



Financial Statements

For the year ended March 31, 2022

Nature Canada
Financial Statements
For the year ended March 31, 2022

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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, 2022, 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, 2022, 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 13, 2022
Ottawa, Ontario

Nature Canada
Statement of Financial Position

March 31	2022	2021
Assets		
Current		
Cash and cash equivalents (Note 1)	\$ 3,778,707	\$ 3,938,969
Accounts receivable (Note 2)	822,348	265,766
Prepaid expenses	66,281	52,723
Current portion of investments (Note 3)	1,349,162	1,126,534
	6,016,498	5,383,992
Long-term portion of investments (Note 3)	319,834	141,296
Investments - life insurance (Note 4)	10,234	9,568
Tangible capital assets (Note 5)	42,490	46,759
	\$ 6,389,056	\$ 5,581,615

Liabilities and Net Assets

Current		
Accounts payable and accrued liabilities (Note 6)	\$ 497,903	\$ 233,979
Deferred revenue (Note 8)	1,544,763	1,407,727
	2,042,666	1,641,706
Deferred revenue - life insurance (Note 4)	10,234	9,568
	2,052,900	1,651,274
Net assets		
Endowment (Note 9 a.)	143,201	141,201
Internally restricted (Note 9 b.)	1,931,182	2,183,786
Invested in tangible capital assets (Note 9 c.)	42,490	46,759
Unrestricted (Note 9 d.)	2,219,283	1,558,595
	4,336,156	3,930,341
	\$ 6,389,056	\$ 5,581,615

On behalf of the Board:

Sabine Dietz, Board Member and Chair

Bill Ross, Board Member and Treasurer

Nature Canada Statement of Changes in Net Assets

For the year ended March 31, 2022

	Endowment	Internally Restricted	Invested in Tangible Capital Assets	Unrestricted	Total
Balance, beginning of year	\$ 141,201	\$ 2,183,786	\$ 46,759	\$ 1,558,595	\$ 3,930,341
Excess (deficiency) of revenue over expenses for the year	-	-	(13,491)	417,306	403,815
Additions to tangible capital assets	-	-	9,222	(9,222)	-
Contributions for endowment	2,000	-	-	-	2,000
Transfers (Note 9 b.)	-	(252,604)	-	252,604	-
Balance, end of year	\$ 143,201	\$ 1,931,182	\$ 42,490	\$ 2,219,283	\$ 4,336,156

For the year ended March 31, 2021

	Endowment	Internally Restricted	Invested in Tangible Capital Assets	Unrestricted	Total
Balance, beginning of year	\$ 139,201	\$ 833,223	\$ 37,444	\$ 1,253,810	\$ 2,263,678
Excess (deficiency) of revenue over expenses for the year	-	-	(9,955)	1,674,618	1,664,663
Additions to tangible capital assets	-	-	19,270	(19,270)	-
Contributions for endowment	2,000	-	-	-	2,000
Transfers (Note 9 b.)	-	1,350,563	-	(1,350,563)	-
Balance, end of year	\$ 141,201	\$ 2,183,786	\$ 46,759	\$ 1,558,595	\$ 3,930,341

Nature Canada Statement of Operations

For the year ended March 31	2022	2021
Revenue		
Corporation, government and foundation funding (Note 12)	\$ 4,487,314	\$ 2,159,621
Donations, bequests and memberships	2,102,824	3,148,702
Special events (reimbursement)	164,020	(7,959)
Investment income	115,974	218,881
Other	6,230	7,084
	6,876,362	5,526,329
Expenses (Note 10)		
Amortization of tangible capital assets	13,491	9,955
Bank and transaction charges	47,321	39,136
Communications - including website and digital campaigns	858,656	381,138
Conservation grants	1,904,503	738,796
Meetings and travel	86,744	7,215
Occupancy costs	151,775	152,135
Office	47,055	33,110
Printing and postage	125,707	112,081
Professional fees, consultants and contractors	622,553	584,678
Salaries and benefits	2,505,660	1,800,304
Special events	109,082	3,118
	6,472,547	3,861,666
Excess of revenue over expenses for the year	\$ 403,815	\$ 1,664,663

Nature Canada Statement of Cash Flows

For the year ended March 31	2022	2021
Cash flows from (used in) operating activities		
Excess of revenue over expenses for the year	\$ 403,815	\$ 1,664,663
Adjustments for		
Amortization of tangible capital assets	13,491	9,955
Net decrease (increase) in balance of unrealized gains on investments	35,437	(69,269)
Realized gains on investments	(94,766)	(109,019)
Fair value of donated investments	(404,231)	(776,948)
	(46,254)	719,382
Changes in non-cash working capital balances		
Accounts receivable	(556,582)	17,430
Prepaid expenses	(13,558)	(7,123)
Accounts payable and accrued liabilities	263,924	74,272
Deferred revenue	137,036	942,830
	(215,434)	1,746,791
Cash flows from (used in) financing activities		
Contributions for endowment	2,000	2,000
Cash flows from (used in) investing activities		
Net proceeds from investments	62,394	651,727
Additions to tangible capital assets	(9,222)	(19,270)
	53,172	632,457
(Decrease) increase in cash and cash equivalents during the year	(160,262)	2,381,248
Cash and cash equivalents, beginning of year (Note 1)	3,938,969	1,557,721
Cash and cash equivalents, end of year (Note 1)	\$ 3,778,707	\$ 3,938,969

Nature Canada

Summary of Significant Accounting Policies

March 31, 2022

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.

The organization was incorporated under the Canada Corporations Act in 1967. The organization received its Articles of Continuance ("Articles") under the Canada Not-for-profit Corporations Act in 2013.

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.

The organization is a registered charitable organization, which 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 significant accounting policies to follow.

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.

Nature Canada

Summary of Significant Accounting Policies

March 31, 2022

**Use of Estimates
(continued)**

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

The organization initially measures its arm's length financial assets and liabilities at fair value.

The organization subsequently measures all its arm's length financial assets and financial liabilities at amortized cost, except for investments in equity and other instruments that are quoted in an active market, if any, which are measured at fair value. Changes in fair value are recognized in operations.

Arm's length financial assets and financial liabilities measured at amortized cost include cash and accounts payable and accrued liabilities.

The organization has no related party financial assets or liabilities.

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.

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.

Nature Canada

Summary of Significant Accounting Policies

March 31, 2022

**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 conditions indicate that a tangible capital asset is impaired, the net carrying amount of the asset is written down to its fair value or replacement cost, and is recognized in operations as an expense at that time. A write-down is not reversed in subsequent years.

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

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.

Other internally restricted net assets represent the balance available for the activities of the organization for which the funding is restricted to. The restrictions 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.

Nature Canada

Summary of Significant Accounting Policies

March 31, 2022

**Revenue Recognition
(continued)**

Externally restricted contributions, including donations and bequests, and conservation project contributions are recognized as revenue in the fiscal period in which the related expenses are incurred. Investment income earned for externally restricted purposes is deferred and recognized as revenue in the fiscal period in which the required expenses are incurred.

Endowment contributions and restricted investment income earned for the purpose of adding to endowment capital, if any, are recognized as direct increases in net assets in the fiscal period in which they are received or earned.

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.

**Contributed Materials,
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, 2022

1. Cash and Cash Equivalents

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

The organization's cash is held at 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 the bank prime rate less 2.20% and the bank prime rate less 2.00%. As at March 31, 2022, the organization held \$2,573,284 (2021 - \$2,560,731) in this account earning interest at an annual rate of 0.68% (2021 - 0.45%).

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, 2021 of approximately 0.1%.

	2022	2021
Cash	\$ 3,778,707	\$ 3,938,468
Money market funds	-	501
Total cash and cash equivalents	\$ 3,778,707	\$ 3,938,969

Comprised of:

Unrestricted cash and cash equivalents	\$ 3,177,259	\$ 2,737,714
Restricted cash and cash equivalents (internal)	601,322	1,200,207
Restricted cash and cash equivalents (endowment)	126	1,048
Total cash and cash equivalents	\$ 3,778,707	\$ 3,938,969

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:

	2022	2021
Corporation, government and foundation funding	\$ 732,316	\$ 214,821
Government remittances - HST recoveries	84,188	44,836
Other - office space operating costs recoverable	5,844	6,109
	\$ 822,348	\$ 265,766

Nature Canada Notes to Financial Statements

March 31, 2022

3. Investments

Investments are carried at fair value in the financial statements.

Investments of \$143,075 (2021 - \$140,152) relate to the endowment net assets and are restricted. Also, investments of \$1,309,860 (2021 - \$953,579) 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.

	2022		2021	
	Fair Value	Cost	Fair Value	Cost
Fixed income	\$ 851,647	\$ 872,635	\$ 618,615	\$ 610,762
Canadian equities	666,003	543,990	240,894	181,832
Canadian mutual funds	-	-	256,188	200,531
International mutual funds	59,481	43,249	66,664	45,043
U.S. mutual funds	64,795	28,615	72,144	31,458
Preferred shares	27,070	26,460	13,325	12,784
	1,668,996	1,514,949	1,267,830	1,082,410
Current portion	1,349,162	1,195,744	1,126,534	942,944
Long-term portion	\$ 319,834	\$ 319,205	\$ 141,296	\$ 139,466

Of the fixed income securities that have face values, the face values total \$332,000 (2021 - \$550,000). Fixed income securities have stated interest rates from 1.10% to 4.00% (2021 - 0.98% to 5.10%), and maturities from May 27, 2022 to January 17, 2025 (2021 - July 26, 2021 to June 2, 2023).

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, 2022, the amount of insurance in force for these policies for which the organization has been designated as the beneficiary totals \$30,000 (2021 - \$30,000).

The cash surrender values of these policies as at March 31, 2022 total \$10,234 (2021 - \$9,568).

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, 2022

5. Tangible Capital Assets

	2022			2021		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 71,361	\$ 45,475	\$ 25,886	\$ 63,223	\$ 38,892	\$ 24,331
Office furniture and equipment	106,172	94,060	12,112	105,088	89,077	16,011
Leasehold improvements	9,626	5,134	4,492	9,626	3,209	6,417
	\$ 187,159	\$ 144,669	\$ 42,490	\$ 177,937	\$ 131,178	\$ 46,759

6. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following:

	2022	2021
Trade and operating (Note 7)	\$ 497,903	\$ 233,979

7. Credit Facilities

As at March 31, 2022 the organization had an outstanding balance of \$nil (2021 - \$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 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 \$150,000 (2021 - \$79,500) of which \$12,830 (2021 - \$31,449) was utilized and is included in trade and operating accounts payable and accrued liabilities as set out in Note 6 to these financial statements.

8. Deferred Revenue

Deferred revenue includes externally restricted contributions received but unused based on related expenses incurred. Also included in deferred revenue is funding received before year-end that has been externally restricted to support programs in future fiscal years. 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.

Nature Canada Notes to Financial Statements

March 31, 2022

8. Deferred Revenue (continued)

Deferred revenue is restricted for future use in the following program areas:

	2022	2021
Climate Change	\$ 65,760	\$ 160,000
Environmental Law	24,760	-
Green Budget Coalition	37,000	32,000
NatureHood	-	21,650
Online Oceans Organizing Initiative	23,350	73,250
Protected areas	634,190	512,287
Reforestation	662,253	554,347
Save Bird Lives	26,727	54,193
Work to Grow	70,723	-
	\$ 1,544,763	\$ 1,407,727

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, 2022 and are included in the previously set out deferred revenue balances and some of which will commence subsequent to March 31, 2022 for which funding has yet to be received.

9. Net Assets

a. Endowment

The organization received an initial endowment contribution of \$100,000 in 2009. Additional contributions have also been received since that time. In the 2022 fiscal year, contributions to the endowment fund were \$2,000 (2021 - \$2,000) resulting in a cumulative balance as at March 31, 2022 of \$143,201 (2021 - \$141,201). 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 2022 fiscal year to fund these activities totalled \$12,165 (net investment income of \$24,917 for the 2021 fiscal year).

Nature Canada Notes to Financial Statements

March 31, 2022

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. The organization's policies require that any donation in excess of \$100,000 must be invested and added to the contingency fund, unless directed otherwise by the donor instructions or by the Board of Directors at the time the gift was received. 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 2022 fiscal year \$14,501 (2021 - \$20,563) of unrestricted investment income was transferred to the contingency fund from unrestricted net assets. In addition, the Contingency fund includes a balance of \$50,000 (2021 - \$30,000) provided by Green Budget Coalition members to fund a reserve fund which can only be used on Green Budget Coalition activities in the case of an underfunded unforeseeable cost.

In addition, as directed by the Board of Directors, \$312,896 (2021 - \$nil) has been transferred to the contingency fund from unrestricted net assets to account for a legacy donation. Therefore, total transfers of \$347,397 from unrestricted net assets to the contingency fund were made for the 2022 fiscal year (2021 - \$20,563).

During the 2021 year, the organization received a significant legacy donation in the amount of \$1,400,000 of which \$1,200,000 is included in the amount transferred to the contingency fund from unrestricted net assets as per Board policy above, with the remaining \$200,000 being approved by Board resolution to be used to support operating and program activities for the 2021 fiscal year. In addition, the Board has approved management's current plan to transfer the remaining portion of the legacy gift back into general net assets to support future operating and program activities, at a rate of \$600,000 annually, for the 2022 and 2023 fiscal years.

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 to unrestricted net assets of \$252,604 (from unrestricted net assets in 2021 - \$1,350,563).

Nature Canada Notes to Financial Statements

March 31, 2022

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 other 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.

	2022	2021
Finance and administration	\$ 281,832	\$ 297,618
Fund development	610,311	429,348
Programs	5,580,404	3,134,700
	\$ 6,472,547	\$ 3,861,666

Finance and Administration

Total finance and administration expenses consist of the following:

	2022	2021
Salaries and benefits	\$ 248,633	\$ 243,440
Other expenses	385,588	384,243
Total finance and administration expenses	\$ 634,221	\$ 627,683

These total expenses have been allocated as follows:

	2022	2021
Total finance and administration expenses above	\$ 634,221	\$ 627,683
Less: Allocation to fund development below	(41,065)	(58,021)
Less: Allocation to programs below	(311,324)	(272,044)
Net finance and administration expenses	\$ 281,832	\$ 297,618

Nature Canada Notes to Financial Statements

March 31, 2022

10. **Allocated Expenses (continued)**

Fund Development

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

	2022	2021
Salaries and benefits	\$ 288,807	\$ 242,684
Other expenses	451,796	257,287
	\$ 740,603	\$ 499,971

These total expenses have been allocated as follows:

	2022	2021
Fund development costs above	\$ 740,603	\$ 499,971
Add: Allocation from finance and administration expenses above	41,065	58,021
Less: Allocation to programs below	(171,357)	(128,644)
Net fund development expenses	\$ 610,311	\$ 429,348

Programs

Programs expenses consist of the following:

	2022	2021
Salaries and benefits	\$ 1,968,220	\$ 1,314,073
Other expenses	3,129,503	1,419,939
	5,097,723	2,734,012
Add: Allocation from finance and administration expenses above	311,324	272,044
Add: Allocation from fund development expenses above	171,357	128,644
Net program expenses	\$ 5,580,404	\$ 3,134,700

Nature Canada Notes to Financial Statements

March 31, 2022

11. Commitments

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

2023	\$ 73,804
2024	73,804
2025	26,457
2026	<u>494</u>
	<u>\$ 174,559</u>

The agreement for the organization's 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, 2022 are expected to approximate \$76,000 annually. This lease ends on July 31, 2024.

Non-Recoverable HST

The payments cited in this note exclude the non-refundable portion of HST which is estimated to be 3.94% of these costs as at March 31, 2022.

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 2022 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, 2022

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, 2022.

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, 2022, 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. Furthermore, the organization has credit facilities available, if needed, 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, 2022

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 is subject to cash flow risk on its floating-rate financial instruments. These include its cash and cash equivalents and any utilized credit facilities, as set out in Notes 1 and 7 to these financial statements.

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 2021 fiscal year.

14. Corresponding Amounts and Financial Disclosures

In certain instances, 2021 fiscal year corresponding amounts and financial disclosures presented have been reclassified to conform to the financial statement presentation and financial disclosures adopted for the 2022 fiscal year.

15. Uncertainty due to COVID-19

The duration and full financial impact of the COVID-19 pandemic is unknown at this time, as are any additional measures to be taken by governments, the organization or others to attempt to reduce the spread of COVID-19. Any estimate of the length and severity of this pandemic is subject to significant uncertainty and accordingly it is unknown whether COVID-19 may materially and adversely impact the organization's operations, financial results and condition in future periods.
