

NATURE  
CONSERVANCY  
CANADA



CONSERVATION  
DE LA NATURE  
CANADA

# AUDITED FINANCIAL STATEMENTS 2023-2024



# INDEPENDENT AUDITOR'S REPORT

To the Members of  
**The Nature Conservancy of Canada**

## Opinion

We have audited the financial statements of **The Nature Conservancy of Canada** [the "Conservancy"], which comprise the statement of financial position as at May 31, 2024, and the statement of operations and changes in operating surplus, statement of changes in net assets and statement of 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 Conservancy as at May 31, 2024, 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 Conservancy 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 Conservancy'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 Conservancy or to cease operations, or has no realistic alternative but to do so.

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

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Conservancy'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 Conservancy'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 Conservancy 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.

The image shows a handwritten signature in black ink that reads "Ernst & Young LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants  
Licensed Public Accountants

Toronto, Canada  
October 24, 2024

# THE NATURE CONSERVANCY OF CANADA

## STATEMENT OF FINANCIAL POSITION

As at May 31



	2024 \$	2023 \$
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	43,232,932	34,183,604
Short-term investments [note 3[a]]	65,000,000	60,600,000
Accounts receivable and other	19,022,549	22,298,989
<b>Total current assets</b>	<b>127,255,481</b>	<b>117,082,593</b>
Investments, at fair value [note 3[b]]	258,664,302	217,949,919
Capital assets, net [note 4]	723,347	799,374
Conservation lands and agreements [note 5]	1,139,053,694	1,078,090,993
	<b>1,525,696,824</b>	<b>1,413,922,879</b>
<b>Liabilities and net assets</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	1,794,012	4,290,230
Deferred contributions [note 7]	86,240,546	80,755,827
Short-term debt [note 6]	—	5,589,000
<b>Total current liabilities</b>	<b>88,034,558</b>	<b>90,635,057</b>
Commitments, guarantees and contingencies [notes 3[c], 6[c], 6[d] and 13]		
<b>Net assets</b>		
Internally restricted		
Invested in conservation lands and agreements [note 5[c]]	1,139,053,694	1,072,501,993
Other [note 8]	41,672,719	33,847,070
	<b>1,180,726,413</b>	<b>1,106,349,063</b>
Operating surplus	6,196,458	5,903,819
Science and Stewardship Endowments [note 9]	250,739,395	211,034,940
<b>Total net assets</b>	<b>1,437,662,266</b>	<b>1,323,287,822</b>
	<b>1,525,696,824</b>	<b>1,413,922,879</b>

See accompanying notes

On behalf of the Board:

  
Board Chair Audit

  
Committee Chair

## THE NATURE CONSERVANCY OF CANADA

### STATEMENT OF OPERATIONS AND CHANGES IN OPERATING SURPLUS

Year ended May 31

	2024 \$	2023 \$
<b>Revenue</b>		
Donations of conservation lands and agreements <i>[notes 5[b] and 11]</i>	5,785,279	61,125,905
Other donations and grants <i>[notes 7 and 11]</i>	150,990,538	213,053,683
Proceeds from property sales <i>[note 5[d]]</i>	519,000	4,933
Other <i>[note 10]</i>	25,615,743	15,391,723
	<b>182,910,560</b>	<b>289,576,244</b>
<b>Expenses</b>		
Conservation lands and agreements acquired <i>[note 5[b]]</i>		
Purchased	57,381,485	122,933,436
Donated	5,785,279	61,125,905
Loan repayments for prior year acquisitions <i>[note 6[c][v]]</i>	5,589,000	—
Contributions to properties acquired and property-related expenses incurred by others	12,224,261	18,969,132
	<b>80,980,025</b>	<b>203,028,473</b>
Property-related <i>[note 6[e]]</i>	50,692,651	45,812,389
Support <i>[note 6[e]]</i>	37,324,108	34,069,745
	<b>168,996,784</b>	<b>282,910,607</b>
<b>Excess of revenue over expenses for the year</b>	<b>13,913,776</b>	<b>6,665,637</b>
Net transfer to internally restricted net assets	(6,694,682)	(928,746)
Net transfer to internally endowed net assets	(6,926,455)	(5,121,946)
<b>Net increase in operating surplus</b>	<b>292,639</b>	<b>614,945</b>
Operating surplus, beginning of year	5,903,819	5,288,874
<b>Operating surplus, end of year</b>	<b>6,196,458</b>	<b>5,903,819</b>

See accompanying notes





## THE NATURE CONSERVANCY OF CANADA

### STATEMENT OF CHANGES IN NET ASSETS

Year ended May 31

	2024				
	Internally restricted				
	Operating surplus \$	Invested in conservation lands and agreements \$	Other \$	Total \$	Science and Stewardship Endowments \$
<b>Balance, beginning of year</b>	5,903,819	1,072,501,993	33,847,070	1,106,349,063	211,034,940
Excess of revenue over expenses for the year	13,913,776	—	—	—	—
Purchases of conservation lands and agreements internally financed [note 5[b]]	—	57,381,485	—	57,381,485	—
Repayment of loans used for property acquisitions [note 6[c]]	—	5,589,000	—	5,589,000	—
Transfer of conservation lands and agreements to others, net [note 5[b]]	—	(1,685,063)	—	(1,685,063)	—
Cost of conservation lands and agreements sold [note 5[d]]	—	(519,000)	—	(519,000)	—
Donations of conservation lands and agreements [note 5[b]]	—	5,785,279	—	5,785,279	—
Endowment contributions [note 9]	—	—	—	—	1,877,797
Amounts available for spending in excess of income earned on externally endowed net assets [note 10[a]]	—	—	—	—	14,271,831
Net transfer to internally endowed net assets [notes 9[c] and 10[a]]	(6,926,455)	—	—	—	6,926,455
Other interfund transfers [note 8]	(6,694,682)	—	7,825,649	7,825,649	(1,130,967)
Transfer from deferred contributions [note 7]	—	—	—	—	17,759,339
<b>Balance, end of year</b>	<b>6,196,458</b>	<b>1,139,053,694</b>	<b>41,672,719</b>	<b>1,180,726,413</b>	<b>250,739,395</b>
					<b>1,437,662,266</b>

See accompanying notes

# THE NATURE CONSERVANCY OF CANADA



## STATEMENT OF CHANGES IN NET ASSETS

Year ended May 31

	2023					
	Internally restricted					
	Operating surplus	Invested in conservation lands and agreements	Other	Total	Science and Stewardship Endowments	Total
	\$	\$	\$	\$	\$	\$
Balance, beginning of year	5,288,874	888,513,278	31,859,461	920,372,739	184,765,235	1,110,426,848
Excess of revenue over expenses for the year	6,665,637	—	—	—	—	6,665,637
Purchases of conservation lands and agreements internally financed [note 5[b]]	—	122,933,436	—	122,933,436	—	122,933,436
Transfer of conservation lands and agreements to others, net [note 5[b]]	—	(70,058)	—	(70,058)	—	(70,058)
Cost of conservation lands and agreements sold [note 5[d]]	—	(568)	—	(568)	—	(568)
Donations of conservation lands and agreements [note 5[b]]	—	61,125,905	—	61,125,905	—	61,125,905
Endowment contributions [note 9]	—	—	—	—	4,078,535	4,078,535
Amounts available for spending in excess of income earned on externally endowed net assets [note 10[b]]	—	—	—	—	(967,775)	(967,775)
Net transfer to internally endowed net assets [notes 9[c] and 10[b]]	(5,121,946)	—	—	—	5,121,946	—
Other interfund transfers [note 8]	(928,746)	—	1,987,609	1,987,609	(1,058,863)	—
Transfer from deferred contributions [note 7]	—	—	—	—	19,095,862	19,095,862
Balance, end of year	5,903,819	1,072,501,993	33,847,070	1,106,349,063	211,034,940	1,323,287,822

See accompanying notes

# THE NATURE CONSERVANCY OF CANADA

## STATEMENT OF CASH FLOWS

Year ended May 31

### Operating activities

Excess of revenue over expenses for the year

Add items not involving cash

Amortization

Loan repayments for prior year acquisitions

Loss on capital assets written off

Changes in non-cash working capital balances related to operations

Decrease (increase) in accounts receivable and other

Increase (decrease) in accounts payable and accrued liabilities

Increase in deferred contributions

### Cash provided by operating activities

### Investing activities

Purchase of long-term investments, net

Purchase of short-term investments, net

Decrease in deposits on land

Increase in conservation lands and agreements

Purchase of capital assets

### Cash used in investing activities

### Financing activities

Endowment contributions

Proceeds of short-term debt

Repayment of short-term debt

### Cash provided by (used in) financing activities

### Net increase (decrease) in cash during the year

Cash and cash equivalents, beginning of year

Cash and cash equivalents, end of year

2024 \$	2023 \$
13,913,776	6,665,637
330,190	327,947
5,589,000	—
—	3,782
19,832,966	6,997,366
2,686,442	(9,723,637)
(2,496,218)	1,310,376
11,112,773	13,476,903
31,135,963	12,061,008
(14,311,267)	(20,670,673)
(4,400,000)	(12,600,000)
589,998	296,825
—	(5,589,000)
(254,163)	(244,628)
(18,375,432)	(38,807,476)
1,877,797	4,078,535
—	5,589,000
(5,589,000)	—
(3,711,203)	9,667,535
9,049,328	(17,078,933)
34,183,604	51,262,537
43,232,932	34,183,604

See accompanying notes



# THE NATURE CONSERVANCY OF CANADA

## NOTES TO FINANCIAL STATEMENTS

May 31, 2024



### 1. Organization

The Nature Conservancy of Canada [the “Conservancy”] was incorporated under the laws of Canada as a corporation without share capital under letters patent dated November 28, 1962, and has continued under the new *Canada Not-for-profit Corporations Act* as at September 4, 2014. The Conservancy is registered as a charitable organization and, accordingly, is exempt from income taxes.

The Conservancy is a national organization dedicated to protecting areas of biological diversity for their intrinsic value and for the benefit of future generations. Its mission is to conserve important natural areas and biological diversity across all regions of Canada.

### 2. Summary of significant accounting policies

These financial statements are prepared in accordance with Part III of the *CPA Canada Handbook – Accounting*, “Accounting Standards for Not-for Profit Organizations,” which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies set out below.

#### Revenue recognition

The Conservancy follows the deferral method of accounting for contributions, which include grants and donations. Grants and bequests are recorded in the accounts when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Other donations are recorded when received since pledges are not legally enforceable claims. Unrestricted contributions are recognized as revenue when initially recorded in the accounts. Externally restricted contributions, except endowment contributions, are deferred when initially recorded in the accounts and recognized as revenue in the year in which the related expenses are recognized. Externally restricted endowment contributions are recognized as direct increases in net assets when recorded in the accounts.

Contributions of conservation lands and agreements are recorded as revenue and as expenses in the statement of operations and changes in operating surplus in the year in which title to the property is acquired.

Contributions of non-conservation lands are recorded at the fair market value at the time of the contribution. These lands are held to be disposed of and as such are classified as short-term on the statement of financial position. If the contribution is for a restricted purpose, the amount is initially recorded as a deferred contribution and recognized as revenue in the year when the stipulations are met. If the contribution is unrestricted, the amount is recorded in revenue in the year received.

Proceeds from property sales are recognized when title is transferred.

Revenue related to the sale of carbon offset credits is recognized when the Conservancy has transferred to the buyer the significant risks and rewards of the ownership of the carbon credits, the amount is fixed and determinable and collectibility is reasonably assured.

# THE NATURE CONSERVANCY OF CANADA

## NOTES TO FINANCIAL STATEMENTS

May 31, 2024



Investment income, which consists of interest, dividends, distributions from pooled and other funds, exchange-traded funds, hedge funds, alternative investments, fixed income investments and realized and unrealized gains and losses, is recorded as other revenue in the statement of operations and changes in operating surplus, except to the extent that it is externally restricted, in which case it is added to or deducted from endowment net assets [note 10] or deferred contributions [note 7].

### Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and short-term investments with maturities of less than 90 days at the date of purchase held for operating purposes. Cash and investments meeting the definition of cash and cash equivalents that are held for investing rather than operating purposes are classified as long-term investments.

### Financial instruments

Investments reported at fair value consist of exchange-traded funds, funds and fixed-income investments that are quoted in an active market using closing prices on the securities exchange.

Other funds and alternative investments are valued at the net asset value per unit reported by each investment fund manager, which represents fair value.

All transactions are recorded on the trade date. Transaction costs are recognized consistent with the recognition of investment income (loss).

Investments in short-term investments are initially recorded at fair value plus transaction costs and are subsequently measured at amortized cost using the straight-line method, less any provision for impairment.

Other financial instruments, including cash and cash equivalents, accounts receivable and other and accounts payable and accrued liabilities, are initially recorded at fair value and subsequently measured at amortized cost.

### Capital assets

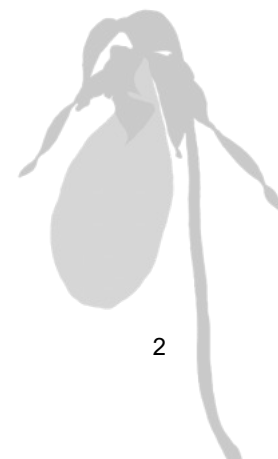
Purchased tangible and intangible capital assets are recorded at cost. Contributed tangible and intangible capital assets are recorded at fair market value. Amortization is provided using the following annual rates and methods:

#### *Tangible*

Computer hardware	20% straight-line
Furniture and fixtures	10% straight-line
Leasehold improvements	Straight-line over the term of the lease
Stewardship equipment	20% straight-line

#### *Intangible*

Computer software	20% straight-line
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# THE NATURE CONSERVANCY OF CANADA

## NOTES TO FINANCIAL STATEMENTS

May 31, 2024



Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not contribute to the Conservancy's ability to provide goods and services. Any impairment results in a write-down of the asset and an expense in the statement of revenue and expenses. An impairment loss is not reversed if the fair value of the related asset subsequently increases.

### **Conservation lands and agreements**

Purchased conservation lands and agreements are recorded at cost when title is transferred. The purchases are recorded as an expense to the extent that the purchase is internally financed. Repayments of debt related to property acquisitions are expensed when made. An amount equal to the expense related to purchases and debt repayments is added to net assets invested in conservation lands and agreements. When a loan is obtained in a subsequent year related to an internally financed purchase, an amount equal to the debt is transferred from net assets invested in conservation lands and agreements to operating surplus.

Contributed conservation lands and agreements are recorded at fair market value when title is transferred. When purchased conservation lands and agreements are acquired substantially below fair market value, the difference between consideration paid and fair value is reported as contributed conservation lands and agreements. The contributions are recorded as revenue and expenses and also as an asset offset by net assets invested in conservation lands and agreements.

Properties transferred to others are recorded as a reduction of conservation lands and agreements and net assets invested in conservation lands and agreements.

### **Foreign currency translation**

Revenue and expenses denominated in foreign currencies are translated into Canadian dollars at exchange rates in effect on the date of the related transaction. Monetary assets and liabilities are translated at the year-end spot rates. Non-monetary assets and liabilities are translated at the historic rate. Exchange gains and losses are included in the statement of operations and changes in operating surplus, except to the extent that they relate to investments, in which case they are accounted for consistent with investment income (loss).

### **Allocation of expenses**

Salaries and benefits expenses are allocated between property-related and support expenses based on the primary job responsibilities of the employee's position. No support expenses are allocated to property-related expenses.

### **Donated materials and services**

Donated materials and services are not recognized in the financial statements.



# THE NATURE CONSERVANCY OF CANADA

## NOTES TO FINANCIAL STATEMENTS

May 31, 2024



### 3. Investments

[a] Short-term investments consist primarily of short-term notes and guaranteed investment certificates that represent the investment of excess funds related to deferred contributions classified as short-term. As at May 31, 2024, these securities have a weighted average rate of return of 5.48% [2023 – 5.12%] and terms to maturity of 1 to 172 days [2023 – 1 to 250 days].

[b] Long-term investments, which are primarily held for endowments and certain internally restricted net assets, are recorded at fair value and consist of the following:

	2024		2023	
	\$	%	\$	%
Cash	11,748,721	5	10,332,128	5
Exchange-traded funds				
Canadian bonds	28,605,619	11	28,011,124	13
American bonds	6,380,448	2	6,556,769	3
Canadian equities	1,158,540	—	975,673	—
American equities	35,513,760	14	26,499,069	12
Canadian gold bullion	1,936,108	1	1,654,606	1
Other international equities	6,585,755	3	5,499,708	3
	80,180,230	31	69,196,949	32
Funds				
Canadian	8,695,337	3	7,793,595	4
International	24,156,960	9	20,582,656	9
Global	66,461,485	26	53,170,195	24
	99,313,782	38	81,546,446	37
Alternative investment funds				
Equity hedge	3,246,549	1	2,872,331	1
Diversifying hedge	20,811,449	8	19,014,833	9
Multi-asset	5,404,561	2	4,672,811	2
Commodities	3,383,489	1	3,009,002	1
Private investment	29,796,198	12	23,308,445	11
Infrastructure	4,779,323	2	3,996,974	2
	67,421,569	26	56,874,396	26
	258,664,302	100	217,949,919	100

As at May 31, 2024, Canadian bond exchange-traded funds have a weighted average maturity of 10.1 years [2023 – 10.5 years] and have a weighted average interest rate of 3.10% [2023 – 2.90%].

[c] As at May 31, 2024, the Conservancy has uncalled commitments related to investments in private funds of \$23,423,689 [2023 – \$20,168,138] that are expected to be called in the next five to seven years. The Conservancy has agreed to dispose of investments in hedge funds of \$73,057 [2023 – \$80,458] over the next two years. The proceeds will be used to finance uncalled commitments and other investments.

THE NATURE CONSERVANCY OF CANADA  
NOTES TO FINANCIAL STATEMENTS  
May 31, 2024

**4. Capital assets**

[a] Capital assets consist of the following:

		2024		
		Cost	Accumulated amortization	Net book value
		\$	\$	\$
<b>Tangible</b>				
Computer hardware	935,147	510,888	424,259	
Furniture and fixtures	235,591	139,936	95,655	
Leasehold improvements	97,180	47,095	50,085	
Stewardship equipment	171,547	88,118	83,429	
<b>Intangible</b>				
Computer software	356,356	286,437	69,919	
		1,795,821	1,072,474	723,347

		2023		
		Cost	Accumulated amortization	Net book value
		\$	\$	\$
<b>Tangible</b>				
Computer hardware	901,753	508,123	393,630	
Furniture and fixtures	244,556	125,342	119,214	
Leasehold improvements	167,597	103,491	64,106	
Stewardship equipment	135,042	53,808	81,234	
<b>Intangible</b>				
Computer software	356,356	215,166	141,190	
		1,805,304	1,005,930	799,374

[b] Fully amortized capital assets, that are no longer in use, with a cost of \$263,646 [2023 – \$360,519] were written off.

THE NATURE CONSERVANCY OF CANADA  
NOTES TO FINANCIAL STATEMENTS  
May 31, 2024

**5. Conservation lands and agreements**

[a] Conservation lands and agreements consist of the following:

	2024 \$	2023 \$
Purchased conservation lands <i>[notes 6[c] and 6[d]]</i>	603,791,848	549,549,118
Donated conservation lands	255,847,804	250,411,275
	<b>859,639,652</b>	<b>799,960,393</b>
Purchased conservation agreements <i>[note 6[c]]</i>	96,414,488	95,479,796
Donated conservation agreements	182,999,554	182,650,804
	<b>279,414,042</b>	<b>278,130,600</b>
	<b>1,139,053,694</b>	<b>1,078,090,993</b>

Conservation lands and agreements, either purchased or donated, are assets held as part of the Conservancy's collection. Conservation agreements are legal agreements entered into by the Conservancy under which a landowner voluntarily restricts or limits the type and amount of development that may take place on his or her land to conserve its natural features. Once registered on title, that agreement runs with the title and binds all future owners.

[b] The continuity of conservation lands and agreements is as follows:

	2024 \$	2023 \$
<b>Balance, beginning of year</b>	<b>1,078,090,993</b>	888,513,278
Purchases internally financed	57,381,485	122,933,436
Purchases financed by debt <i>[note 6[b]]</i>	—	5,589,000
Donated <i>[note 11]</i>	5,785,279	61,125,905
Transferred to others	(1,685,063)	(70,058)
Cost of purchased conservation lands and agreements sold <i>[note 5[d]]</i>	(519,000)	(568)
<b>Balance, end of year</b>	<b>1,139,053,694</b>	<b>1,078,090,993</b>



THE NATURE CONSERVANCY OF CANADA  
NOTES TO FINANCIAL STATEMENTS  
May 31, 2024



[c] Net assets internally restricted for conservation lands and agreements are represented by:

	2024 \$	2023 \$
Conservation lands and agreements [note 5[a]]	1,139,053,694	1,078,090,993
Conservation lands and agreements financed by debt [note 6[b]]	—	(5,589,000)
	<b>1,139,053,694</b>	<b>1,072,501,993</b>

[d] In 2024, the Conservancy sold conservation properties for proceeds equal to the carrying value of \$519,000 [note 5[b]]; the sale proceeds will be used for future stewardship expenses. In 2023, the Conservancy sold conservation properties for proceeds of \$4,933 and a carrying value of \$568 [note 5[b]]; the sale proceeds were used for disposition costs and the remainder restricted for future stewardship expenses.

## 6. Credit facilities

[a] Short-term debt consists of the following:

	2024 \$	2023 \$
Notes payable [note 6[c][v]]	—	5,589,000

[b] Short-term debt is held for the following purposes:

	2024 \$	2023 \$
Acquisition of conservation lands and agreements [note 5[c]]	—	5,589,000

[c] The Conservancy has six facilities with one financial institution as follows:

- [i] A \$1,500,000 revolving operating line of credit with interest payable at prime plus 0.5% [May 31, 2024 – 7.7%]. As at May 31, 2024 and 2023, the Conservancy has not utilized the facility.
- [ii] A \$3,500,000 revolving facility available by way of a series of term loans to finance up to 50% of the acquisition of real properties, including conservation agreements. The borrowings are repayable in full not later than two years from the date of advance, with interest payable at prime [May 31, 2024 – 7.2%]. As at May 31, 2024 and 2023, the Conservancy has no drawings on this line of credit.
- [iii] A \$10,000,000 revolving facility available by way of a series of term loans for bridge financing of land conservation and development projects of federal government funding. The borrowings are repayable within one year of the advance, with interest payable at prime plus 0.25% [May 31, 2024 – 7.45%]. As at May 31, 2024 and 2023, the Conservancy has no drawings on this facility.
- [iv] A \$10,000,000 revolving facility available by way of a series of term loans for bridge financing of land conservation and development projects. The borrowings are repayable within two years of the advance with interest payable at prime plus 0.25% [May 31, 2024 – 7.45%]. Borrowings outstanding under this facility plus all amounts under facilities [ii] and [iii] must not exceed at any time the sum of \$13,500,000.

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- Each borrowing must not exceed 60% of the total value of the related project, and not exceed \$10,000,000. As at May 31, 2024 and 2023, the Conservancy has no drawings on this facility.
- [v] A \$13,000,000 revolving demand facility available by way of Letters of Guarantee, secured by cash collateral in the form of Guaranteed Investment Certificates charged at a fixed fee of 1% per annum on drawn Letters of Guarantee. As at May 31, 2024, the Conservancy has no drawings on the Letters of Guarantee [2023 – \$5,589,000].
- [vi] A \$13,500,000 revolving demand facility available by way of Letters of Guarantee, charged at a fixed fee of 1% per annum on drawn Letters of Guarantee, fees to be advised on a transaction-by-transaction basis, and a minimum fee of \$100. Borrowings outstanding under this facility plus all amounts under facilities [ii], [iii], [iv] and [vi] must not exceed at any time the sum of \$13,500,000. As at May 31, 2024 and 2023, the Conservancy has no drawings on this facility.
- [d] The Conservancy has provided a general security agreement over all of its assets, excluding conservation lands and agreements and financial assets, for the facilities [i] to [iv] above.
- [e] Interest of \$38,434 [2023 – \$28,262] related to debt has been recorded in the accounts, of which \$38,434 [2023 – \$13,768] relates to the Irrevocable Standby Letter of Credit, and nil [2023 – \$14,494] relates to temporary debt from borrowings and the revolving facility that was incurred for property acquisitions. Interest is classified as property-related or support expenses, depending on the purpose for which the debt was used.

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### 7. Deferred contributions

Deferred contributions represent unspent externally restricted donations for the purchase of properties or donor-specified programs as follows:

	2024 \$	2023 \$
<b>Balance, beginning of year</b>	<b>80,755,827</b>	79,603,400
Add		
Amounts received for restricted purposes <i>[note 11]</i>	<b>152,872,952</b>	209,109,951
Investment income <i>[note 10]</i>	<b>6,741,977</b>	2,134,424
Amount available for spending related to externally endowed funds <i>[note 10]</i>	<b>5,389,307</b>	4,636,962
Less		
Amounts recognized as revenue during the year	<b>(141,760,178)</b>	(195,633,048)
Amounts transferred to endowment net assets <i>[note 10]</i>	<b>(17,759,339)</b>	(19,095,862)
<b>Balance, end of year</b>	<b>86,240,546</b>	80,755,827

### 8. Other internally restricted net assets

[a] Other internally restricted net assets consist of the following:

	2024 \$	2023 \$
Ted Boswell Land Conservation Fund <i>[note 8[b]]</i>	<b>10,607,863</b>	7,560,485
Future projects <i>[note 8[c]]</i>	<b>31,064,856</b>	26,286,585
	<b>41,672,719</b>	33,847,070

[b] The Ted Boswell Land Conservation Fund ["TBLCF"] is an internally restricted fund available for land purchases, other related work and endowments to support stewardship activities. Amounts may be transferred from the TBLCF to operating surplus to help finance the acquisition of conservation lands and agreements and to finance the completion of projects. Amounts may also be transferred to endowment net assets to establish endowments as required by internal policy. The intention is that the amounts transferred from the TBLCF will be replaced by future transfers from operating surplus or by amounts previously transferred to internally endowed net assets when donor-restricted contributions are received.

The fiscal 2024 net increase [2023 – net decrease] in the TBLCF represents loan repayments in excess of the loan advances, transfers from other internally restricted funds *[note 8[c]]* and additions to the fund.

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[c] The net increase in other internally restricted net assets for future projects consists of the following:

	2024 \$	2023 \$
Transfers from operating surplus for future project expenses	9,231,903	17,761,342
Transfer to TBLCF net assets [note 8[b]]	—	(8,000,000)
Transfers to operating surplus related to cost of projects carried out during the year	(4,507,088)	(9,026,875)
Transfer from operating surplus in connection with investment income related to internally restricted net assets recorded in the statement of operations and changes in operating surplus	53,456	54,027
	4,778,271	788,494

## 9. Science and Stewardship Endowments

[a] The net assets for Science and Stewardship Endowments consist of amounts subject to donor and Board of Director imposed restrictions stipulating that the principal be maintained intact and the income used in accordance with the various purposes established by the donor or the Board of Directors.

The Science and Stewardship Endowments consist of the following:

	2024 \$	2023 \$
Science Endowments		
Externally endowed	8,027,367	7,277,603
Stewardship Endowments		
Externally endowed	149,511,145	127,455,073
Internally endowed – donor restricted	43,907,063	32,803,931
Internally endowed – unrestricted	49,293,820	43,498,333
	242,712,028	203,757,337
	250,739,395	211,034,940

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[b] Effective July 1, 2005, the Board of Directors established a policy with the objective of protecting the real value of the endowment net assets by limiting the amount of income made available for spending and requiring the reinvestment of any income earned in excess of this limit. The amount available for spending is calculated based on 4.00% [2023 – 4.00%] of the market value of individual funds. The preservation of capital is recorded as a direct increase in endowment net assets for externally endowed funds. For internally endowed unrestricted funds, the preservation of capital is recorded as revenue in the statement of operations and changes in operating surplus and transferred to endowment net assets in the statement of changes in net assets. For internally endowed restricted funds, the preservation of capital is recorded as deferred contributions and transferred to endowment net assets. In any year, should net investment income not be sufficient to fund the amount made available for spending, an amount is transferred from endowment net assets to operating surplus or deferred contributions for this purpose. Details provided in notes 10[a] and 10 [b].

[c] For the year ended May 31, 2024, the Board of Directors approved a net transfer of \$2,520,064 [2023 – \$5,437,534] to the internally endowed unrestricted portion of Stewardship Endowments from operating surplus.

### 10. Investment income

Investment income earned consists of the following:

	2024 \$	2023 \$
Total investment income, net of management fees	37,672,708	10,041,542
Amount allocated to deferred contributions [note 7]		
Amount available for spending related to externally endowed funds	(5,389,307)	(4,636,962)
Investment income on internally endowed restricted funds	(4,990,877)	(954,130)
Other investment income	(1,751,100)	(1,180,294)
Investment income in excess of amounts available for spending [transfer to externally endowed net assets]	(14,271,831)	—
Investment income deficiency over amounts available for spending [transfer from externally endowed net assets]	—	967,775
	11,269,593	4,237,931

[a] For the year ended May 31, 2024, there was total investment income of \$37,672,708 of which \$30,798,339 relates to endowment funds, \$5,864,442 was short-term investment income and \$1,009,927 was income from the investment of the deferred portfolio in the long-term portfolio.

Investment income related to external endowment funds of \$19,661,138 less amount available for spending on these funds of \$5,389,307 was a surplus of \$14,271,831, which was recorded as a direct increase of the externally restricted endowment net assets. The amount made available for spending related to externally endowed restricted funds was recorded in deferred contributions [note 7].

Investment income related to internally endowed restricted funds of \$4,990,877 less amount available for spending on these funds of \$1,312,157 was an excess of \$3,678,720 and is recorded as a transfer to internally endowed restricted net assets from deferred contributions [note 7]. The amount made available for spending related to internally endowed restricted funds was recorded in deferred contributions [note 7].

Investment income related to internally endowed unrestricted funds of \$6,146,324 was recorded as other revenue in the statement of operations and changes in operating surplus. Investment income related to

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internally endowed unrestricted funds in excess of the amount made available for spending on these funds of \$1,739,933 was \$4,406,391 and was recorded as a transfer to endowment net assets from operating surplus.

[b] For the year ended May 31, 2023, there was total investment income of \$10,041,542 of which \$5,885,540 relates to endowment funds, \$3,951,422 was short-term investment income and \$204,580 was income from the investment of the deferred portfolio in the long-term portfolio.

Investment income related to these external endowment funds of \$3,669,187 less the amount available for spending on externally restricted endowment funds of \$4,636,962 was a deficiency of \$967,775, which was recorded as a direct reduction of the externally restricted endowment net assets. The amount made available for spending related to externally endowed restricted funds was recorded in deferred contributions [note 7].

Investment income related to these internally endowed restricted funds of \$954,130 less the amount available for spending on internally endowed restricted funds of \$1,176,236 was a deficiency of \$222,106 and was recorded as a transfer from internally endowed restricted net assets to deferred contributions [note 7]. The amount made available for spending related to internally endowed restricted funds was recorded in deferred contributions [note 7].

Investment income related to internally endowed unrestricted funds of \$1,262,222 was recorded as other revenue in the statement of operations and changes in operating surplus. Investment income related to internally endowed unrestricted funds less the amount made available for spending related to these internally endowed unrestricted funds of \$1,577,410 was a deficiency of \$315,188 and was recorded as a transfer from endowment net assets to operating surplus.

#### 11. American Friends of Canadian Nature, Inc.

The American Friends of Canadian Nature, Inc. is a separate corporation without share capital and with its own Board of Directors. It is registered as a charitable organization in the United States. Substantially all of the donations it receives are transferred to the Conservancy based on donor intentions.

During the year ended May 31, 2024, the American Friends of Canadian Nature, Inc. made land donations with a fair value of \$535,000 [2023 – \$678,000], restricted contributions of \$2,323,270 [2023 – \$1,460,244]. The restricted donations are recorded as deferred contributions [note 7], and the land contribution is included in donations of conservation lands and agreements revenue.



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### 12. Financial instruments and risk management

The Conservancy is exposed to various financial risks through transactions in financial instruments. During 2024, there were no significant changes in risk exposures from 2023.

#### Foreign currency risk

The Conservancy is exposed to foreign currency risk with respect to its investments denominated in foreign currencies, including the underlying investments of funds denominated in foreign currencies, and with its US-dollar-denominated loan, because of fluctuations in the relative value of foreign currencies against the Canadian dollar. The Conservancy has a policy to manage risk by limiting foreign currency exposure in the long-term investments within a range of 20% to 60%. The US-dollar-denominated loan is expected to be paid with US-dollar-denominated donations.

#### Credit risk

The Conservancy is exposed to credit risk in connection with its accounts receivable and its short-term and fixed-income investments because of the risk that one party to the financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Conservancy holds fixed-income investments in bonds that have an average of an "A" rating or better.

#### Interest rate risk

The Conservancy is exposed to interest rate risk with respect to its fixed rate debt, its investments in fixed income investments, and exchange-traded funds and other funds that hold fixed-income securities because the fair value will fluctuate due to changes in market interest rates. In addition, the Conservancy is exposed to interest rate risk with respect to its floating rate debt because cash flows will fluctuate as the interest rate is linked to the bank's prime rate, which changes from time to time. The Conservancy mitigates the risk in its investment portfolio through its investment policy and the allocation to funds impacted by this risk.

#### Other price risk

The Conservancy is exposed to other price risk through changes in market prices [other than changes arising from interest rate risk or currency risk] in connection with its investments [note 3]. The Conservancy manages this risk through its investment policy and the balancing of the allocations of funds in the various portfolio categories.

#### Liquidity risk

The Conservancy is exposed to liquidity risk to the extent that it will encounter difficulty in meeting obligations associated with its financial liabilities. To manage liquidity risk, the Conservancy keeps sufficient cash resources readily available to meet its obligations. The Conservancy has investments in publicly traded liquid assets that are easily sold and converted to cash.



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#### 13. Commitments and contingencies

- [a] The Conservancy, under lease commitments for office space, office equipment, and vehicles, is obligated to future minimum annual rental payments as follows:

	\$
2025	1,285,593
2026	1,086,337
2027	1,056,402
2028	936,391
2029	924,665
Thereafter	930,943
	<u>6,220,331</u>

In addition to minimum rental payments, leases for office space generally require the payment of various operating costs.

- [b] In fiscal 2011, the Conservancy finalized the verification and validation carbon offset credits. The credits were sold to third parties for total proceeds of \$6,000,000.

In connection with the agreements related to the sale of the credits, the Conservancy was required to provide a commitment that the greenhouse gas emission removals associated with the sale of the credits would be maintained for 100 years and, if they were not maintained, would be replaced by the Conservancy or pay damages equal to the fair market value of the number of credits that were sold.

The Conservancy has adequate insurance to mitigate any replacement claims and has put in place monitoring and appropriate protocols to sustain the carbon sequestered, which also includes ensuring that the habitat on the property is maintained for the benefit of future generations.

- [c] The nature of the Conservancy's activities is such that there is often litigation pending or in progress. Where the potential liability is likely and able to be estimated, management records its best estimate of the potential liability. With respect to claims as at May 31, 2024, it is management's position that the Conservancy has valid defences and appropriate insurance coverage to offset the cost of unfavourable settlements, if any, which may result from such claims. In other cases, the ultimate outcome of the claims cannot be determined at this time. Any additional losses related to claims will be recorded in the year during which the liability is able to be estimated or adjustments to any amount recorded are determined to be required.





Shaw Wilderness Park, NS; Photo by Andrew Herygers

