

# Independent Auditor's Report

To the Members of The Nature  
Conservancy of Canada

The accompanying summarized financial statements, which comprise the summarized statement of financial position as at June 30, 2012 and the summarized statement of operations and changes in operating deficit for the year ended June 30, 2012, and related notes, are derived from the audited financial statements of The Nature Conservancy of Canada as at June 30, 2012 and for the year then ended. We expressed an unmodified audit opinion on those financial statements in our report dated September 28, 2012.

These summarized financial statements do not contain all the disclosures required by Canadian generally accepted accounting principles. Reading the summarized financial statements, therefore, is not a substitute for reading the audited financial statements of The Nature Conservancy of Canada.

## MANAGEMENT'S RESPONSIBILITY FOR THE SUMMARIZED FINANCIAL STATEMENTS

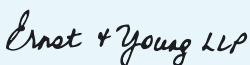
Management is responsible for the preparation of a summary of the audited financial statements on the basis described in note 1.

## AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on the summarized financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standards (CAS) 810, "Engagements to Report on Summary Financial Statements".

## OPINION

In our opinion, the summarized financial statements derived from the audited financial statements of The Nature Conservancy of Canada as at June 30, 2012 and for the year then ended are consistent, in all material respects, with those financial statements, on the basis described in note 1.

The signature of Ernst & Young LLP is written in a cursive, handwritten style.

CHARTERED ACCOUNTANTS  
LICENSED PUBLIC ACCOUNTANTS

Toronto, Canada  
September 28, 2012

## Summarized Statement of Financial Position

AS AT JUNE 30

	2012 \$	2011 \$
<b>ASSETS [note 6]</b>		
Total current assets	35,090,260	40,174,952
Investments	65,677,697	63,209,991
Capital assets, net	3,813,079	4,156,784
Conservation lands and agreements	503,624,252	478,279,199
	<b>608,205,288</b>	<b>585,820,926</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	2,021,618	6,249,565
Operating loan	—	1,500,000
Current portion of long-term debt [note 6]	3,121,634	3,245,096
Deferred contributions	29,652,633	31,042,301
<b>Total current liabilities</b>	<b>34,795,885</b>	<b>42,036,962</b>
Long-term debt [note 6]	3,822,101	2,650,163
Deferred revenue related to sales of carbon offset credits	5,940,000	6,000,000
<b>Total liabilities</b>	<b>44,557,986</b>	<b>50,687,125</b>
<b>Net assets</b>		
Internally restricted		
Invested in conservation lands and agreements	500,189,460	475,772,688
Other	2,681,230	1,619,492
	<b>502,870,690</b>	<b>477,392,180</b>
Operating deficit	(1,060,854)	(1,392,236)
Science and Stewardship Endowments	61,837,466	59,133,857
<b>Total net assets</b>	<b>563,647,302</b>	<b>535,133,801</b>
	<b>608,205,288</b>	<b>585,820,926</b>

See accompanying notes

## Summarized Statement of Operations and Changes in Operating Deficit

YEAR ENDED JUNE 30

	2012 \$	2011 \$
<b>REVENUE</b>		
Donations of conservation lands and agreements	3,374,771	15,055,828
Other donations and grants	69,474,669	73,216,983
Proceeds from property sales	13,476	3,272,800
Other	4,997,410	6,738,008
	<b>77,860,326</b>	<b>98,283,619</b>
<b>EXPENSES</b>		
Conservation lands and agreements acquired		
Purchased	23,855,813	31,881,659
Donated	3,374,771	15,055,828
Loan repayments for prior year acquisitions	293,106	150,298
Contributions to properties acquired and property-related expenses incurred by others	17,550,417	15,970,518
	<b>45,074,107</b>	<b>63,058,303</b>
Property-related	16,341,647	17,478,011
Support	14,005,330	14,150,518
	<b>75,421,084</b>	<b>94,686,832</b>
<b>Excess of revenue over expenses for the year</b>	<b>2,439,242</b>	<b>3,596,787</b>
Net transfer from (to) internally restricted net assets	(165,837)	2,303,956
Net transfer to internally endowed net assets	(1,942,023)	(5,118,820)
<b>Net change in operating deficit</b>	<b>331,382</b>	<b>781,923</b>
Operating deficit, beginning of year	(1,392,236)	(2,174,159)
<b>Operating deficit, end of year</b>	<b>(1,060,854)</b>	<b>(1,392,236)</b>

See accompanying notes

## Notes to Summarized Financial Statements

JUNE 30, 2012

### 1. SUMMARIZED FINANCIAL STATEMENTS

The summarized financial statements are derived from the complete audited financial statements, prepared in accordance with Canadian generally accepted accounting principles, as at June 30, 2012 and for the year then ended.

The preparation of these summarized financial statements requires management to determine the information that needs to be reflected in the summarized financial statements so that they are consistent, in all material respects, with or represent a fair summary of the audited financial statements.

These summarized financial statements have been prepared by management using the following criteria:

- a) whether information in the summarized financial statements is in agreement with the related information in the complete audited financial statements; and
- b) whether, in all material respects, the summarized financial statements contain the information necessary to avoid distorting or obscuring matters disclosed in the related complete audited financial statements, including the notes thereto.

Management determined that the statements of changes in net assets and cash flows do not provide additional useful information and as such has not included them as part of the summarized financial statements.

The complete audited financial statements of The Nature Conservancy of Canada are available upon request by contacting The Nature Conservancy of Canada [the “Conservancy”].

### 2. REVENUE RECOGNITION

Conservancy follows the deferral method of accounting for contributions.

Revenue related to the sale of carbon offset credits is amortized over the term of the agreements related to the sale of the credits when there is an obligation to maintain the accreditation of the carbon offset credits.

### 3. 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. When a loan is obtained in a subsequent year related to an internally financed purchase, an amount equal to the debt is transferred from invested in conservation lands and agreements to operating deficit. 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.

Contributed conservation lands and agreements are recorded at fair market value when title is transferred, unless the fair market value is subject to review by regulatory authorities, in which case the contribution is recorded when an amount is approved by the authorities. 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 net assets invested in conservation lands and agreements.

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.

#### 4. 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.

#### 5. DONATED MATERIALS AND SERVICES

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

#### 6. LONG-TERM DEBT

Substantially all of the Conservancy's assets have been pledged as security in connection with certain long-term debt. The debt has been incurred to fund acquisition of conservation land and agreements, property-related and support expenses and capital assets.

#### 7. FINANCIAL INSTRUMENTS

The Conservancy is subject to market risk, foreign currency risk and interest rate price risk with respect to its investment portfolio. To manage these risks, the Conservancy has established a target mix of investment types designed to achieve the optimal return within reasonable risk tolerances.

The Conservancy is subject to interest rate cash flow risk with respect to its floating rate debt payable and interest rate price risk with respect to its fixed rate debt.

#### 8. CONTINGENCY

The Conservancy is subject to a claim for damages. The outcome of the claim is not determinable at this time. However, management believes the claim is without merit. Losses, if any, related to the claim will be recorded in the period during which the liability can be estimated.

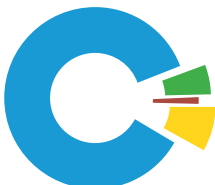
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### 5-Year Average Funding Sources



- 49% Government
- 18% Corporations
- 15% Individuals
- 11% Foundations and Organizations
- 7% Other

### 5-Year Average Expenditures



- 86% Land and Program
- 5% Philanthropy and Marketing
- 1% Communications, Education and Awareness
- 8% Administration

## 2011–2012 Regional accomplishments

### British Columbia

6 properties secured  
392,893 total acres\*  
164 stewardship volunteers  
\$14,085,000 land value  
\*158,998 hectares

### Alberta

9 properties secured  
3,502 acres\*  
319 stewardship volunteers  
\$7,746,000 land value  
\*1,417 hectares

### Saskatchewan

22 properties secured  
14,970 acres\*  
88 stewardship volunteers  
\$4,184,094 land value  
\*6,058 hectares

### Manitoba

28 properties secured  
9,095 acres\*  
85 stewardship volunteers  
\$3,572,190 land value  
\*3,683 hectares

### Ontario

20 properties secured  
3,720 acres\*  
261 stewardship volunteers  
\$6,251,150 land value  
\*1,505 hectares

### Quebec

21 properties secured  
4,454 acres\*  
58 stewardship volunteers  
\$4,400,290 land value  
\*1,802 hectares

### Atlantic Canada

18 properties secured  
1,108 acres\*  
289 stewardship volunteers  
\$2,498,440 land value  
\*448 hectares

## National Office

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[natureconservancy.ca](http://natureconservancy.ca)

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To conserve resources (ours and nature's) our full annual report is now online. For expanded reporting and results from NCC's seven Regions, please visit [natureconservancy.ca/annualreport2012](http://natureconservancy.ca/annualreport2012).

Questions or comments about this report? Contact us at [supporter.services@natureconservancy.ca](mailto:supporter.services@natureconservancy.ca) or 1-800-465-8005.

