197,693	189,360
Amortization of deferred income	(127,421)	-	(127,421)	(55,940)
Gratuity provision	15,070	-	15,070	-
Amortization of life membership subscriptions	(3,640)	-	(3,640)	(3,639)
Interest income	(1,605)	(111,887)	(113,492)	(108,034)
Dividend income	-	(21,572)	(21,572)	(33,767)
Cash (used in) operating activities before changes in operating assets and liabilities	(171,338)	-	(171,338)	(134,623)
Decrease (increase) in operating assets:				
Inventories	(320)	-	(320)	(5,084)
Accounts receivable	175,871	-	175,871	(166,786)
Prepayments and other assets	(14,914)	-	(14,914)	5,748
Accrued expenses and other liabilities	41,692	-	41,692	(84,689)
Donation received and deferred	239,457	-	239,457	-
Inter-fund transfer	11,952	(11,952)	-	-
Net cash provided by/(used in) operating activities	282,400	(11,952)	270,448	(385,534)
Cash flows from investing activities				
Interest received	(2,567)	111,887	109,320	110,651
(Purchase) redemption of available-for-sale investments	-	(100,000)	(100,000)	521,811
Net increase (decrease) in term deposits	(1,038)	-	(1,038)	320
Increase in capital work-in progress	(55,639)	-	(55,639)	-
Acquisition of property and equipment	(100,494)	-	(100,494)	(142,586)
Net cash (used in)/provided by investing activities	(159,738)	11,887	(147,851)	490,196
Net increase/(decrease) in cash and cash equivalents	122,662	(65)	122,597	104,762
Cash and cash equivalents at beginning of year	394,144	429	394,573	289,811
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 516,806	\$ 364	\$ 517,170	\$ 394,573
Represented by:				
Cash on hand	\$ 24,102	\$ -	\$ 24,102	\$ 19,724
Cash at banks	565,085	364	565,449	390,006
Bank overdraft	(72,381)	-	(72,381)	(15,157)
	\$ 516,806	\$ 364	\$ 517,170	\$ 394,573

Non-cash transactions:

Dividends of \$21,572 (2015 - \$33,767) on available-for-sale investments were reinvested in the applicable investment.

See accompanying notes. See Independent Auditors' Report on pages 1 to 3.

THE BAHAMAS NATIONAL TRUST

Notes to Financial Statements

December 31, 2016

1. GENERAL INFORMATION

The Bahamas National Trust (the "Trust") was incorporated as a Trust for Places of Historic Interest or Natural Beauty under the provisions of the Bahamas National Trust Act 1959, as amended (the "Act"). It exists for the purposes of promoting the permanent preservation, for the benefit and enjoyment of the Commonwealth of The Bahamas, of lands (including buildings) and submarine areas of beauty or natural or historic interest and, as regards lands and submarine areas, for the preservation (so far as practicable) of their natural aspect, features, animal, plant and marine life.

The affairs of the Trust are administered by a Council and an Executive Committee, the composition, powers and proceedings of which are governed by the provisions of the Act.

The principal administrative office of the Trust is located at Bay Street Business Centre, East Bay Street, Nassau, The Bahamas.

The financial statements were authorized to be issued by the Council of The Bahamas National Trust on April 20, 2017.

2. ADOPTION OF NEW STANDARDS AND AMENDMENTS TO THE STANDARDS

At the date of these financial statements, the following standards and amendments to the existing standards have been issued by the International Accounting Standards Board ("the IASB"). Such standards and amendments have not been applied in these financial statements as they are not yet effective:

IFRS 2 (amendments)	- Share-based Payment - amendments for clarifications on classification and measurement of share-based payment transactions – effective from January 1, 2018
IFRS 9	- Financial Instruments – effective from January 1, 2018
IFRS 15	- Revenue from Contracts with Customers – effective from January 1, 2017
IFRS 16	- Leases – effective from January 1, 2019
IAS 7 (amendments)	- Statement of Cash Flows (Disclosure Initiative) - amendments to require disclosure of changes in liabilities arising from financing activities – effective from January 1, 2017

The Council anticipates that the adoption of these standards and amendments will have no material impact on the Trust's financial statements.

THE BAHAMAS NATIONAL TRUST

Notes to Financial Statements

December 31, 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The financial statements of the Trust have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB. The significant accounting policies set out below has been consistently applied to all years presented, unless stated otherwise.

b. Basis of preparation

These financial statements have been prepared on the historical cost basis except for available-for-sale investments which are stated at fair value. The financial statements are expressed in Bahamian dollars which is the functional and reporting currency of the Trust.

c. Use of estimates and judgments

The preparation of the financial statements in compliance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and 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. Actual results could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in Notes 3, 8, 9, 10, 19 and 20.

d. Financial assets

The Trust classifies its financial assets into the following categories: available-for-sale investments and loans and receivables. The classification depends on the nature and purpose of the financial assets. Management determines the classification at the time of initial recognition.

(i) Available-for-sale investments

Available-for-sale investments are non-derivative financial assets that are designated as available for sale or are not classified in any of the other categories of financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognized in other comprehensive income/(loss). The Trust's investments in mutual funds are classified as available-for-sale investments.

THE BAHAMAS NATIONAL TRUST

Notes to Financial Statements

December 31, 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Financial assets (continued)

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, except those that the Trust intends to sell in the short-term, or that are designated as at fair value through profit or loss or available-for-sale. Loans and receivables are initially measured at fair value and subsequently measured at amortized cost, less provision for impairment losses, if any. Balances included in this classification are cash and cash equivalents, term deposits, interest receivable, accounts receivable and investments in government stock.

e. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at banks. Bank overdraft is included in the cash and cash equivalents for the statement of cash flows purpose.

f. Term deposits

Term deposits represent deposits with original maturities of over three months.

g. Inventories

Inventories which are comprised of books, shirts and other souvenirs for sale are carried at the lower of cost and net realizable value.

h. Investments in mutual funds

Investments in mutual funds are classified under available for sale investments and are initially measured at fair value. After initial measurement, the Trust continues to measure these investments at fair value. Investments in mutual funds are stated at their published net asset value, which approximates fair value at the reporting date. Gains and losses arising from changes in the fair value of these investments are recognized in other comprehensive income/(loss).

i. Investments held in Fidelity account

Investment held in Fidelity account represents the investment portfolio bequeathed to the Trust by the late Gregory John Pentek and were initially valued at fair value at the time the asset was legally transferred to the Trust and subsequent changes in fair value are recognized in other comprehensive (loss)/income.

THE BAHAMAS NATIONAL TRUST

Notes to Financial Statements

December 31, 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j. Fair value hierarchy

The Trust measures fair values using the following fair value hierarchy:

- | | | |
|---------|---|--|
| Level 1 | - | Quoted prices (unadjusted) in active markets for identical assets or liabilities. |
| Level 2 | - | Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from the prices). |
| Level 3 | - | Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs). |

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, the measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The determination of what constitutes "observable" requires significant judgment by the Trust. The Trust considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

k. Impairment of financial assets

The carrying amounts of the Trust's assets are reviewed at each reporting date to determine whether there is any objective evidence of impairment. A financial asset is impaired if its carrying amount exceeds its estimated recoverable amount. Impairment losses on assets carried at amortized cost are measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognized in the statement of comprehensive (loss)/income. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognized.

l. Financial liabilities

The Trust classifies its financial liabilities as other financial liabilities:

- Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Balances included in this classification are bank overdraft and accrued expenses and other liabilities.

THE BAHAMAS NATIONAL TRUST

Notes to Financial Statements

December 31, 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m. Recognition of financial assets and financial liabilities

The Trust recognizes financial assets and financial liabilities on the day it becomes a party to the contractual provisions of the instruments.

n. Derecognition of financial assets and financial liabilities

The Trust derecognizes financial assets when the contractual rights to receive cash flows from the assets expire, or have been transferred and the Trust has transferred substantially all the risks and rewards of ownership. A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expires.

o. Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Trust, and the cost of the item can be measured reliably. Repairs and maintenance are charged to the statement of comprehensive (loss)/income during the period in which they are incurred.

Depreciation is provided, principally on a straight-line basis, with reference to the following estimated useful lives of the assets:

Buildings	-	20 years
Leasehold improvements	-	7 - 10 years
Furniture, fixtures and equipment	-	5 - 7 years
Motor vehicles and boats	-	4 years

Land is not depreciated. Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in the statement of comprehensive (loss)/income.

p. Leasehold properties

Leasehold properties comprise land and marine park holdings designated as conservation areas under the Act and are not assigned a value. The properties are held under 99 years leases granted by the Government of the Commonwealth of The Bahamas that require nominal annual rental payments.

q. Capital work-in-progress

Intangible assets under construction or development are recognized as capital work-in-progress until such time they are ready for intended use. Capital work-in-progress are stated at cost, less impairment losses, if any.

Capital work-in-progress are not depreciated. The total cost of a project is transferred to the relevant asset class on its completion and when available for the intended use.

THE BAHAMAS NATIONAL TRUST

Notes to Financial Statements

December 31, 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

r. Foreign currency transactions and balances

The financial statements are presented in Bahamian dollars, which is the Trust's functional and presentation currency. Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. Exchange differences arising on foreign currency transactions are included in the statement of comprehensive (loss)/income.

s. Related parties

A related party represents an entity or an individual that has the ability to control, directly or indirectly, through one or more intermediaries, or exercises significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationships, and not merely to the legal form.

t. Income and expenses recognition

Subscriptions, gifts and donations, income from exhibition proceeds and other activities and government grants are included in income of the General Fund when received except for life membership subscriptions and non-expendable capital contributions. Life membership subscriptions are deferred and taken to income evenly over a period of up to ten years. Non-expendable capital contributions relating to The Heritage Fund are credited directly to the restricted fund balance account of that endowment fund.

The Trust applies the deferral method of accounting for restricted contributions under which restricted contribution related expenses of future periods are deferred and recognized as revenue in the period in which related expenses are incurred.

Real property bequeathed or donated as gifts in-kind are included in income at the time that title has passed to the Trust and it is made aware of this. Management has elected to record such income at a nominal value, which is not in accordance with IFRS. Such real property is generally received as properties to be held for preservation, and as such, management does not consider these to be "assets" in the normal sense, and further considers that assigning fair values to such property would distort the Trust's financial position.

Other assets bequeathed or donated as gifts in-kind are included in income on the date acquired at fair value as determined by management using relevant market data, or when considered necessary, professional appraisals.

All other income and expenses are generally recorded on an accrual basis.

u. Pension costs

The Trust has a defined contribution pension plan for its employees. The plan is funded by payments from employees and the Trust. The employees contribute a minimum of 5% of their monthly salaries and the Trust contributes a maximum of 5% of employees' salaries. The Trust's contributions are reflected in the statement of comprehensive (loss)/income in the year in which they are due.

THE BAHAMAS NATIONAL TRUST

Notes to Financial Statements

December 31, 2016

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of:

	General Fund 2016	The Heritage Fund 2016	Total Funds 2016	Total Funds 2015
Cash on hand	\$ 24,102	\$ -	\$ 24,102	\$ 19,724
Cash at banks				
RBC Royal Bank (Bahamas) Limited	377,128	364	377,492	278,824
Commonwealth Bank Limited	179,106	-	179,106	106,879
Bank of Bahamas Limited	8,705	-	8,705	4,157
CIBC First Caribbean International Bank (Bahamas) Ltd.	146	-	146	146
	565,085	364	565,449	390,006
	\$589,187	\$364	\$589,551	\$409,730

5. TERM DEPOSITS

Term deposits are comprised of:

	General Fund 2016	The Heritage Fund 2016	Total Funds 2016	Total Funds 2015
RBC FINCO	\$ 6,955	-	\$ 6,955	\$ 6,931
Commonwealth Bank Limited	29,700	-	29,700	28,686
	\$36,655	-	\$36,655	\$35,617

Term deposits earn interest at rates of 2.50% and 2.00% (2015 - 2.5% and 2.00%) per annum and mature on January 20, 2017 and November 26, 2017, respectively.

THE BAHAMAS NATIONAL TRUST

Notes to Financial Statements

December 31, 2016

6. ACCOUNTS RECEIVABLE

Accounts receivable are as follows:

	2016			
	Current	> 31 days	> 61 days	Total
Contributions receivable	\$20,371	\$ 625	\$ 21,585	\$ 42,581
Other	300	-	-	300
Travel advances to employees	2,291	-	-	2,291
	\$22,962	\$ 625	\$ 21,585	\$ 45,172

	2015			
	Current	> 31 days	> 61 days	Total
Contributions receivable	\$ 6,026	\$ 8,150	\$ -	\$ 14,176
Other	-	100,000	100,000	200,000
Travel advances to employees	6,867	-	-	6,867
	\$12,893	\$108,150	\$100,000	\$221,043

7. INVESTMENTS IN GOVERNMENT STOCK

Investments in government stock are as follows:

			2016		2015	
	Interest rate	Maturity date	Quantity	Amortized cost	Quantity	Amortized cost
Bahamas Government Registered Stock	Prime + 0.281%	28/11/2018	120,000	\$ 120,000	120,000	\$ 120,000
Bahamas Government Registered Stock	Prime + 0.156%	18/01/2021	1,900,000	1,900,000	1,900,000	1,900,000
Bahamas Government Registered Stock	Prime + 0.293%	25/09/2027	180,000	180,000	180,000	180,000
				\$2,200,000		\$2,200,000

Interest on Bahamas Government Registered Stock (BGRS) is receivable semi-annually in June and December. As at December 31, 2016, interest receivable from BGRS amounted to \$52,572 (2015 - \$48,400). BGRS with a carrying value of \$300,000 (2015 - \$300,000) is held by RBC Royal Bank (Bahamas) Limited as collateral for the overdraft facility (See Note 14).

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Notes to Financial Statements

December 31, 2016

8. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments are as follows:

	2016			2015		
	Quantity	Cost	Fair value	Quantity	Cost	Fair value
The Heritage Fund						
<u>Investments in mutual funds</u>						
Templeton Global Bond Fund - Class A	31,909	\$ 454,890	\$ 497,722	31,909	\$ 347,022	\$ 369,497
Templeton Growth Fund - Class A	57,922	1,085,439	1,378,263	57,922	1,071,735	1,269,082
		1,540,329	1,875,985		1,418,757	1,638,579
General Fund						
Investments held in Fidelity account		671,861	671,861	-	-	-
		\$2,212,190	\$2,547,846		\$1,418,757	\$1,638,579

The Trust has elected to automatically reinvest the dividends from the investments in the Templeton Global Bond Fund - Class A and Templeton Growth Fund - Class A. During 2016, reinvested dividends amounted to \$7,868 (2015 - \$19,466) and \$13,704 (2015 - \$14,301) in Templeton Global Bond Fund - Class A and Templeton Growth Fund - Class A, respectively.

When investment income of The Heritage Fund is required to meet the operational needs of the General Fund, shares of the Templeton funds may be sold for this purpose.

Included in the fund balance of The Heritage Fund is the net change in fair value of the available-for-sale investments arising from the re-measurement of these investments to fair value. The movement in the fair value reserve is as follows:

Balance at December 31, 2014	\$ 427,526
Net change in fair value	(207,704)
Balance at December 31, 2015	219,822
Net change in fair value	115,834
Balance at December 31, 2016	\$ 335,656

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December 31, 2016

9. CAPITAL WORK-IN-PROGRESS

Capital work-in-progress is comprised of:

	2016
Satellite system upgrade – Exuma	\$ 17,417
E-Tapestry software for development	9,472
Website development	28,750
	<u>\$ 55,639</u>

10. PROPERTY AND EQUIPMENT

Property and equipment are comprised of:

	Land and Buildings	Leasehold Improvements	Furniture, Fixtures and Equipment	Motor Vehicles and Boats	Total
Cost					
Balance at December 31, 2014	\$2,242,982	\$446,118	\$537,950	\$418,556	\$3,645,606
Additions	-	23,051	44,375	75,160	142,586
Balance at December 31, 2015	2,242,982	469,169	582,325	493,716	3,788,192
Additions	-	-	55,192	45,302	100,494
Balance at December 31, 2016	2,242,982	469,169	637,517	539,018	3,888,686
Accumulated depreciation					
Balance at December 31, 2014	1,523,942	299,631	444,882	322,912	2,591,367
Charge for the year	89,096	20,392	35,159	44,713	189,360
Balance at December 31, 2015	1,613,038	320,023	480,041	367,625	2,780,727
Charge for the year	90,603	21,757	37,298	48,035	197,693
Balance at December 31, 2016	1,703,641	341,780	517,339	415,660	2,978,420
Net book value as at					
December 31, 2016	\$ 539,341	\$127,389	\$120,178	\$123,358	\$ 910,266
Net book value as at					
December 31, 2015	\$ 629,944	\$149,146	\$102,284	\$126,091	\$1,007,465

The Trust owns in excess of 69 acres of freehold properties, which were bequeathed or donated and for which a nominal value was recorded at the time of donation. These properties are held in New Providence, Long Island, Eleuthera, Abaco, Crooked Island, Exuma and Andros.

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Notes to Financial Statements

December 31, 2016

11. LEASEHOLD PROPERTIES

The Trust holds the following leasehold properties under 99 year leases granted by the Government of the Commonwealth of The Bahamas:

Description	Location	Size	Commencement Date	Annual Rental
Inagua National Park (incl. Union Creek)	Great Inagua	183,780 acres	May 1, 1963	£ 1
Exuma Cays Land and Sea Park	Exuma	112,640 acres	January 1, 1964	£ 1
Peterson Cay National Park	Grand Bahama	1 acre	April 1, 1968	\$ 1
Pelican Cays Land and Sea Park	Abaco	2,100 acres	May 1, 1968	\$ 3
Conception Island National Park	North of Rum Cay	2,000 acres	October 1, 1971	\$ 3
Lucayan National Park	Grand Bahama	40 acres	March 1, 1982	\$ 1
Black Sound Reserve	Abaco	1 acre	January 1, 1986	\$ 3
The Rand Nature Centre	Grand Bahama	100 acres	February 26, 1992	\$ 10
Abaco National Park	Abaco	20,500 acres	April 21, 1994	\$ 1
Wetlands, Ponds and Seabed between Wide Opening and North Bight	Western Andros	185,032 acres	April 1, 2002	\$ 1
Lakes, Ponds and Blue Holes between Stafford Creek and Fresh Creek	Andros	33,235 acres	April 1, 2002	\$ 1
Little Inagua National Park	Inagua	31,360 acres	April 1, 2002	\$ 1
Seabed, Marsh and Mangroves near and on Moriah Harbour Cay	Exuma	13,440 acres	April 1, 2002	\$ 1
Seabed between Stafford Creek and Staniard Creek – Barrier Reef	Andros	4,490 acres	April 1, 2002	\$ 1
Seabed near Walker's Cay	Abaco	3,840 acres	April 1, 2002	\$ 1
Seabed between Fresh Creek and Lightbourn Point	Andros	3,172 acres	April 1, 2002	\$ 1
Broadleaf Forest and Lowlands	Andros	2,979 acres	April 1, 2002	\$ 1
Harold, Wilson and Bonefish Ponds	New Providence	1,530 acres	April 1, 2002	\$ 1
Pasture and O'Brien Cays	Exuma	161 acres	April 1, 2002	\$ 1
Primeval Forest, South Ocean	New Providence	3 acres	April 1, 2002	\$ 1
Westside National Park	Andros	1,288,167 Acres	January 1, 2010	\$ 1
Conception Island National Park	North of Rum Cay	25,173 Acres	January 1, 2010	\$ 1
Fowl Cays National Park	Abaco	1,346 Acres	January 1, 2010	\$ 1

The protected areas in the national park holdings managed by the Trust total approximately 1.9 million acres.

THE BAHAMAS NATIONAL TRUST

Notes to Financial Statements

December 31, 2016

12. RELATED PARTY BALANCES AND TRANSACTIONS

Transactions with related parties during the year were as follows:

- a. Grants from the Government of The Bahamas of \$1,400,000 (2015 - \$1,212,500).
- b. Administration of the charitable activities, without compensation, of The Bahamas National Trust (Canada) Foundation under an agency agreement.
- c. Executive and senior management emoluments of \$457,424 (2015 - \$369,718).

13. FUND BALANCES

General Fund

No dividends, bonus or other profit is permitted to be paid out of the income or property of the Trust.

Members of the Trust are not liable to contribute towards the payment of the debts and liabilities of the Trust beyond the amount of their annual subscriptions.

The Heritage Fund

The Heritage Fund was established by the Trust as an endowment fund in 1984 with the restriction that contributions thereto would be held indefinitely as capital and invested in income-producing investments. In the normal course of business, the General Fund is only entitled to receive and expend the income realized from investments of the Heritage Fund. Any capital transfer from the Heritage Fund to the General Fund requires the approval of 75% or more of the Council's members.

14. BANK CREDIT FACILITIES

The Trust has approved corporate credit card and overdraft facilities with RBC Royal Bank (Bahamas) Limited for \$43,500 (2015 - \$43,500) and \$225,000 (2015 - \$225,000), respectively as at December 31, 2016 which are secured by BGRS with a carrying value of \$300,000 (2015 - \$300,000) (See Note 7).

THE BAHAMAS NATIONAL TRUST

Notes to Financial Statements

December 31, 2016

15. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities are as follows:

	2016	2015
Accrued expenses	\$ 63,663	\$ 29,502
Accounts payable	62,823	48,662
Audit fee payable	25,236	31,866
Gratuity payable	15,070	-
	<u>\$ 166,792</u>	<u>\$ 110,030</u>

16. DEFERRED CONTRIBUTIONS

The movements in deferred contributions for the year were as follows:

	Exuma Cays Land and Sea Park	Leon Levy Project	Total 2016	Total 2015
Beginning balance	\$ -	\$ 34,060	\$ 34,060	\$ 90,000
Add:				
Contributions during the year	911,318	583,905	1,495,223	550,072
Less:				
Recognized to income during the year	(93,361)	(583,905)	(677,266)	(516,012)
Closing balance	<u>\$ 817,957</u>	<u>\$ -</u>	<u>\$ 817,957</u>	<u>\$ 34,060</u>

Assets for the Exuma Cays Land Sea Park represent the assets bequeathed by the late Gregory John Pentek to the Trust, as his residual beneficiary, for the benefit of Exuma Cays Land and Sea Park development (ECLSP).

Leon Levy Project (the "Project") represents the project managed by the Trust under the conservation management agreement entered into on November 30, 2007, between the Trust and The Leon Levy Foundation (the "Foundation"). The overall objective of the Project is to create a beautiful educational and actively used Native Plant Botanical Garden. Specific components or aspects of the project may include a focus on native trees, special attention on traditional bush medicine, and a demonstration pineapple farm. The Foundation will provide the Trust with the funding requirements of the Project on a regular basis based on the budget and work plan for the specified period.

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Notes to Financial Statements

December 31, 2016

17. NET (LOSS) INCOME BY REGION BEFORE THE HERITAGE FUND INCOME

	Exuma	Grand Bahama	Inagua	Eleuthera	Nassau and others	Total 2016	Total 2015
INCOME							
Government grants	\$ -	\$ -	\$ -	\$ -	\$1,400,000	\$1,400,000	\$1,212,500
Contributions from non-profit organizations	-	-	-	-	972,409	972,409	926,357
Park fees, moorings and tours	252,832	160,236	-	36,587	10,178	459,833	470,825
Other gifts and donations	12,903	10,438	-	899	379,284	403,524	561,672
Exhibition proceeds and other activities	-	14,320	-	-	251,682	266,002	249,040
Members' subscriptions	15,990	5,930	-	916	66,119	88,955	89,222
Income from Discovery Club	-	-	-	-	72,768	72,768	30,359
Shops sales	24,755	4,456	-	-	30,141	59,352	61,573
Dive tag sales	35,139	-	-	-	-	35,139	18,070
Interest	-	-	-	-	1,605	1,605	2,257
Research fee	-	-	-	150	-	150	885
	341,619	195,380	-	38,552	3,184,186	3,759,737	3,622,760
EXPENSES							
Salaries and benefits	163,503	179,844	70,138	-	1,286,898	1,700,383	1,671,415
Projects supported by non-profit organizations	-	-	-	540,136	368,732	908,868	878,656
Special events	-	1,014	-	-	202,435	203,449	189,360
Depreciation	76,552	53,159	9,116	-	58,866	197,693	188,752
Maintenance - vehicles and boats	20,454	4,783	12,432	-	110,489	148,158	149,792
Repairs and maintenance – general	12,642	29,322	2,776	-	83,404	128,144	143,643
Utilities	43,369	6,309	21,433	-	48,513	119,624	120,234
General insurance	43,124	23,270	2,792	-	35,705	104,891	119,716
Committees, conferences and travel	11,659	7,866	993	-	77,877	98,395	75,209
Postage and office supplies	2,787	22,074	-	-	50,868	75,729	72,611
Professional fees	445	-	-	-	65,080	65,525	72,504
Advertising, publications and outreach	120	229	-	-	63,855	64,204	56,527
Miscellaneous	2,037	3,967	-	-	37,341	43,345	48,771
In-kind expenses	-	-	-	-	39,784	39,784	46,211
Cost of sales - shop	12,022	5,052	-	6,854	13,817	37,745	-
Rent	-	-	-	-	24,600	24,600	17,141
Freight and duty	10,836	1,124	1,081	-	8,691	21,732	14,000
Bank overdraft interest, fees and foreign exchange	-	1,530	-	-	15,365	16,895	4,469
Public meetings and school education	-	-	-	-	8,488	8,488	9,826
Security	-	1,125	-	-	2,395	3,520	6,070
	399,550	340,667	120,761	546,990	2,603,204	4,011,172	3,884,907
NET (LOSS) INCOME BEFORE THE HERITAGE FUND INCOME	\$ (57,931)	\$(145,287)	\$(120,761)	\$(508,438)	\$ 580,982	\$(251,435)	\$(262,147)

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Notes to Financial Statements

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18. PENSION COSTS

Pension costs of \$29,457 (2015 - \$38,540), included in salaries and benefits, represent the Trust's contribution to the defined contribution pension plan for the year.

19. FAIR VALUE OF FINANCIAL INSTRUMENTS

Management estimates that the carrying values of the financial assets and liabilities disclosed in the statement of financial position approximate fair values at the reporting date due to one or more of the following reasons: (i) short-term maturities, (ii) interest rates approximate market rates and (iii) carrying values approximate market values.

Fair value hierarchy

The table below analyses the class of financial instruments measured at fair value by the level in the fair value hierarchy within which the fair value measurement is categorized at the reporting date:

	2016			
	Level 1	Level 2	Level 3	Total
<u>Available-for-sale investments</u>				
Investments in mutual funds	\$2,547,846	\$ -	\$ -	\$2,547,846

	2015			
	Level 1	Level 2	Level 3	Total
<u>Available-for-sale investments</u>				
Investments in mutual funds	\$1,638,579	\$ -	\$ -	\$1,638,579

20. FINANCIAL RISK MANAGEMENT

The Trust engages in transactions that expose it to market risk, credit risk and liquidity risk. The Trust's financial performance is affected by its capacity to understand and effectively manage these risks.

a. Market risk

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

(i) Currency risk

Currency risk is the possibility that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. At the reporting date, the Fund has minimum exposure to currency risk.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The Trust's term deposits and investments in government stock are interest-bearing and as a result the Trust is exposed to interest rate risk on these financial instruments to the extent of changes in prevailing interest rates.

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Notes to Financial Statements

December 31, 2016

20. FINANCIAL RISK MANAGEMENT (continued)

a. Market risk (continued)

(ii) Interest rate risk (continued)

Management's best estimate of the effect on net (loss)/income for the year due to a reasonably possible increase in interest rates, with all other variables held constant, is indicated in the table below. The actual results may differ from the sensitivity analysis below and the difference could be material. An equivalent decrease in interest rates by the percentage shown below would result in an equivalent but opposite effect to the amount shown below.

	2016		2015	
	Change in interest rates	Effect on net income	Change in interest rates	Effect on net income
Term deposits	1.0%	\$ 366	1.0%	\$ 356
Investments in government stocks	0.5%	\$11,000	0.5%	\$11,000

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices and other market factors. The Trust is exposed to other price risk through its available-for-sale investments.

Management's best estimate of the effect on net (loss)/income for the year due to a reasonably possible increase in prices, with all other variables held constant, is indicated in the table below. The actual trading results may differ from the sensitivity analysis below and the difference could be material. An equivalent decrease in prices by the percentage shown below would result in an equivalent but opposite effect to the amount shown below.

	2016		2015	
	Change in prices	Effect on net income	Change in prices	Effect on net income
Available-for-sale investments				
Investments in mutual funds	5%	\$127,392	5%	\$89,929

b. Credit risk

Credit risk is the possibility that a counterparty to a financial instrument will default on its contractual obligation or commitment that it has entered into with the Trust and cause the Trust to incur a financial loss. The Trust has not experienced significant credit losses notwithstanding its significant exposure to risk in relation to its cash and cash equivalents, term deposits, investments in government stock, interest receivable and accounts receivable. The Trust manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and by monitoring exposure in relation to such limits.

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December 31, 2016

20. FINANCIAL RISK MANAGEMENT (continued)

b. Credit risk (continued)

The Trust's maximum credit risk exposure at the reporting date is represented by the carrying amounts of the financial assets in the statement of financial position.

c. Liquidity risk and capital risk management

The Trust manages its capital to ensure that the Trust will be able to continue as a going concern. Ultimate responsibility for the management of capital rests with the Council of the Trust. The Trust manages liquidity risk by developing other sources of fee revenues in the parks, maintaining adequate members and donors, launching capital fundraising activities, obtaining government grants, and monitoring budgets and project forecasts. The capital structure of the Trust is represented by its fund balances. The Trust is not subject to externally imposed capital requirements.

21. SUBSEQUENT EVENT

The Government of the Commonwealth of The Bahamas allocated \$1,500,000 of its 2016/2017 fiscal budget (2015 - \$1,400,000 of its 2015/2016 fiscal budget) to be contributed to the Trust.

See Independent Auditors' Report on pages 1 to 3.