

**Canadian Naval Memorial Trust**  
**Financial Statements**  
*December 31, 2021*

# Canadian Naval Memorial Trust Contents

*For the year ended December 31, 2021*

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To the Trustees of Canadian Naval Memorial Trust:

## Qualified Opinion

We have audited the financial statements of Canadian Naval Memorial Trust (the "Trust"), which comprise the statement of financial position as at December 31, 2021, and the statements of operations, Preservation Fund, Canadian Naval Memorial Project Fund, Endowment Fund, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

## Basis for Qualified Opinion

In common with many charitable organizations, the Trust derives revenue from donations, including admissions, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification 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 donation and admission revenue, excess (deficiency) of revenues over expenditures, assets and trust surplus.

We conducted our audit in accordance with Canadian generally accepted auditing standards. 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 Canada, 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.

## Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

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

## Auditor's 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 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 Canadian generally accepted auditing standards 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 Canadian generally accepted auditing standards, 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.
- 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 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 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.

Dartmouth, Nova Scotia

May 10, 2022

*MNP LLP*

Chartered Professional Accountants

# Canadian Naval Memorial Trust

## Statement of Financial Position

As at December 31, 2021

	Operating Fund	Preservation Fund	Canadian Naval Memorial Project Fund	Endowment Fund	2021	2020
<b>Assets</b>						
<b>Current</b>						
Cash	415,710	523,473	55,249	-	994,432	525,820
Harmonized sales tax receivable	57,169	-	-	-	57,169	44,322
Inventories	16,483	-	-	-	16,483	21,084
Prepaid expenses	12,496	-	-	-	12,496	8,157
Due from Funds (Note 4)	-	19,437	-	-	19,437	6,565
<b>Capital assets (Note 5)</b>	<b>501,858</b>	<b>542,910</b>	<b>55,249</b>	<b>-</b>	<b>1,100,017</b>	<b>605,948</b>
<b>Intangible assets (Note 5)</b>	<b>3,712,066</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,712,066</b>	<b>2,976,292</b>
<b>Long-term investments (Note 6)</b>	<b>12,517</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,517</b>	<b>12,517</b>
	-	422,963	598,232	103,991	1,125,186	2,637,397
	4,226,441	965,873	653,481	103,991	5,949,786	6,232,154
<b>Liabilities</b>						
<b>Current</b>						
Accounts payable and accrued liabilities	20,085	-	-	-	20,085	542,291
Deferred contributions related to ship refit (Note 7)	2,187,914	-	-	-	2,187,914	2,537,914
Deferred revenue	18,000	-	-	-	18,000	13,000
Due to funds (Note 4)	19,437	-	-	-	19,437	6,565
	2,245,436	-	-	-	2,245,436	3,099,770
<b>Trust surplus (Note 8)</b>	<b>1,981,005</b>	<b>965,873</b>	<b>653,481</b>	<b>103,991</b>	<b>3,704,350</b>	<b>3,132,384</b>
	4,226,441	965,873	653,481	103,991	5,949,786	6,232,154

Approved on behalf of the Board of Trustees  
 Trustee *[Signature]* Trustee *[Signature]*  
 Trustee *[Signature]* Trustee *[Signature]*

The accompanying notes are an integral part of these financial statements

**Canadian Naval Memorial Trust**  
**Statement of Operations and Changes In Operating Fund**  
*For the year ended December 31, 2021*

	2021	2020
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<b>Revenues</b>		
Donations - General and Trustees	431,580	117,368
Donations - Life memberships	27,000	6,600
Donations - Memorials	7,257	5,133
Special donations	22,058	18,385
Admission	31,126	707
Grant revenue (Note 9)	12,060	21,625
Canada Emergency Wage Subsidy grant (Note 10.)	32,263	61,569
Endowment fund administration fee	918	813
Gift shop	1,006	850
Sackville Mess	78	1,012
Deferred contributions related to ship refit (Note 7)	350,000	346,644
	<b>915,346</b>	<b>580,706</b>
<hr/>		
<b>Expenditures</b>		
<b>Ship operations</b>		
Amortization - ship refit	444,227	346,644
Miscellaneous	6,451	3,911
Repairs and maintenance	10,008	9,418
Summer employment	18,671	24,480
Wages	56,553	49,683
	<b>535,910</b>	<b>434,136</b>
<hr/>		
<b>Administration</b>		
Bank charges	3,260	3,673
Amortization	21,993	25,232
Insurance	19,403	18,284
Postage	426	1,219
Memberships	2,861	4,229
Miscellaneous	3,515	6,300
Professional fees	15,182	13,150
Office	6,730	6,258
Office supplies	1,111	1,928
Telephone	4,222	4,280
Travel	22,018	15,297
Stipend and wages	48,998	76,623
	<b>149,719</b>	<b>176,473</b>
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**Canadian Naval Memorial Trust**  
**Statement of Operations and Changes In Operating Fund**  
*For the year ended December 31, 2021*

	<b>2021</b>	<b>2020</b>
<b>Promotion and publicity</b>		
Action Stations newsletter	8,880	7,549
Advertising and promotion	2,924	5,133
Memorial activities and awards	2,124	1,572
Website	2,684	2,350
	<b>16,612</b>	<b>16,604</b>
<b>Gift shop</b>		
Gift shop purchases	4,207	-
<b>Sackville Mess</b>		
Bar purchases	608	376
Food and supplies	411	1,215
	<b>1,019</b>	<b>1,591</b>
<b>Total expenditures</b>	<b>707,467</b>	<b>628,804</b>
<b>Excess (deficiency) of revenues over expenditures for the year</b>	<b>207,879</b>	<b>(48,098)</b>
<b>Operating Fund - beginning of year</b>	<b>429,643</b>	<b>401,573</b>
<b>Transfer from Preservation Fund (Note 4)</b>	<b>1,343,483</b>	<b>76,168</b>
<b>Operating Fund - end of year (Note 8)</b>	<b>1,981,005</b>	<b>429,643</b>

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

**Canadian Naval Memorial Trust**  
**Statement of Preservation Fund Operations and Changes In Preservation Fund**  
*For the year ended December 31, 2021*

	2021	2020
<b>Revenues</b>		
Donations	13,855	2,885
Dividends	20,728	22,833
Interest	6,152	37,493
Gain on disposal of investments	42,650	4,360
Foreign exchange (loss) gain	216	(38,791)
	<b>83,601</b>	28,780
<b>Expenditures</b>		
Investment fees and bank charges	3,124	14,552
Endowment fund administration fee	918	813
	<b>4,042</b>	15,365
<b>Excess of revenue over expenditures for the year before unrealized gain on investments</b>	<b>79,559</b>	13,415
Unrealized gain on investments	84,675	43,421
<b>Excess of revenues over expenditures for the year</b>	<b>164,234</b>	56,836
<b>Preservation Fund - beginning of year</b>	<b>2,145,122</b>	2,164,454
<b>Transfer to Operating Fund (Note 4)</b>	<b>(1,343,483)</b>	(76,168)
<b>Preservation Fund - end of year</b>	<b>965,873</b>	2,145,122

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

**Canadian Naval Memorial Trust**  
**Statement of Canadian Naval Memorial Project Fund Operations and**  
**Changes in Canadian Naval Memorial Project Fund**  
*For the year ended December 31, 2021*

	<b>2021</b>	<b>2020</b>
<b>Revenues</b>		
Dividends	10,246	5,312
Loss on disposal of investments	-	(94)
Donations	32,600	345,250
	<b>42,846</b>	<b>350,468</b>
<b>Expenditures</b>		
Bank charges	1	2
<b>Excess of revenue over expenditures before unrealized gain (loss) on investments</b>	<b>42,845</b>	<b>350,466</b>
Unrealized gain (loss) on investments	146,493	(19,810)
<b>Excess of revenue over expenditures for the year</b>	<b>189,338</b>	<b>330,656</b>
<b>Canadian Naval Memorial Project Fund - beginning of year</b>	<b>464,143</b>	<b>133,487</b>
<b>Canadian Naval Memorial Project Fund - end of year</b>	<b>653,481</b>	<b>464,143</b>

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

**Canadian Naval Memorial Trust**  
**Statement of Endowment Fund Operations and Changes in Endowment Fund**  
*For the year ended December 31, 2021*

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	<b>2021</b>	<b>2020</b>
<b>Revenues</b>		
Donations	<b>10,515</b>	12,191
<b>Excess of revenue over expenditures for the year</b>	<b>10,515</b>	12,191
<b>Endowment Fund - beginning of year</b>	<b>93,476</b>	81,285
<b>Endowment Fund - end of year</b>	<b>103,991</b>	93,476

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

## Canadian Naval Memorial Trust Statement of Cash Flows

*For the year ended December 31, 2021*

	<b>2021</b>	<b>2020</b>
<b>Cash provided by (used for) the following activities</b>		
<b>Operating</b>		
Excess of revenue over expenditures	571,966	351,585
Amortization	466,220	371,874
Gain on disposal of investments	(42,650)	(4,360)
Unrealized gain on investments	(237,278)	(23,611)
Deferred contributions related to ship refit	(350,000)	(346,644)
Stock Donations	(10,515)	(273,797)
	<b>397,743</b>	<b>75,047</b>
Changes in working capital accounts		
Harmonized sales tax receivable	(12,847)	(26,488)
Inventories	4,601	2,998
Prepaid expenses	(4,339)	(587)
Accounts payable and accrued liabilities	(522,204)	526,650
Deferred revenue	5,000	-
	<b>(132,046)</b>	<b>577,620</b>
<b>Investing</b>		
Acquisition of capital assets	(1,201,996)	(779,904)
Acquisition of long-term investments	(4,244)	(80,813)
Proceeds on disposal of long-term investments	1,806,898	23,522
	<b>600,658</b>	<b>(837,195)</b>
<b>Increase (decrease) in cash resources</b>	<b>468,612</b>	<b>(259,575)</b>
<b>Cash resources, beginning of year</b>	<b>525,820</b>	<b>785,395</b>
<b>Cash resources, end of year</b>	<b>994,432</b>	<b>525,820</b>

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

# Canadian Naval Memorial Trust

## Notes to the Financial Statements

For the year ended December 31, 2021

### 1. Incorporation and nature of the organization

The objectives of the Canadian Naval Memorial Trust are to sustain appreciation of our national heritage through the preservation and promotion of the contributions made by Canada's Navy; to honour those who sacrificed their lives and to remember those who served in the naval service of Canada; to produce, operate and maintain an Interpretation Centre of Canadian Naval and associated maritime history, with HMCS Sackville as the symbol of national achievement in the Second World War; to acquire by way of grant, gift, purchase, bequest, devise, or otherwise, real and personal property and to use and apply such property to the realization of the objects of the Trust; and to buy, own, hold, lease, mortgage, sell and convey such real and personal property as may be necessary or desirable in the carrying out of the objects of the Trust.

### 2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations set out in Part III of the CPA Canada Handbook - Accounting, as issued by the Accounting Standards Board in Canada and include the following significant accounting policies:

#### **Cash and cash equivalents**

The Trust's policy is to disclose bank balances under cash and cash equivalents, including balances held at a financial institution.

#### **Inventory**

Inventory is valued at the lower of cost and net realizable value. Cost is determined by the first in, first out method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling costs.

#### **Capital assets**

Purchased capital assets are recorded at cost.

Amortization is provided using the following rates intended to amortize the cost of assets over their estimated useful lives.

	<b>Method</b>	<b>Rate</b>
Computers	declining balance	55 %
Equipment and furniture	declining balance	20 %
Website	straight-line	5 years
Ship refit	straight-line	10 years

#### **Artifacts**

The collection of artifacts is recognized in the statement of financial position. The purchase of collection items are accounted for at cost when cost approximates fair value. Contributions of collection items are accounted for at fair value or nominal value based on appraisals by independent appraisers.

Artifacts do not have a definite useful life and, therefore, are not amortized. When events or circumstances indicate that the carrying value of a collection or a collection item may exceed its fair value, the collection or collection item is written down to its fair value or replacement cost as determined on an item-by-item basis.

#### **Long-lived assets**

Long-lived assets consist of capital assets and artifacts. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Trust writes down long-lived assets held for use when conditions indicate that the asset no longer contributes to the Trust's ability to provide goods and services. The asset is also written-down when the value of future economic benefits or service potential associated with the asset is less than its net carrying amount. When the Trust determines that a long-lived asset is impaired, its carrying amount is written down to the asset's fair value and the impairment loss is recognized in the Statement of Operations for the Operating Fund.

### **Financial instruments**

The Trust recognizes financial instruments when the Trust becomes party to the contractual provisions of the financial instrument.

#### **Arm's length financial instruments**

Financial instruments originated/acquired or issued/assumed in an arm's length transaction ("arm's length financial instruments") are initially recorded at their fair value.

At initial recognition, the Trust may irrevocably elect to subsequently measure any arm's length financial instrument at fair value. The Trust has not made such an election during the year.

The Trust subsequently measures financial assets and liabilities at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in the statement of operations of each fund. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

#### **Related party financial instruments**

The Trust initially measures the following financial instruments originated/acquired or issued/assumed in a related party transaction ("related party financial instruments") at fair value:

- Investments in equity instruments quoted in an active market
- Debt instruments quoted in an active market
- Debt instruments when the inputs significant to the determination of its fair value are observable (directly or indirectly)
- Derivative contracts.

All other related party financial instruments are measured at their cost on initial recognition. When the financial instrument has repayment terms, cost is determined using the undiscounted cash flows, excluding interest, dividend, variable and contingent payments, less any impairment losses previously recognized by the transferor. When the financial instrument does not have repayment terms, but the consideration transferred has repayment terms, cost is determined based on the repayment terms of the consideration transferred. When the financial instrument and the consideration transferred both do not have repayment terms, the cost is equal to the carrying amount or exchange amount of the consideration transferred or received.

At initial recognition, the Trust may elect to subsequently measure related party debt instruments that are quoted in an active market, or that have observable inputs significant to the determination of fair value, at fair value.

The Trust has not made such an election during the year, thus all such related party debt instruments are subsequently measured at amortized cost.

The Trust subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those designated in a qualifying hedging relationship or that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, at fair value. Fair value is determined by published price quotations. Financial instruments that were initially measured at cost and derivatives that are linked to, and must be settled by, delivery of unquoted equity instruments of another entity, are subsequently measured using the cost method less any reduction for impairment.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of related party financial instruments are immediately recognized in the statement of operations of each fund.

#### **Financial asset impairment**

The Trust assesses impairment of all its financial assets measured at cost or amortized cost. The Trust groups assets for impairment testing when available information is not sufficient to permit identification of each individually impaired financial asset in the group, there are numerous assets affected by the same factor or no asset is individually significant. Management considers whether the issuer is having significant financial difficulty or there has been a breach in contract, such as a default or delinquency in interest or principal payments in determining whether objective evidence of impairment exists. When there is an indication of impairment, the Trust determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year.

# Canadian Naval Memorial Trust

## Notes to the Financial Statements

For the year ended December 31, 2021

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With the exception of related party debt instruments and related party equity instruments initially measured at cost, the Trust reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets at the balance sheet date; and the amount expected to be realized by exercising any rights to collateral held against those assets.

For related party debt instruments initially measured at cost, the Trust reduces the carrying amount of the asset (or group of assets), to the highest of: the undiscounted cash flows expected to be generated by holding the asset, or group of similar assets, excluding the interest and dividend payments of the instrument; the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets at the balance sheet date; and the amount expected to be realized by exercising any rights to collateral held against those assets.

For related party equity instruments initially measured at cost, the Trust reduces the carrying amount of the asset (or group of assets), to the amount that could be realized by selling the asset(s) at the balance sheet date.

Any impairment, which is not considered temporary, is included in current year statement of operations of each fund.

The Trust reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in the statement of operations of each fund in the year the reversal occurs.

### **Deferred contributions related to ship refit**

Deferred contributions related to capital assets represent the unamortized portion of contributed capital assets and restricted contributions that were used to purchase the Trust's ship refit. Recognition of these amounts as revenue is deferred to periods when the related capital assets are amortized.

### **Revenue recognition**

#### Fund Accounting

The Trust follows the restricted fund method of accounting for donations.

#### Operating Fund

Donation revenue received for the regular operations is recorded on a cash basis. Amounts received for life memberships are recognized as revenue in the operating fund. Donations of shares are recorded at the fair market value of the shares at their donation date. Interest income is recorded using the accrual method of accounting. Revenue from the gift shop and Sackville Mess is recognized on the date the goods are sold. Revenue from grants is recorded in the operating fund based on the terms of the underlying grant and when the related expenditures increased.

#### Preservation Fund

An internally restricted Preservation Fund has been established by the Trust for the purpose of preservation of the ship. The income earned on the Preservation Fund investments is being used from time to time as the Board of Directors determines it is necessary for the on-going preservation of the vessel. Donations and bequests are recorded as income in the Preservation Fund in the period they are received. Donations of shares are recorded at the fair market value of the shares at their donation date. Investment income is recorded using the accrual method of accounting.

#### Canadian Naval Memorial Project Fund

The Canadian Naval Memorial Project Fund is an internally restricted fund that has been established by the Trust for the development of a long-term conservation solution for the ship. Donations received for the Canadian Naval Memorial Project Fund are recognized as revenue in that fund. Revenue from grants is recorded in the Canadian Naval Memorial Project Fund based on the terms of the underlying grant. Donations of shares are recorded at the fair market value of the shares at their donation date. Investment income is recorded using the accrual method of accounting.

#### Endowment Fund

An externally restricted endowment fund has been established by the Trust. The income earned on the Endowment Fund investments is recognized in the Preservation Fund. Donations and bequests are recorded as income in the Endowment Fund in the period they are received. Donations of shares are recorded at the fair market value of the shares at their donation date. The Endowment Fund is subject to an administration fee as determined by the Board of Trustees.

All revenue is recorded when collection is reasonably assured.

**Government assistance**

Government assistance is recorded on the financial statements when there is reasonable assurance that the Trust has complied with, and will continue to comply with, all conditions necessary to obtain the assistance. Capital asset grants are recorded as deferred contributions and amortized as revenue at the same rate as amortization of the asset. Operational grants are accounted for as grant revenue in the year the related expense is incurred.

**Restoration expenses**

The costs of HMCS Sackville's restoration are expensed as incurred.

**Trust surplus**

The Canadian Naval Memorial Trust allocates its surplus based on expected future use as follows:

- (i) Operating Fund - available for annual operations and maintenance and general use of the Trust;
- (ii) Preservation Fund - available for the preservation of the ship.
- (iii) Canadian Naval Memorial Project Fund - available for the long-term conservation of the ship.
- (iv) Endowment Fund - available for the long-term conservation of the ship.

**Contributed services**

Volunteers contribute services to the Trust. Because of the difficulty in determining fair value, contributed services are not recognized in these financial statements.

**Measurement uncertainty (use of estimates)**

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Provisions are made for slow moving and obsolete inventory. Amortization is based on the estimated useful lives of capital assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in the statement of operations in the periods in which they become known.

**3. Financial instruments**

The Trust, as part of its operations, carries a number of financial instruments. It is management's opinion that the Trust is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

**Credit risk**

The Trust is exposed to credit risk on the accounts receivable. The Trust does not have a significant exposure to any individual member or counterpart. The Trust has not incurred any bad debt expense for the last three years. At December 31, 2021 and December 31, 2020, accounts receivable relates to outstanding HST receivable.

The Trust is exposed to concentration risk on its cash as it is held at one institution. This risk is mitigated as the institution is a major financial institution in Canada.

**Market risk**

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

**Canadian Naval Memorial Trust**  
**Notes to the Financial Statements**  
*For the year ended December 31, 2021*

**Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Trust entered into transactions to purchase and sell marketable securities denominated in US Dollar currency for which the related revenues were subject to exchange rate fluctuations. As at December 31, 2021, the following items are denominated in US Dollar Currency:

	<b>2021</b>	<b>2020</b>
	<b>CAD\$</b>	<b>CAD\$</b>
Marketable securities	<b>347,736</b>	1,640,861

At the end of the year, the foreign exchange rate from US to Canadian dollars was 1.27 (2020 - 1.27).

**Other price risk**

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

**4. Interfund transactions**

During the year, the Trust transferred \$1,343,483 (2020 - \$76,168) from the Preservation Fund to the Operating Fund.

At year-end, there are amounts outstanding from the Operating Fund to the Preservation Fund. These advances are non-interest bearing and have no set terms of repayment.

At the end of the prior year, there were amounts outstanding from the Operating Fund to the Canadian Naval Memorial Project Fund. These amounts were repaid during the year.

**5. Capital assets**

	<b>Cost</b>	<b>Accumulated amortization</b>	<b>2021 Net book value</b>	<b>2020 Net book value</b>
Computers	46,941	46,784	157	349
Equipment and furniture	171,792	104,805	66,987	76,496
Website	29,298	29,298	-	5,859
Ship refit	5,028,860	1,406,313	3,622,547	2,893,588
Whaler	22,375	-	22,375	-
	<b>5,299,266</b>	<b>1,587,200</b>	<b>3,712,066</b>	2,976,292

The original asset value of HMCS Sackville is recorded at \$1 and the asset value of the model HMCS Sackville artifact is recorded at \$12,517 (2020 - \$12,517). These assets are not amortized as they have an indefinite useful life.

At December 31, 2021, the Whaler is under construction and not available for use. Accordingly, no amortization has been claimed relating to the costs incurred up to year-end. The estimated useful life of the Whaler will be determined when it is completed.

## Canadian Naval Memorial Trust Notes to the Financial Statements

*For the year ended December 31, 2021*

### 6. Long-term investments

	Cost 2021	Market Value 2021	Cost 2020	Market Value 2020
	\$	\$	\$	\$
<b>Preservation Fund</b>				
RBC Dominion Securities	234,719	421,299	234,763	336,666
Seamark Asset Management	-	-	1,617,649	1,758,096
Cash Surrender Value of Life Insurance	1,664	1,664	1,664	1,664
	<b>236,383</b>	<b>422,963</b>	<b>1,854,076</b>	<b>2,096,426</b>
<b>Canadian Naval Memorial Project Fund</b>				
RBC Dominion Securities	473,756	598,232	469,512	447,495
<b>Endowment Fund</b>				
RBC Dominion Securities	103,991	103,991	93,476	93,476
	<b>814,130</b>	<b>1,125,186</b>	<b>2,417,064</b>	<b>2,637,397</b>

Any unrealized gains/losses for the investments held in the Endowment Fund are recognized in the Preservation Fund in the year they occur.

During the year, the Seamark investments were liquidated for approximately \$1,803,000 and transferred to the Operating fund to cover the costs for the ship refit. After all costs were paid, the remaining \$450,000 was transferred to the Preservation fund investment cash account.

### 7. Deferred contributions related to ship refit

The grant has been spent in its entirety as at December 31, 2021, as the refit has been completed during the current year.

Deferred capital contributions consist of the unamortized amount of contributions received for the ship refit. Recognition of these amounts as revenue is deferred to periods when the related capital assets are amortized. Changes in deferred capital contributions are as follows:

	2021	2020
Balance, beginning of year	2,537,914	2,884,558
Less: Amounts recognized as revenue during the year	(350,000)	(346,644)
Balance, end of year	<b>2,187,914</b>	2,537,914

### 8. Operating Fund

The statement of financial position for the Operating Fund includes a number of capital assets as well as deferred contributions related to the ship's refit. These balances are being amortized as described in the significant accounting policies. As a result, the Operating Fund will be drawn down over time by the net amortization expense. The composition of the Operating Fund's surplus is as follows:

	2021	2020
Operating Fund surplus	1,981,005	429,643
Future amortization of capital assets	(3,712,066)	(2,976,292)
Future amortization of deferred contributions related to ship's refit	2,187,914	2,537,914
Operating Fund surplus available	<b>456,853</b>	(8,735)

**9. Government assistance**

During the year, the Trust applied for and was awarded a grant from the Canadian Summer Jobs Program in the amount of \$12,060 (2020 - \$21,625). The grant was recognized as revenue in the Operating Fund.

**10. COVID - 19**

Since March 2020, there has been a global outbreak of COVID-19 (coronavirus), which has had a significant impact on organizations through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Trust as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

In response to the negative economic impact, the Government of Canada announced the introduction of the Canada Emergency Wage Subsidy (CEWS). CEWS is a wage subsidy on eligible remuneration, subject to limits per employee, to eligible employers based on certain criteria, including demonstration of revenue declines as a result of COVID-19. This subsidy is retroactive to March 15, 2020. The qualifications and application of CEWS is being assessed over multiple four-week application period segments.

The Trust has determined that it qualified for the CEWS subsidy during the current and prior year, and has accordingly applied for the CEWS. At December 31, 2021, the Trust has recognized \$32,263 and (2020: \$61,569) in assistance from the CEWS. The Trust has recorded this government assistance as part of grant revenue in the statement of operations for the Operating Fund.

The Trust will continue to review all programs offered by the Government and ensure it applies for all appropriate support.