



# Financial Statements

For the year ended March 31, 2019

**Nature Canada**  
**Financial Statements**  
For the year ended March 31, 2019

**Contents**

---

<b>Independent Auditor's Report</b>	1
<b>Financial Statements</b>	
Statement of Financial Position	3
Statement of Changes in Net Assets	4
Statement of Operations	5
Statement of Cash Flows	6
Summary of Significant Accounting Policies	7
Notes to Financial Statements	12

## Independent Auditor's Report

### To the Members of Nature Canada

#### Opinion

We have audited the financial statements of Nature Canada (the "organization"), which comprise the statement of financial position as at March 31, 2019, and the statements of operations, 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, the accompanying financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

#### Basis for Opinion

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 organization 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 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 organization'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 organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organization'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.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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 organization'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 organization'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 organization 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.

*Baker Tilly Ottawa LLP*

Chartered Professional Accountants, Licensed Public Accountants  
October 25, 2019  
Ottawa, Ontario

## Nature Canada Statement of Financial Position

**March 31** 2019 2018

### Assets

#### Current

Cash and cash equivalents (Note 1)	\$ 1,501,667	\$ 986,410
Accounts receivable (Note 2)	284,672	136,078
Prepaid expenses	17,072	16,073
Current portion of investments (Note 3)	624,918	540,682
	2,428,329	1,679,243
<b>Long-term portion of investments</b> (Note 3)	<b>400,721</b>	<b>231,994</b>
<b>Investments - life insurance</b> (Note 4)	<b>7,847</b>	<b>7,419</b>
<b>Tangible capital assets</b> (Note 5)	<b>2,909</b>	<b>12,313</b>
	<b>\$ 2,839,806</b>	<b>\$ 1,930,969</b>

### Liabilities and Net Assets

#### Current

Accounts payable and accrued liabilities (Note 6)	\$ 276,036	\$ 154,109
Deferred revenue (Note 8)	578,306	307,217
	854,342	461,326
<b>Deferred revenue - life insurance</b> (Note 4)	<b>7,847</b>	<b>7,419</b>
	<b>862,189</b>	<b>468,745</b>

#### Net assets

Endowment (Note 9 a.)	137,738	135,300
Internally restricted (Note 9 b.)	826,383	641,111
Invested in tangible capital assets (Note 9 c.)	2,909	12,313
Unrestricted (Note 9 d.)	1,010,587	673,500
	1,977,617	1,462,224
	<b>\$ 2,839,806</b>	<b>\$ 1,930,969</b>

On behalf of the Board:



Bob Peart, Board Member and Chair



Bill Ross, Board Member and Treasurer

## Nature Canada Statement of Changes in Net Assets

**For the year ended March 31, 2019**

	Endowment	Internally Restricted	Invested in Tangible Capital Assets	Unrestricted	Total
<b>Balance, beginning of year</b>	\$ 135,300	\$ 641,111	\$ 12,313	\$ 673,500	\$ 1,462,224
<b>Excess (deficiency) of revenue over expenses for the year</b>	-	-	(10,068)	523,023	512,955
<b>Additions to tangible capital assets</b>	-	-	664	(664)	-
<b>Contributions for endowment</b>	2,438	-	-	-	2,438
<b>Transfers (Note 9 b.)</b>	-	185,272	-	(185,272)	-
<b>Balance, end of year</b>	<b>\$ 137,738</b>	<b>\$ 826,383</b>	<b>\$ 2,909</b>	<b>\$ 1,010,587</b>	<b>\$ 1,977,617</b>

**For the year ended March 31, 2018**

	Endowment	Internally Restricted	Invested in Tangible Capital Assets	Unrestricted	Total
Balance, beginning of year	\$ 133,300	\$ 400,010	\$ 20,867	\$ 326,880	\$ 881,057
Excess (deficiency) of revenue over expenses for the year	-	-	(8,554)	587,721	579,167
Contributions for endowment	2,000	-	-	-	2,000
Transfers (Note 9.b.)	-	241,101	-	(241,101)	-
Balance, end of year	<b>\$ 135,300</b>	<b>\$ 641,111</b>	<b>\$ 12,313</b>	<b>\$ 673,500</b>	<b>\$ 1,462,224</b>

## Nature Canada Statement of Operations

For the year ended March 31	2019	2018
<b>Revenue</b>		
Donations, bequests and memberships	\$ 1,296,136	\$ 1,774,817
Corporation, government and foundation funding	1,861,432	713,960
Other	38,014	16,472
Investment income	53,618	28,512
	<b>3,249,200</b>	<b>2,533,761</b>
<b>Expenses (Notes 10 and 14)</b>		
Amortization of tangible capital assets	5,028	8,554
Bank and transaction charges	28,204	27,356
Communications, including website	273,810	136,394
Conservation grants	274,166	266,463
Loss on tangible capital assets (Note 5)	5,040	-
Meetings and travel	132,191	103,656
Occupancy costs	86,655	88,614
Office	39,962	34,101
Printing and postage	109,990	118,174
Professional fees, consultants and contractors	671,757	289,812
Salaries and benefits	1,103,497	877,569
Special events	5,945	3,901
	<b>2,736,245</b>	<b>1,954,594</b>
<b>Excess of revenue over expenses for the year</b>	<b>\$ 512,955</b>	<b>\$ 579,167</b>

## Nature Canada Statement of Cash Flows

For the year ended March 31	2019	2018
<b>Cash flows from (used in) operating activities</b>		
Excess of revenue over expenses for the year	\$ 512,955	\$ 579,167
Adjustments for		
Amortization of tangible capital assets	5,028	8,554
Loss on tangible capital assets (Note 5)	5,040	-
Net decrease (increase) in balance of unrealized gain on investments	(3,850)	41,913
Realized (gains) losses on investments (Note 14)	(16,033)	(52,586)
Fair value of donated investments	(3,009)	(28,459)
	500,131	548,589
Changes in non-cash working capital balances		
Accounts receivable	(148,594)	81,673
Prepaid expenses	(999)	20,275
Accounts payable and accrued liabilities	121,927	(26,637)
Deferred revenue	271,089	37,217
	743,554	661,117
<b>Cash flows from (used in) financing activities</b>		
Contributions for endowment	2,438	2,000
<b>Cash flows from (used in) investing activities</b>		
(Increase) decrease in investments - net (Note 14)	(230,071)	(236,894)
Additions to tangible capital assets	(664)	-
	(230,735)	(236,894)
<b>Increase in cash and cash equivalents during the year</b>	<b>515,257</b>	<b>426,223</b>
<b>Cash and cash equivalents, beginning of year (Note 1)</b>	<b>986,410</b>	<b>560,187</b>
<b>Cash and cash equivalents, end of year (Note 1)</b>	<b>\$ 1,501,667</b>	<b>\$ 986,410</b>



---

# Nature Canada

## Summary of Significant Accounting Policies

**March 31, 2019**

---

### **Nature of Organization**

Nature Canada (the "organization") is a member-based not-for-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.

Effective October 30, 2013 the organization received its Articles of Continuance ("Articles") under the Canada Not-for-profit Corporations Act with its full legal name being Nature Canada Canada Nature.

Under its Articles, the organization's statement of purpose is:

- Conserving and protecting birds and other wildlife and, where practical, restoring their habitats;
- Identifying, monitoring and conserving a network of protected sites for wildlife in Canada;
- Carrying out educational programs which foster an appreciation and understanding of nature;
- Carrying out environmental research and disseminating the results of research to the public;
- Raising public awareness about the importance of nature conservation and wildlife protection; and
- Encouraging environmental stewardship of species and habitats.

In the event of dissolution or wind-up of the organization, and following the satisfaction of all of its debts and obligations, notwithstanding any statutory or other provisions to the contrary, the organization's remaining assets shall be disposed of to such charitable organizations in such manner as, in the opinion of the organization's Board of Directors, will assist in continuing the purposes of the organization.

The organization is a registered charitable organization, may issue charitable donation receipts to donors and as such is not subject to income taxes under the Income Tax Act (Canada) on its charitable and related business activities.

### **Basis of Presentation**

These financial statements have been prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations which are part of Canadian generally accepted accounting principles and include the following significant accounting polices.

---

## Nature Canada

# Summary of Significant Accounting Policies

**March 31, 2019**

---

### **Jointly Controlled Operations**

The organization is a party to an arrangement that consists of jointly controlled operations (see Note 8). The organization recognizes in its statement of financial position the assets it controls and the liabilities it incurs relating to the joint arrangement, and in its statement of operations its share of revenue and its share of the expenses of the joint arrangement.

### **Use of Estimates**

The preparation of financial statements in accordance 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 at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's best estimates and assumptions as additional information becomes available in the future. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in the fiscal period in which they become known.

Significant estimates include assumptions used in estimating the fair value of financial instruments; in estimating the amount and collectibility of accounts receivable; in establishing the useful lives and related amortization of tangible capital assets; in estimating provisions for accrued liabilities; in estimating the amount of funding earned, accrued and deferred; and in estimating expense allocations.

### **Financial Instruments**

Financial instruments are financial assets or financial liabilities of the organization where, in general, the organization has the right to receive cash or another financial asset from another party or the organization has the obligation to pay another party cash or other financial assets.

#### *Measurement of 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 the instruments are quoted in an active market and the organization has elected to carry the instruments at fair value. The organization has elected to carry its investments that are quoted in an active market at fair value.

#### *Transaction costs*

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 to operations using the straight-line method or the effective interest method if the required information is reasonably obtainable.

---

## Nature Canada

### Summary of Significant Accounting Policies

**March 31, 2019**

---

**Financial Instruments**  
(continued)

Impairment

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year. If there is an indication of impairment, the organization determines if there is a significant adverse change in the expected amount or timing of future cash flows from the specific 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, impairment losses are reversed to the extent of the improvement, not exceeding the initial carrying value.

**Cash and Cash  
Equivalents**

The organization considers cash and cash equivalents to be cash balances, and highly liquid investments with original maturities of three months or less or are cashable on demand.

**Tangible Capital Assets**

Tangible capital assets are recorded at cost. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated useful life of a tangible 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:

Computer equipment	5 years
Office furniture and equipment	5 years
Leasehold improvements	Term of lease

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

**Intangible Capital Assets**

Intangible capital assets being computer software and website costs are charged to the statement of operations as an expense in the year of acquisition.

**Net Assets**

Unrestricted net assets relate to the organization's program delivery and administrative activities.

Net assets invested in tangible capital assets are internally restricted by the organization and represent the organization's investment in tangible capital assets represented by its net book value.

---

## Nature Canada

### Summary of Significant Accounting Policies

**March 31, 2019**

---

**Net Assets**  
(continued)

Other internally restricted net assets represent the balance available for the activities of the organization for which the funding is restricted to and which are described in Note 9 b. to these financial statements.

Contributions restricted for endowment consist of funds 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. Actual investment income earned in excess of the distributed amount is deferred and is available for future distribution. If no purpose is designated by the donor then the income is expended at the direction of the organization's Board of Directors. (See Note 9 a.)

**Revenue Recognition**

The organization uses the deferral method of accounting for contributions. 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, conservation project contributions, and restricted investment income are recognized as revenue in the fiscal period in which the related expenses are incurred.

Endowment contributions and restricted investment income earned for re-endowment, if any, are recognized as direct increases in net assets in the fiscal period in which they are received or earned. Investment income earned for distribution is deferred and is recognized as revenue in the fiscal period in which the required expenses are incurred.

Unrestricted investment income is recognized in operations as it is earned with the passage of time or as fair value changes occur for those investments carried at fair value.

Other revenue, including fundraising events, is recognized in operations as the services are rendered and/or the event takes place, as appropriate.

Due to the uncertainty of the collectibility of pledges, the organization recognizes pledges as revenue in the year received.

**Foreign Currency**

Transactions during the year in a foreign currency have been converted in the accounts to Canadian dollars at the exchange rate effective on the transaction date. All monetary assets in a foreign currency have been converted to Canadian dollars at the exchange rates in effect at the respective year end. Gains or losses resulting therefrom are included in the determination of the excess (deficiency) of revenue over expenses for the respective year.

---

**Nature Canada**  
**Summary of Significant Accounting Policies**

**March 31, 2019**

---

**Contributed Materials  
and Services, and Assets**

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. Otherwise, contributed materials and services are not recorded in the financial statements. Contributed (donated) assets including investments 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

**March 31, 2019**

---

### 1. Cash and Cash Equivalents

Cash and cash equivalents are carried at cost in the financial statements.

The organization's cash is held in a Canadian chartered bank. The organization has an operating account which is non-interest bearing as well as an investment savings account which earns interest if there is a minimum balance of \$100,000 at rates ranging from 1.6% to 2.0% depending on the balance held in the account. The interest rates are subject to change. As at March 31, 2019, the organization held \$1,280,986 in this account earning interest at an annual rate of 1.9%.

The money market funds are held through Canadian chartered banks and financial institutions earning a variable interest rate with an effective interest rate as at March 31, 2019 of approximately 1% (2018 - approximately 1%).

	2019	2018
Cash	\$ 1,494,387	\$ 855,100
Money market funds	7,280	131,310
Total cash and cash equivalents	\$ 1,501,667	\$ 986,410
Comprised of:		
Unrestricted cash and cash equivalents	\$ 1,494,887	\$ 855,600
Restricted cash and cash equivalents (internal and endowment)	6,780	130,810
Total cash and cash equivalents	\$ 1,501,667	\$ 986,410

The remaining balance of the restricted funds held are included as part of the restricted investments as set out in Note 3 to these financial statements.

---

### 2. Accounts Receivable

Accounts receivable consist of:

	2019	2018
Corporation, government and foundation funding	\$ 222,397	\$ 91,141
Other - office space operating costs recoverable	18,345	9,911
Government remittances - HST	43,930	35,026
	\$ 284,672	\$ 136,078

---

---

## Nature Canada Notes to Financial Statements

**March 31, 2019**

---

### 3. Investments

Investments are carried at fair value in the financial statements.

Investments of \$134,421 (2018 - \$110,148) relate to the endowment net assets and are restricted. Also, investments of \$822,920 (2018 - \$535,453) have been internally restricted. The remaining balance of the restricted funds is comprised of the restricted cash and cash equivalents as set out in Note 1 to these financial statements.

	2019		2018	
	Fair Value	Cost	Fair Value	Cost
Fixed income	\$ 456,395	\$ 451,875	\$ 272,952	\$ 274,365
Canadian equities	211,433	157,419	186,908	131,724
Canadian mutual funds	209,850	188,764	166,279	142,857
International mutual funds	69,966	52,171	73,950	52,171
U.S. mutual funds	77,995	44,715	72,587	44,714
	<b>1,025,639</b>	<b>894,944</b>	772,676	645,831
Current portion	624,918	498,752	540,682	411,171
Long-term portion	<b>\$ 400,721</b>	<b>\$ 396,192</b>	\$ 231,994	\$ 234,660

Fixed income securities have face values totaling \$452,000 (2018 - \$275,000), stated interest rates from 1.809% to 3.375% (2018 - 1.809% to 2.450%), and maturities from December 1, 2019 to June 2, 2023 (2018 - May 31, 2018 to March 2, 2022).

### 4. Investments and Deferred Revenue - Life Insurance

The organization has been designated as the irrevocable beneficiary of life insurance policies which have cash surrender values. As at March 31, 2019, the amount of insurance in force for these policies for which the organization has been designated as the beneficiary totals \$30,000 (2018 - \$30,000).

The cash surrender values of these policies as at March 31, 2019 total \$7,847 (2018 - \$7,419).

The organization's accounting policy is to not recognize the cash surrender values and changes related thereto as revenue on the basis that at the present time there is no intention to access these funds prior to the receipt of the full insurance proceeds of the respective policies.

---

## Nature Canada Notes to Financial Statements

**March 31, 2019**

### 5. Tangible Capital Assets

	2019			2018		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 34,220	\$ 31,592	\$ 2,628	\$ 34,220	\$ 28,593	\$ 5,627
Office furniture and equipment	81,471	81,190	281	80,807	79,161	1,646
Leasehold improvements	27,140	27,140	-	27,140	27,140	-
Works of art	-	-	-	5,040	-	5,040
	<b>\$ 142,831</b>	<b>\$ 139,922</b>	<b>\$ 2,909</b>	<b>\$ 147,207</b>	<b>\$ 134,894</b>	<b>\$ 12,313</b>

During the 2019 fiscal year, the works of art were determined to have no remaining value and were therefore removed from the organization's records.

Although leasehold improvements have been fully amortized over the initial lease term to which they related, the organization continues to occupy the premises by way of a lease renewal as set out in Note 11 to these financial statements. Therefore these fully amortized assets are still in use as at March 31, 2019 and have not been removed from the organization's records.

### 6. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following:

	2019	2018
Trade and operating (Note 7)	\$ 271,330	\$ 153,696
Government remittances - payroll related	4,706	413
	<b>\$ 276,036</b>	<b>\$ 154,109</b>

### 7. Credit Facilities

As at March 31, 2019 the organization had an outstanding balance of \$nil (2018 - \$nil) on its line of credit facility. The facility is available at an interest rate of prime plus 1.5%, is secured by a general security agreement covering all of the personal property of the organization, and amounts outstanding are due on demand. The maximum credit available is \$250,000. In addition the organization has credit facilities in the form of corporate credit cards which total \$50,000 (2018 - \$38,000) of which \$25,144 (2018 - \$12,594) was utilized and is included in trade and operating accounts payable and accrued liabilities as set out in Note 6 to these financial statements.



## Nature Canada Notes to Financial Statements

**March 31, 2019**

### 8. Deferred Revenue

Deferred revenue includes externally restricted contributions received but unused based on related expenses incurred. Changes in deferred revenue for the year are comprised of the unused portion of contributions received during the year and the amounts used during the year that were unused in prior years. Amounts used during the year are included in revenue in the statement of operations. Deferred revenue is restricted for future use in the following program areas:

	<u>2019</u>	<u>2018</u>
Cats & Birds	\$ 50,000	\$ -
Climate Change	79,199	50,000
Communications program	-	25,000
Environmental Law	25,000	-
Important Bird Areas (see below)	91,133	112,217
Online Oceans Organizing Initiative	162,000	-
Protected areas	164,374	20,000
Save Bird Lives	6,600	-
Stepping into the Digital Age	-	100,000
	<u>\$ 578,306</u>	<u>\$ 307,217</u>

#### Jointly Controlled Operations

During the 2017 fiscal year Nature Canada became a party to a grant agreement along with another organization for an Important Bird Areas program. The total funding under this agreement is \$400,000 and the program is for the period April 1, 2017 to March 31, 2020. Nature Canada's share of the funding relates to one element of the program which it will primarily deliver and totals \$250,000. These funds were received prior to March 31, 2017. During the 2019 fiscal year, the organization received an additional \$250,000 of funding in relation to this collaborative program. Under the grant agreement Nature Canada has agreed to work with the other organization in a collaborative manner to jointly manage both elements of the program. As part of the grant agreement, Nature Canada and the other organization have an agreement in place that sets out the collaborative management of the program, as well as criteria and financial limits for each organization to recover from the other organization administration fees that relate the other organization's element of the program. The organizations have also agreed to collaborate in seeking additional funding for the program.

#### Other Funding

As part of its ongoing operations, Nature Canada has secured program funding and continues to pursue program funding for future years' operations some of which commenced on or before March 31, 2019 and are included in the previously set out deferred revenue balances and some of which will commence subsequent to March 31, 2019 for which funding has yet to be received.

In addition to funding secured for future fiscal years from other sources, a significant multi-year funding source secured subsequent to March 31, 2019, is a contribution agreement with Environment and Climate Change Canada ("ECCC") for a maximum funding of \$1,900,000 over a four year period for a project entitled NatureHood. The agreement includes a requirement for

---

## Nature Canada Notes to Financial Statements

**March 31, 2019**

---

8. **Deferred Revenue** (continued)

*Other Funding (continued)*

the organization to contribute and/or secure contributions from other organizations of \$2,161,105. In addition, another multi-year funding agreement was secured with ECCC for a maximum funding of \$405,000 over a three year period for a bird related project. The agreement includes a requirement for the organization to contribute and/or source contributions from other organizations of \$90,000.

The funding will be advanced by fiscal year as follows:

2020	\$ 535,000
2021	635,000
2022	635,000
2023	<u>500,000</u>
	<u>\$ 2,305,000</u>

The NatureHood project, aligned with the Government of Canada's Nature Legacy initiative, will seek to connect urban youth and communities with nature, in particular migratory birds and wildlife habitat, in twelve National Wildlife Areas and nine Migratory Bird Sanctuaries managed by ECCC, including those selected for investment under the Connecting Canadians to Nature initiative, through delivery of the NatureHood program, promoting hands-on participation in nature awareness and education at the local level. The other bird related ECCC project relates to the promotion of bird conservation that requires outreach and engagement to address conservation issues.

---

9. **Net Assets**

a. *Endowment*

In 2009, the organization received an initial endowment contribution of \$100,000 and additional contributions have been received since that time. In the 2019 fiscal year, contributions to the endowment fund were \$2,438 (2018 - \$2,000) resulting in a cumulative balance as at March 31, 2019 of \$137,738 (2018 - \$135,300). Net investment income earned on the endowment contributions is restricted for the purposes of:

- Supporting bird conservation projects in Alberta;
- Providing an entrance scholarship to attend post secondary studies in natural sciences; and
- Providing an award to a volunteer with the organization for bird conservation and stewardship efforts.

Net investment income earned and recognized in operations for the year to fund these activities totals \$5,465 (2018 - \$3,729).

---

## Nature Canada Notes to Financial Statements

**March 31, 2019**

---

9. **Net Assets** (continued)

b. Internally restricted

A contingency fund has been designated by the organization's Board of Directors and is to be used in accordance with the Board's on-going direction. On an annual basis, 15% of the unrestricted investment income realized on investments, which excludes the net change in the balance of the unrealized gain or loss on investments, is transferred from unrestricted net assets to internally restricted net assets. For the 2019 fiscal year \$4,772 (2018 - \$9,768) of unrestricted investment income was transferred to the contingency fund from unrestricted net assets.

In addition, as directed by the Board of Directors, \$180,500 (2018 - \$231,333) has been transferred to the contingency fund from unrestricted net assets to account for a legacy donation to be transferred. Therefore total transfers of \$185,272 from unrestricted net assets to the contingency fund were made for the 2019 fiscal year (2018 - \$241,101).

c. Invested in tangible capital assets

Invested in tangible capital assets is an internally restricted amount that represents the organization's investment in tangible capital assets and equals the net book value of these assets.

d. Unrestricted

Unrestricted net assets, if any, are available for general operations and future projects. Transfers from and to unrestricted assets are described in the earlier parts of this note resulting in a net transfer from unrestricted net assets of \$185,272 (2018 - \$241,101).

---

10. **Allocated Expenses**

Finance and administration salaries and benefits include the portion of staff costs directly attributable to this function. Other finance and administration expenses include other overhead expenses and are allocated to functions based on the proportion of staff directly employed in each of the functions.

Fund development expenses include printing, distribution of information packages and the employment of consultants such as telemarketers and canvassers, who are used to contact supporters to solicit funds, educate and increase public awareness. Fund development expenses plus the allocation of finance and administration overhead expenses based on the number of staff directly employed in each of the functions are allocated at a rate of 50% to programs. Fund development expenses may also include the hosting of events to raise funds, educate and raise public awareness. A portion of these event expenses are allocated to programs at the rate of 50%.

Programs expenses include costs that are directly attributable to these activities, such as salaries and benefits for staff directly employed for these programs and conservation grants made to community groups.

## Nature Canada Notes to Financial Statements

**March 31, 2019**

10. **Allocated Expenses** (continued)

In fiscal 2019, the organization changed its method for allocating expenses by function, and as such 2018 corresponding amounts have been reclassified to conform with this method.

	2019	2018
Finance and administration	\$ 204,608	\$ 194,652
Fund development	243,617	199,939
Programs	2,288,020	1,560,003
	\$ 2,736,245	\$ 1,954,594

*Finance and Administration*

Total finance and administration expenses consist of the following:

	2019	2018
Salaries and benefits	\$ 154,424	\$ 131,080
Other expenses	440,221	364,939
Total finance and administration expenses	\$ 594,645	\$ 496,019

These total expenses have been allocated as follows:

	2019	2018
Total finance and administration expenses above	\$ 594,645	\$ 496,019
Less: Allocation to fund development below	(73,077)	(81,856)
Less: Allocation to programs below	(316,960)	(219,511)
Net finance and administration expenses	\$ 204,608	\$ 194,652

*Fund Development*

Total fund development expenses before the above allocation consist of the following:

	2019	2018
Salaries and benefits	\$ 242,233	\$ 160,374
Other expenses	171,924	157,649
	\$ 414,157	\$ 318,023

---

**Nature Canada**  
**Notes to Financial Statements**

**March 31, 2019**

---

10. **Allocated Expenses** (continued)

*Fund Development (continued)*

These total expenses have been allocated as follows:

	2019	2018
Fund development costs above	\$ 414,157	\$ 318,023
Add: Allocation from finance and administration expenses above	73,077	81,856
Less: Allocation to programs below	(243,617)	(199,940)
Net fund development expenses	\$ 243,617	\$ 199,939

*Programs*

Programs expenses consist of the following:

	2019	2018
Salaries and benefits	\$ 706,840	\$ 586,115
Other expenses	1,020,603	554,437
	1,727,443	1,140,552
Add: Allocation from finance and administration expenses above	316,960	219,511
Add: Allocation from fund development expenses above	243,617	199,940
Net program expenses	\$ 2,288,020	\$ 1,560,003

---

11. **Commitments**

The organization is committed under operating leases for office space, equipment and certain professional services. Future minimum annual rental payments on a fiscal year basis for the balance of the lease terms are as follows:

2020	\$	33,892
2021		16,488
2022		9,235
2023		3,096
2024		3,096
	\$	65,807

---

## Nature Canada Notes to Financial Statements

**March 31, 2019**

---

**11. Commitments** (continued)

The agreement for the organization current office space also requires the organization to pay additional rent, being the organization's share of the building operating costs, which as at March 31, 2019 are expected to approximate \$51,000 annually. This lease ends on August 31, 2019 so the expected additional rent would be a prorated amount.

Subsequent Event - Lease of Office Space

Subsequent to March 31, 2019, the organization entered into a new lease agreement for office space. This lease agreement begins August 2019 and is for 5 years ending July 31, 2024. The future minimum lease payments under this lease on a fiscal year basis are as follows:

2020	\$	45,677
2021		68,516
2022		68,516
2023		68,516
2024		68,516
2025		<u>22,839</u>
	\$	<u>342,580</u>

The agreement also requires the organization to pay additional rent, being the organization's share of the building operating costs, which are expected to approximate \$70,000 annually.

Non-Recoverable HST

The payments cited in this note exclude the non-refundable portion of HST which 3.94% as at March 31, 2019.

Other Agreements

In connection with its operations, the organization regularly enters into agreements for the purchase of various supplies and services including the rental of facilities on a short-term basis. Certain of these agreements extend beyond the end of the 2019 fiscal year. In the opinion of management, these agreements are in the normal course of the organization's operations, are not abnormal in amount or nature and do not include a high degree of speculative risk.

---

**12. Contingencies**

Certain corporation, government and foundation funding agreements 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 the projects were not in compliance 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 fiscal year in which they become known.

---

---

## Nature Canada Notes to Financial Statements

March 31, 2019

---

### 13. Financial Instruments Risks and Concentrations

The organization is exposed to various risks through its financial instruments. The following provides a measure of its risk exposure and concentrations as at March 31, 2019.

The organization is not involved in any hedging relationships and does not hold or use any derivative financial instruments for trading purposes.

#### Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The organization's main credit risks relate to its accounts receivable as set out in Note 2 to these financial statements. The organization assesses, on a continuous basis, its accounts receivable and provides for any amounts that are not expected to be collected. As at March 31, 2019, there were no accounts receivable amounts allowed for. Although not considered a significant credit risk, credit risk also exists in relation to the organization's cash and cash equivalents as set out in Note 1 to these financial statements, and its investments as set out in Notes 3 and 4 to these financial statements.

#### Liquidity risk

Liquidity risk is the risk of being unable to generate sufficient cash and cash equivalents in a timely and cost effective manner to meet the organization's spending requirements and obligations related to its deferred revenue as set out in Note 8 to these financial statements as well as meeting its financial liabilities in respect to its accounts payable and accrued liabilities as set out in Note 6 to these financial statements, and its commitments as set out in Note 11 to these financial statements. 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 fulfil its obligations. In addition, the investments set out in Notes 3 and 4 to these financial statements can be easily liquidated if necessary. Further the organization has available credit facilities as set out in Note 7 to these financial statements.

#### 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.

#### Currency risk

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 organization is not exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates as it does not have financial instruments denominated in foreign currencies. However, the organization does hold Canadian dollar based foreign investments as set out in Note 3 to these financial statements so there is an indirect foreign currency risk. The organization also receives funding from entities based in the United States of America in which it is required to report to the funders in U.S. dollars, and thus bears some risk as expenditures are substantially all in Canadian dollars.

---

## Nature Canada Notes to Financial Statements

**March 31, 2019**

---

### 13. **Financial Instruments Risks and Concentrations** (continued)

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The organization is exposed to interest rate risk on its fixed and variable interest rate financial instruments. The organization holds floating-rate financial instruments being its cash and cash equivalents and its utilized credit facilities, if any, as set out in Notes 1 and 7 respectively, to these financial statements, which would subject the organization to a cash flow risk.

The fixed income investments held by the organization, as set out in Note 3 to these financial statements, bear interest at fixed rates so the organization is exposed to the risk resulting from interest rate fluctuations which is a fair value risk.

#### Other price risk

Other 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 currency risk or interest rate risk), whether those changes are caused by factors specific to an individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The maximum loss due to price risk is represented by the fair value of equities and mutual funds investments as set out in Note 3 to these financial statements.

#### Changes in risks

There have been no significant changes in the organization's risk exposures from its 2018 fiscal year.

---

### 14. **Corresponding Amounts and Financial Disclosures**

In certain instances, 2018 fiscal year corresponding amounts and financial disclosures presented have been reclassified to conform to the financial statement presentation and financial disclosures adopted for the 2019 fiscal year.

A significant change in the statement of operations was the change in the basis in which expenses are presented. In previous years, expenses were presented on an estimated functional basis, however, in order to provide more reliable and relevant information the organization now presents these on an object basis on the statement of operations. The corresponding amounts have been reclassified to conform with this change in presentation, however, the total expenses and net results of operations remained unchanged. The expenses are now disclosed on a functional basis in Note 10 to the financial statements.

In addition a reclassification was made in the Statement of Cash Flows whereby realized gains and losses related to the investment portfolio have been adjusted out of cash flows from (used in) investing activities and presented as an adjustment to cash flows from (used in) operating activities. The new presentation is considered more meaningful and reflective of the organization's investment activities and the composition of its investment portfolio. The overall increase in cash and cash equivalents during the year remained unchanged.

---