

Financial Statements of

NATURE CANADA

Years ended March 31, 2013 and 2012



KPMG LLP
Suite 2000
160 Elgin Street
Ottawa, ON K2P 2P8
Canada

Telephone (613) 212-KPMG (5764)
Fax (613) 212-2896
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Directors of Nature Canada

Report on the Financial Statements

We have audited the accompanying financial statements of Nature Canada, which comprise the statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, the statements of operations, changes in net assets and cash flows for the years ended March 31, 2013 and March 31, 2012, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

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

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

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



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Nature Canada as at March 31, 2013, March 31, 2012 and April 1, 2011, and its results of operations, changes in net assets and cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

Report on Other Legal Requirements

As required by the Canada Corporations Act, we report that, in our opinion, the accounting principles in Canadian accounting standards for not-for-profit organizations have been applied on a consistent basis.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

August 22, 2013

Ottawa, Canada

NATURE CANADA

Statements of Financial Position

March 31, 2013, March 31, 2012 and April 1, 2011

	March 31, 2013	March 31, 2012	April 1, 2011
Assets			
Current assets:			
Cash and cash equivalents	\$ 236,800	\$ 194,796	\$ 782,555
Amounts receivable	78,225	222,136	349,840
Prepaid expenses	56,084	26,539	38,939
	371,109	443,471	1,171,334
Tangible capital assets (note 2)	35,702	45,713	59,067
Investments (note 3)	774,483	744,856	816,537
Investment in life insurance (note 4)	12,938	28,658	27,260
	\$ 1,194,232	\$ 1,262,698	\$ 2,074,198
Liabilities and Net Assets			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 206,047	\$ 209,580	\$ 200,340
Demand loan (note 6)	–	140,000	–
Deferred revenue (note 7)	253,900	208,093	569,679
	459,947	557,673	770,019
Deferred revenue - life insurance (note 4)	12,938	28,658	27,260
Net assets:			
Endowment (note 8(a))	120,300	115,000	110,000
Externally restricted (note 8(b))	2,410	2,410	50,410
Internally restricted (note 8(c))	517,680	513,244	918,586
Invested in tangible capital assets (note 8(d))	35,702	45,713	59,067
Unrestricted (note 8(e))	45,255	–	138,856
	721,347	676,367	1,276,919
Related parties (note 11)			
Commitments (note 12)			
Contingencies (note 13)			
	\$ 1,194,232	\$ 1,262,698	\$ 2,074,198

See accompanying notes to financial statements.

On behalf of the Members:



Richard Yank
Chair, Nature Canada Board of Directors



Mark Dorfman
Past Chair, Nature Canada Board of Directors

NATURE CANADA

Statements of Operations

Years ended March 31, 2013 and 2012

	2013	2012
Revenue:		
Donations, bequests and memberships	\$ 1,368,923	\$ 909,772
Corporation, government and foundation funding	646,028	1,184,812
Other	66,209	39,893
Investment	21,506	62,103
	<u>2,102,666</u>	<u>2,196,580</u>
Expenses:		
Conservation programs	1,153,189	1,388,448
Conservation education and communications	366,333	526,040
Fund development	422,851	458,636
Finance and administration (note 9)	120,613	381,008
	<u>2,062,986</u>	<u>2,754,132</u>
Excess (deficiency) of revenue over expenses	<u>\$ 39,680</u>	<u>\$ (557,552)</u>

See accompanying notes to financial statements.

NATURE CANADA

Statements of Changes in Net Assets

Years ended March 31, 2013 and 2012

March 31, 2013	Invested in tangible capital assets	Endowment	Externally restricted	Internally restricted	Unrestricted	Total
Net assets, beginning of year	\$ 45,713	\$ 115,000	\$ 2,410	\$ 513,244	\$ –	\$ 676,367
Excess of revenue over expenses	–	–	–	–	39,680	39,680
Additions to tangible capital assets	7,444	–	–	–	(7,444)	–
Amortization of tangible capital assets	(17,455)	–	–	–	17,455	–
Contribution to endowment fund	–	5,300	–	–	–	5,300
Transfers (notes 8(b) and (c))	–	–	–	4,436	(4,436)	–
Net assets, end of year	\$ 35,702	\$ 120,300	\$ 2,410	\$ 517,680	\$ 45,255	\$ 721,347

March 31, 2012	Invested in tangible capital assets	Endowment	Externally restricted	Internally restricted	Unrestricted	Total
Net assets, beginning of year	\$ 59,067	\$ 110,000	\$ 50,410	\$ 918,586	\$ 138,856	\$ 1,276,919
Deficiency of revenue over expenses	–	–	–	–	(557,552)	(557,552)
Additions to tangible capital assets	4,032	–	–	–	(4,032)	–
Amortization of tangible capital assets	(17,386)	–	–	–	17,386	–
Contribution to endowment fund	–	5,000	–	–	–	5,000
Transfers (notes 8(b) and (c))	–	–	(48,000)	(405,342)	405,342	(48,000)
Net assets, end of year	\$ 45,713	\$ 115,000	\$ 2,410	\$ 513,244	\$ –	\$ 676,367

See accompanying notes to financial statements.

NATURE CANADA

Statements of Cash Flows

Years ended March 31, 2013 and 2012

	2013	2012
Cash from operating activities:		
Excess (deficiency) of revenue over expenses	\$ 39,680	\$ (557,552)
Items not involving cash:		
Amortization of tangible capital assets	17,455	17,386
Unrealized loss (gain) on investments	(42,418)	59,227
Changes in non-cash working capital:		
Amounts receivable	143,911	127,704
Prepaid expenses	(29,545)	12,400
Demand loan payable	(140,000)	140,000
Accounts payable and accrued liabilities	(3,533)	9,240
Deferred revenue	45,807	(361,586)
Net cash used in operating activities	31,357	(553,181)
Financing activities:		
Contribution to endowment fund	5,300	5,000
Distribution to purchase nature reserve	—	(48,000)
Net cash provided by (used in) financing activities	5,300	(43,000)
Investing activities:		
Decrease in investments	12,791	12,454
Purchase of tangible capital assets	(7,444)	(4,032)
Net cash used in investing activities	5,347	8,422
Increase (decrease) in cash and cash equivalents	42,004	(587,759)
Cash and cash equivalents, beginning of year	194,796	782,555
Cash and cash equivalents, end of year	\$ 236,800	\$ 194,796
Cash and cash equivalents consist of:		
Cash in bank	\$ 135,406	\$ 61,990
Restricted cash (note 8(b))	101,394	132,806
	\$ 236,800	\$ 194,796

See accompanying notes to financial statements.

NATURE CANADA

Notes to Financial Statements

Years ended March 31, 2013 and 2012

Nature Canada (the "Organization") is a member-based non-profit nature conservation organization dedicated to protecting nature, its diversity, and the processes that sustain it. With strategies based on sound science and passion for nature, the Organization effects change in issues of national significance, including bird conservation, wilderness protection, species at risk and national parks. Through public outreach and education, Nature Canada is building a nature ethic among Canadians.

The Organization is incorporated under the Canada Corporations Act. The Organization is a registered charitable organization and as such is not subject to income taxes under paragraph 149(1)(l) of the Income Tax Act (Canada).

On April 1, 2012, the Organization adopted Canadian accounting standards for not-for-profit organizations in Part III of the CICA Handbook. These are the first financial statements prepared in accordance with Canadian accounting standards for not-for-profit organizations.

In accordance with the transitional provisions in Canadian accounting standards for not-for-profit organizations, the Organization has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is April 1, 2011 and all comparative information provided has been presented by applying Canadian accounting standards for not-for-profit organizations.

There were no adjustments to net assets as at April 1, 2011 or to excess of revenue over expenditures for the year ended March 31, 2012 as a result of the transition to Canadian accounting standards for not-for-profit organizations.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting principles:

(a) Basis of presentation:

The Organization uses the deferral method of accounting for contributions for not-for-profit organizations.

(b) Fund accounting:

The unrestricted fund accounts for the Organization's program delivery and administrative activities.

The tangible capital asset fund reports the Organization's investment in tangible capital assets.

The internally restricted and externally restricted funds report the revenue, expenses and fund balances of the activities of the Organization for which the funding is restricted to that activity and are described in note 7 and note 8(b).

NATURE CANADA

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

1. Significant accounting policies (continued):

(b) Fund accounting (continued):

Contributions restricted for endowment consist of monies received which the donor has designated as an endowment. The annual income earned from funds designated as endowment by the donor may be expended only for the purpose designated. If no purpose is designated by the donor then the income is expended at the direction of the Board. Actual investment income earned in excess of the distributed amount is accumulated in the endowment fund for future distribution and to maintain capital.

(c) Revenue recognition:

Unrestricted revenue is recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions, including donations and bequests and conservation project contributions are recognized as revenue in the year in which the related expenses are incurred.

Endowment contributions and restricted investment revenue earned for re-endowment are recognized as direct increases in net assets in the period in which they are received or earned.

Because of the uncertainty of the collectability of pledges, the Organization recognizes pledges as donations in the year received.

(d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Organization has elected to carry its investments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

NATURE CANADA

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

1. Significant accounting policies (continued):

(d) Financial instruments (continued):

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year. If there is an indicator of impairment, the Organization determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Organization expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(e) Cash and cash equivalents:

The Organization considers cash and cash equivalents to be highly liquid investments with original maturities of three months or less.

(f) Tangible capital assets:

Tangible capital assets are recorded at cost. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of a tangible capital asset are capitalized. When a tangible capital asset no longer contributes to the Organization's ability to provide services, its carrying amount is written down to its residual value.

Tangible capital assets are amortized over their estimated useful lives on a straight-line basis using the following rates:

	Rate
Leasehold improvements	Term of lease
Computer equipment	5 years
Office equipment	5 years

Works of art are recorded at cost and are not amortized.

(g) Contributed services:

Contributed materials and services, which are used in the normal course of the Organization's operations and would otherwise have been purchased, are recorded at their fair value at the date of contribution when the fair value can be reasonably estimated.

NATURE CANADA

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

1. Significant accounting policies (continued):

(h) Expense allocation:

Finance and administration overhead costs are allocated to the functions based on the number of staff directly employed in each of the functions. Finance and administration salaries and benefits are allocated based on the time spent on the respective functions.

Fund development costs include; printing, distribution of information packages and the employment of consultants such as telemarketers and door to door canvassers, who are used to contact supporters to solicit funds, educate and increase public awareness. Fund development costs plus the allocation of corporate service costs based on the number of staff directly employed in each of the functions is allocated at a rate of 50% to conservation programs.

(i) Use of estimates:

The preparation of the financial statements 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 revenue and expenses during the year. Actual results could differ from those estimates. These estimates are reviewed annually and as adjustments become necessary, they are recognized in the financial statements in the period in which they become known.

2. Tangible capital assets:

March 31, 2013	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 283,977	\$ 266,696	\$ 17,281
Office equipment	72,074	66,609	5,465
Leasehold Improvements	27,140	19,224	7,916
Works of art	5,040	–	5,040
	<u>\$ 388,231</u>	<u>\$ 352,529</u>	<u>\$ 35,702</u>

NATURE CANADA

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

2. Tangible capital assets (continued):

March 31, 2012	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 277,181	\$ 258,735	\$ 18,446
Office equipment	71,426	63,900	7,526
Leasehold Improvements	27,140	12,439	14,701
Works of art	5,040	–	5,040
	\$ 380,787	\$ 335,074	\$ 45,713

March 31, 2011	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 274,115	\$ 250,843	\$ 23,272
Office equipment	70,460	61,191	9,269
Leasehold Improvements	27,140	5,654	21,486
Works of art	5,040	–	5,040
	\$ 376,755	\$ 317,688	\$ 59,067

3. Investments:

Investments relating to the endowment of \$120,300 (March 31, 2012 - \$115,000; April 1, 2011 - \$110,000) are restricted.

March 31, 2013	Market Value	Cost
Fixed income	\$ 303,518	\$ 298,759
Canadian equities	300,634	173,854
International mutual funds	44,800	34,935
U.S. mutual funds	65,813	53,466
Canadian mutual funds	59,718	55,896
	\$ 774,483	\$ 616,910

NATURE CANADA

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

3. Investments (continued):

March 31, 2012	Market Value	Cost
Fixed income	\$ 304,413	\$ 298,759
Canadian equities	297,527	177,782
International mutual funds	48,476	41,015
U.S. mutual funds	65,988	61,603
Canadian mutual funds	28,452	28,283
	<u>\$ 744,856</u>	<u>\$ 607,442</u>

April 1, 2011	Market Value	Cost
Fixed income	\$ 297,671	\$ 293,764
Preferred shares	26,580	26,009
International mutual funds	45,008	33,620
U.S. mutual funds	55,922	57,142
Canadian mutual funds	391,356	209,270
	<u>\$ 816,537</u>	<u>\$ 619,805</u>

Fixed income securities have interest rates from 2.901% to 5.16% with maturities from June 6, 2013 to January 13, 2017.

4. Deferred revenue - life insurance:

The Organization has been designated as the irrevocable beneficiary of life insurance policies. As at March 31, 2013, the amount of insurance in force for which the Organization has been designated as the beneficiary totals \$30,000 (March 31, 2012 - \$50,000; April 1, 2011 - \$50,000).

The cash surrender value of the policies at March 31 is \$12,938 (March 31, 2012 - \$28,658; April 1, 2011 - \$27,260).

NATURE CANADA

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

5. Accounts payable and accrued liabilities:

Accounts payable did not include any government remittances at year end.

6. Credit facility:

As at March 31, 2013, the Organization had an outstanding balance of \$Nil (March 31, 2012 - \$140,000; April 1, 2011 - \$Nil) on their demand operating facility. The facility is available at an interest rate of prime plus 1.5% and is secured by a general security agreement covering all of the personal property of the Organization. The maximum credit facility available is \$250,000.

7. Deferred revenue:

Deferred revenue includes restricted donations and contributions received but unused. Deferred revenue is restricted for future use in the following program areas:

	March 31, 2013	March 31, 2012	April 1, 2011
Important bird areas	\$ 150,000	\$ 160,000	\$ 380,131
International - Caribbean	58,287	26,644	80,433
Other	35,613	4,217	9,217
Youth engagement	10,000	—	79,398
Protected areas	—	17,232	—
Green budget coalition	—	—	20,500
	\$ 253,900	\$ 208,093	\$ 569,679

8. Net assets:

The Organization defines capital as its net assets as described below. The Organization's overall strategy with respect to capital remains unchanged from the year ended March 31, 2012.

(a) Endowment:

In 2009, the Organization received an endowment contribution of \$100,000. In the current year, contributions to the endowment fund were \$5,300 (March 31, 2012 - \$5,000; April 1, 2011 - \$10,000). Interest earned on the endowment contribution is restricted for the purposes of:

- (i) supporting bird conservation projects in Alberta;
- (ii) providing an entrance scholarship to attend post secondary studies in natural sciences;
- (iii) providing an award to a volunteer with the Organization for bird conservation and stewardship efforts.

NATURE CANADA

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

8. Net assets (continued):

(b) Externally restricted:

In prior years the Organization was the recipient of a bequest of \$302,410 that was restricted for the purpose of the acquisition of a nature reserve or wildlife sanctuary. Investment income, net of trust expense and investment fees, is available to the Organization for operational purposes. In the current year, a disbursement was made to a third party for the purchase of a nature reserve of \$Nil (March 31, 2012 - \$48,000; April 1, 2011 - \$252,000). The remaining balance of \$2,410 is held as restricted cash for final distribution in 2013.

(c) Internally restricted:

Contingency funds have been designated by the Board and are to be used in accordance with the Board's on-going direction. On an annual basis, 15% of the investment income earned on the unrestricted investments is transferred from the unrestricted fund to the internally restricted fund. During the year, \$4,436 (March 31, 2012 - \$9,153; April 1, 2011 - \$4,182) of interest income was transferred to the contingency fund from unrestricted.

(d) Invested in tangible capital assets:

Invested in tangible capital assets represents the Organization's investment in capital assets.

(e) Unrestricted:

Unrestricted net assets are available for general operations and future projects.

9. Allocated expenses:

Finance and administration expenses consist of the following:

	2013	2012
Salaries and benefits	\$ 179,513	\$ 243,826
Administrative	291,327	439,862
Professional fees	44,661	46,523
Investment loss/(gain)	(42,418)	60,571
Finance and administration	\$ 473,083	\$ 790,782

NATURE CANADA

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

9. Allocated expenses (continued):

Allocation of finance and administration expenses as described in note 1(h):

	2013	2012
Finance and administration	\$ 473,083	\$ 790,782
Less: allocation to conservation programs	(168,821)	(148,807)
Less: allocation to conservation education and communications	(99,496)	(94,086)
Less: allocation to fund development	(84,153)	(166,881)
Finance and administration	\$ 120,613	\$ 381,008

Fund development consists of the following:

	2013	2012
Salaries and benefits	\$ 244,574	\$ 396,925
Administrative	228,234	46,621
Professional fees	3,476	5,174
Communications	285,265	301,671
Fund development	\$ 761,549	\$ 750,391

Allocation of fund development consists of the following:

	2013	2012
Fund development	\$ 761,549	\$ 750,391
Add: allocation from finance and administration	84,153	166,881
Less: allocation to conservation programs	(422,851)	(458,636)
Fund development	\$ 422,851	\$ 458,636

10. Pension plan:

In 2012, the Organization introduced a defined contribution pension plan which covers all its employees. During the year, the Organization made employer contributions totaling \$21,598 (March 31, 2012 - \$31,394).

NATURE CANADA

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

11. Related parties:

The Organization is related to the Nature Canada Foundation through a common Board of Directors. The Organization provides Nature Canada Foundation with administration services at no charge.

12. Commitments:

The Organization is committed under operating leases for office space and equipment. Future minimum annual rental payments for the next four years are as follows:

2014	\$	71,999
2015		17,963
2016		4,081
2017 and thereafter		2,041
	\$	96,084

13. Contingencies:

Corporation, government and foundation funding of the Organization are subject to conditions regarding the expenditures of the funds. The Organization's accounting records may be subject to audit by the funding agencies to identify instances, if any, in which the amounts charged to projects have not complied with the agreed terms and conditions, and which, therefore, would be refundable to the funding agency. Adjustments to the financial statements as a result of these audits would be recorded in the period in which they become known.

14. Financial risks and concentration of credit risk:

(a) Currency risk:

The Organization is not exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates as it does not hold cash or investment vehicles denominated in U.S. dollars. There has been no change to the risk exposure from 2012.

(b) Liquidity risk:

Liquidity risk is the risk that the Organization will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Organization manages its liquidity risk by monitoring its operating requirements. The Organization prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from 2012.

NATURE CANADA

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

14. Financial risks and concentration of credit risk (continued):

(c) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Organization is exposed to credit risk with respect to the accounts receivable. The Organization assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. At year-end, there were no amounts allowed for in accounts receivable.

(d) Interest rate risk:

The Organization is exposed to interest rate risk on its fixed interest rate financial instruments. Further details about the fixed rate investments are included in note 3 and the long term debt are included in note 6.