Financial Statements of
[expressed in Canadian dollars]

# DUCKS UNLIMITED CANADA

March 31, 2017

# Independent auditors' report

To the Directors of
**Ducks Unlimited Canada**

We have audited the accompanying financial statements of **Ducks Unlimited Canada**, which comprise the statement of financial position as at March 31, 2017, and the statements of revenue and expenses and changes in unrestricted net assets, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Ducks Unlimited Canada** as at March 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Ernst & Young LLP
Chartered Professional Accountants

Winnipeg, Canada
June 25, 2017

# DUCKS UNLIMITED CANADA

Statement of Financial Position
(Expressed in thousands of Canadian dollars)

As at March 31

| | | 2017 | | 2016 *(restated - notes 11 and 23)* |
|---|---|---|---|---|
| **Assets** | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | $ | 28,201 | $ | 21,164 |
| Accounts receivable | | 24,723 | | 18,128 |
| Derivative asset (note 21) | | 5 | | - |
| Receivable from Ducks Unlimited, Inc. (note 3) | | 3,625 | | 4,912 |
| Inventories (note 4) | | 3,148 | | 2,503 |
| Project materials and prepaid expenses | | 950 | | 1,060 |
| | | 60,652 | | 47,767 |
| Investments (note 5) | | 153,012 | | 134,123 |
| Property, plant and equipment, net of accumulated amortization (note 6) | | 7,883 | | 8,511 |
| Land held for resale (note 7) | | 22,390 | | 19,773 |
| Conservation lands (note 8) | | 167,354 | | 162,136 |
| | $ | 411,291 | $ | 372,310 |
| **Liabilities and Net Assets** | | | | |
| Current liabilities: | | | | |
| Accounts payable and accrued liabilities | $ | 8,344 | $ | 3,781 |
| Derivative liability (note 21) | | - | | 4 |
| Revolving loans (note 9) | | 20,138 | | 16,499 |
| Current portion of unearned revenue | | 7,662 | | 7,507 |
| Current portion of deferred contributions (notes 10 and 23) | | 23,852 | | 20,224 |
| | | 59,996 | | 48,015 |
| Unearned revenue (note 23) | | 13,963 | | 11,457 |
| Deferred contributions (notes 10 and 23) | | 2,487 | | 2,645 |
| Accrued pension and post-employment benefits obligations (note 11) | | 16,858 | | 17,196 |
| | | 93,304 | | 79,313 |
| Commitments (note 15) | | | | |
| Net assets to support conservation activities: | | | | |
| Internally restricted (note 12) | | 131,775 | | 109,959 |
| Invested in land held for resale, property, plant and equipment and conservation lands (note 13) | | 173,231 | | 170,488 |
| Unrestricted | | 12,981 | | 12,550 |
| | | 317,987 | | 292,997 |
| | $ | 411,291 | $ | 372,310 |

See accompanying notes to financial statements.

On behalf of the Board:

Jim Couch

James Couch
President

Grady C. Hartzog Jr

Grady Hartzog, CPA
Treasurer

# DUCKS UNLIMITED CANADA

Statement of Revenue and Expenses and Changes in Unrestricted Net Assets
(Expressed in thousands of Canadian dollars)

Year ended March 31

| | 2017 | 2016 *(restated - notes 11 and 23)* |
|---|---|---|
| Revenue: | | |
| Philanthropic fundraising (notes 10(b), 17 and 23) | $ 10,273 | $ 7,894 |
| Grassroots fundraising | 9,653 | 11,968 |
| Non-government partnership (notes 10(b) and 18) | 6,026 | 6,284 |
| Government grants (notes 7, 10(b) and 19) | 49,566 | 41,985 |
| Program and other | 15,587 | 14,490 |
| Investment income | 15,986 | 1,924 |
| | 107,091 | 84,545 |
| Expenses (note 22): | | |
| Conservation program (notes 9 and 16) | 62,709 | 55,072 |
| Fundraising (notes 4 and 23) | 12,180 | 13,672 |
| Administration (note 16) | 7,457 | 5,356 |
| | 82,346 | 74,100 |
| Excess of revenue over expenses for the year (note 23) | 24,745 | 10,445 |
| Transfers to (from) unrestricted net assets (note 14) | (24,314) | 7,122 |
| Change in unrestricted net assets | 431 | 17,567 |
| Opening balance, unrestricted net assets (note 23) | 12,550 | (5,017) |
| Closing balance, unrestricted net assets (note 23) | $ 12,981 | $ 12,550 |

See accompanying notes to financial statements.

# DUCKS UNLIMITED CANADA

Statement of Changes in Net Assets
(Expressed in thousands of Canadian dollars)

| | Internally restricted (note 12) | Invested in land held for resale, property, plant and equipment and conservation lands (note 13) | Unrestricted (note 14) | Total |
|---|---|---|---|---|
| Balance, March 31, 2015 *(restated – note 23)* | $ 121,845 | $ 169,518 | $ (5,017) | $ 286,346 |
| Excess of revenue over expenses for the year | - | - | 10,445 | 10,445 |
| Pension remeasurement and other items (note 11) | (3,925) | - | - | (3,925) |
| Internally imposed restrictions (note 12(b)) | (7,961) | - | 7,961 | - |
| Invested in land held for resale, property, plant and equipment and conservation lands (note 13) | - | 839 | (839) | - |
| Donated land (notes 7, 8 and 13) | - | 131 | - | 131 |
| Balance, March 31, 2016 *(restated – notes 11 and 23)* | 109,959 | 170,488 | 12,550 | 292,997 |
| Excess of revenue over expenses for the year | - | - | 24,745 | 24,745 |
| Pension remeasurement and other items (note 11) | (538) | - | - | (538) |
| Internally imposed restrictions (note 12(b)) | 22,354 | - | (22,354) | - |
| Invested in land held for resale, property, plant and equipment and conservation lands (note 13) | - | 1,960 | (1,960) | - |
| Donated land (notes 7, 8 and 13) | - | 783 | - | 783 |
| Balance, March 31, 2017 | $ 131,775 | $ 173,231 | $ 12,981 | $ 317,987 |

See accompanying notes to financial statements.

# DUCKS UNLIMITED CANADA

Statement of Cash Flows
(Expressed in thousands of Canadian dollars)

Year ended March 31

| | | 2017 | | 2016 (*restated - notes 11 and 23)* |
|---|---|---|---|---|
| Cash provided by (used in): | | | | |
| Operating activities: | | | | |
| Excess of revenue over expenses for the year | $ | 24,745 | $ | 10,445 |
| Adjustments for items not affecting cash: | | | | |
| Depreciation and amortization | | 1,110 | | 1,115 |
| Amortization of deferred contributions related to property, plant and equipment | | (158) | | (161) |
| Loss (gain) on disposal of property, plant and equipment | | (9) | | 1 |
| Loss (gain) on disposal on conservation lands | | 305 | | (700) |
| Loss on disposal of land held for resale (note 7) | | 2,202 | | 592 |
| Non-cash pension and post-employment benefit expense | | 2,846 | | 2,599 |
| Unrealized gains on investments | | (15,835) | | (1,665) |
| Unrealized gain on derivative financial instruments | | (9) | | (623) |
| Employer contributions to pension | | (3,722) | | (4,282) |
| Change in non-cash assets and liabilities (note 20) | | 5,009 | | 2,767 |
| | | 16,484 | | 10,088 |
| Investing activities: | | | | |
| Contributions to investments | | (8,054) | | (7,454) |
| Proceeds from disposal of investments | | 5,000 | | 11,147 |
| Purchase of conservation lands | | (5,316) | | (4,285) |
| Proceeds from disposal of conservation lands | | 391 | | 1,224 |
| Purchase of land held for resale | | (11,268) | | (9,524) |
| Proceeds from disposal of land held for resale | | 6,634 | | 3,062 |
| Purchase of property, plant and equipment | | (487) | | (890) |
| Proceeds from sale of property, plant and equipment | | 14 | | 22 |
| | | (13,086) | | (6,698) |
| Financing activities: | | | | |
| Proceeds from revolving loans | | 12,401 | | 10,994 |
| Repayment of revolving loans | | (8,762) | | (2,390) |
| Repayment of term loan | | - | | (6,085) |
| | | 3,639 | | 2,519 |
| Net increase in cash and cash equivalents during the year | | 7,037 | | 5,909 |
| Cash and cash equivalents, beginning of year | | 21,164 | | 15,255 |
| Cash and cash equivalents, end of year | $ | 28,201 | $ | 21,164 |

See accompanying notes to financial statements.

## 1. General:

Ducks Unlimited Canada (DUC) is a registered charity under the Canadian *Income Tax Act*. DUC is an internationally supported, private, conservation company incorporated under the *Canada Not-for-profit Corporations Act.*

DUC's mission is to conserve, restore and manage wetlands and associated habitats for North America's waterfowl. These habitats also benefit other wildlife and people.

## 2. Significant accounting policies:

These financial statements have been prepared in accordance with Part III of the *CPA Canada Handbook – Accounting*, which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies described below.

(a) Revenue recognition:

DUC follows the deferral method of accounting for contributions.

Unrestricted contributions are recorded as revenue when received. Effective April 1, 2016, DUC changed its accounting policy to account for philanthropic fundraising revenue on a cash basis (note 23).

Externally restricted contributions for non-capital items are initially deferred when recorded in the accounts and recognized as revenue in the year in which the related expenses are incurred. Project funding by way of grant or cost sharing arrangement, for the purposes of developing or enhancing particular projects, is recognized as revenue when all conditions related thereto have been satisfied.

Contributions that are externally restricted for the purpose of depreciable capital asset acquisitions or construction are deferred when initially recorded in the accounts and are amortized to revenue over the estimated useful life of the respective capital assets on a straight-line basis.

Contributions that are externally restricted solely for the purpose of non-depreciable capital asset acquisitions including conservation lands are recorded directly to net assets.

**2. Significant accounting policies (cont'd):**

Grassroots fundraising revenue is earned through fundraising dinners organized primarily by volunteer committees, the sale of framed art prints and other merchandise sales. Revenue from fundraising dinners is recognized when the event occurs, the amount expected to be received from the volunteer committees can be reasonably estimated and collection is reasonably assured. Revenue from the sale of framed art prints and other merchandise is recognized when merchandise is picked up or shipped to the customer, collection is reasonably assured and the value of the sale is known.

Program revenue includes amounts earned through land leases and haying and grazing agreements as well as conservation restoration and related services contracts. DUC recognizes revenue from land lease and haying and grazing agreements over the period to which the agreement relates when collection is reasonably assured and the amount of revenue is measurable. Conservation restoration and related services revenue is recognized based on the percentage of work completed towards fulfilling the contractual obligations under the agreement, when the value of the revenue is measurable and collection is reasonably assured.

Investment income includes dividend and interest income, income distributions from pooled funds, and realized and unrealized gains and losses, and is recorded net of transaction costs, which are expensed as incurred. Investment income earned is recognized as revenue on the statement of revenue and expenses and changes in unrestricted net assets.

(b) Conservation program expenditures:

The ongoing conservation activities of DUC focus on the continual preservation and maintenance of wetlands and associated waterfowl habitats in Canada, through restoration and maintenance of such areas, and through public education and research. Waterfowl habitat enhancement and restoration costs are treated as an expense in the year the expenditures are incurred, and consist of project development, construction and maintenance of the habitat areas through conservation easements, leases and rights of way.

Conservation easements are legal agreements entered into by DUC under which a landowner agrees to restrict or limit the type and amount of development that may take place on his or her land to conserve its natural habitat. Once registered on title, that agreement runs with the title and binds all future owners. Conservation easements are not capitalized.

**2. Significant accounting policies (cont'd):**

(c) Cash and cash equivalents:

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

(d) Project materials:

Project materials are valued at the lower of cost and replacement cost, with cost determined at average cost.

(e) Inventories:

Inventories to be distributed at no charge or for a nominal charge are recorded at the lower of cost and current replacement cost. Other inventories, which are held for resale, are valued at the lower of cost and net realizable value. Cost includes purchase, conversion, and other costs incurred in bringing the inventories to their present location and condition. The costs are assigned using an average cost formula.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(f) Land held for resale:

Land held for resale is recorded at the lower of cost and estimated amount recoverable from its sale. The land is sold once the conservation easement is in place, and the funds are used to reinvest in other lands within DUC priority areas.

(g) Property, plant and equipment:

Purchased property, plant and equipment are recorded at cost. Contributed property, plant and equipment are recorded at appraised values at the date of contribution.

Property, plant and equipment are amortized on a straight-line basis over their estimated useful lives. Any gain or loss on disposal of these assets is recorded in the statement of revenue and expenses and changes in unrestricted net assets in the year of disposal.

**2. Significant accounting policies (cont'd):**

The estimated useful lives of property, plant and equipment are as follows:

| Assets | Years |
|---|---|
| Buildings | 20-40 |
| Exhibits | 4-10 |
| Vehicles | 4 |
| Equipment | 3-10 |

(h) Conservation lands:

Conservation lands secured through land purchases are recorded at cost when title is transferred. Contributed conservation lands are recorded at fair market value when title is transferred with an equal amount recorded directly to net assets.

(i) Leases:

Leases are classified as either capital or operating leases. At the time DUC enters into a capital lease, an asset is recorded together with its related long-term obligation to reflect the acquisition and financing. Rental payments under operating leases are expensed as incurred.

(j) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments, equity instruments that are quoted in an active market and pooled funds are subsequently measured at fair value. All other financial instruments are subsequently measured at cost or amortized cost, unless management has elected to carry the instruments at fair value. DUC has elected to carry all investments at fair value.

DUC purchases foreign currency forward contracts in United States (U.S.) dollars to hedge against foreign currency exchange exposure relating to revenue from the U.S. and expenditures denominated in U.S. dollars, which arise in the normal course of business, and to hedge against foreign currency exchange exposure relating to U.S. dollar funds held. DUC does not engage in the trading of these derivative financial instruments for speculative purposes. DUC does not formally designate these contracts as part of a hedging relationship, and as a result, these contracts are recorded at fair value. Unrealized gains and losses on foreign exchange contracts are recognized at each reporting period along with a corresponding amount recognized on the statement of financial position.

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. These costs are amortized using the straight-line method.

**2. Significant accounting policies (cont'd):**

(k) Employee future benefits:

DUC sponsors a defined benefit pension plan covering qualifying part-time and full-time employees. The benefits are based on years of service and final average salary. DUC also provides four other post-employment benefit plans, which primarily include health care benefits.

DUC uses the immediate recognition approach to account for its defined benefit plans. Under this approach, DUC recognizes the amount of the accrued benefit obligation, net of the fair market value of plan assets (for funded plans) measured as at the date of the statement of financial position, adjusted for any valuation allowance, in the statement of financial position.

Current service and finance costs are included in the cost of the plans for the year and recorded in the statement of revenue and expenses and changes in unrestricted net assets in the year they are incurred. Remeasurement gains and losses and other items, which include actuarial gains and losses, past service costs and gains and losses arising from settlements and curtailments, are recognized directly in net assets in the statement of changes in net assets.

DUC accrues its obligations under the defined benefit plans as the employees render the services necessary to earn the pension and other retirement benefits. The accrued liability for the pension plans is determined based on an actuarial valuation report prepared for funding purposes. This funding rate is also used by DUC to determine its accrued liability for its other unfunded post-employment benefit plans. The measurement date of the plan assets and accrued benefit obligation for the pension plan coincides with DUC's fiscal year. The pension plan's assets are measured at fair value as at the date of the statement of financial position.

DUC's unfunded post-employment benefit plans consist of a post-retirement non-pension benefit plan (PBOP), a supplemental executive retirement plan (SERP), a lump-sum benefit plan (LSBP) and a retirement income agreement (RIA). The PBOP, SERP, LSBP and RIA represent unfunded obligations.

Actuarial valuations are performed at least every three years for the defined benefit plans. In years where an actuarial valuation is not prepared, DUC uses a roll-forward technique to estimate the accrued liability using assumptions for the most recent actuarial valuation report.

**2. Significant accounting policies (cont'd):**

(l) Foreign currency translation:

Monetary items denominated in a foreign currency and non-monetary items, carried at market, are adjusted as at the statement of financial position date to reflect the exchange rate in effect at that date. Non-monetary assets and liabilities and revenue and expenses are translated at the exchange rate prevailing on the transaction date. Exchange gains and losses are included in the determination of excess of revenue over expenses for the period.

(m) Allocation of expenses:

Information technology expenses are allocated between conservation program, fundraising and administration expenses based on the number of people employed within those functions.

(n) Donated goods and services:

Donated project materials and supplies are recorded at their fair value, as revenue and expenses, at the date of contribution when fair value can be reasonably estimated and when the materials and supplies are used in the normal course of operations and would otherwise have been purchased.

A large number of volunteers donate significant amounts of their time for various DUC activities. No amount has been reflected in these financial statements for donated services as an objective basis is not available to measure the fair value of such services.

(o) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of contributions receivable, property, plant and equipment, percentage of completion amounts related to conservation restoration services, inventories and obligations related to employee future benefits. Actual results could differ from those estimates.

### 3. Related party transactions:

DUC, Ducks Unlimited, Inc. and Ducks Unlimited de Mexico share a common continental conservation vision.

In addition, certain Board of Directors members from Ducks Unlimited, Inc. and Ducks Unlimited de Mexico are Board of Directors members for DUC. For financial reporting purposes, Ducks Unlimited, Inc., and DUC are considered related parties. Related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Related party balances are non-interest bearing and change frequently based on daily operating activities. Details of the related party transactions and balances are disclosed throughout the financial statements.

Ducks Unlimited, Inc. has an economic interest in DUC based on the financial support by way of various grants provided to assist DUC's implementation of their common vision. In addition to supporting its own operations, DUC shares certain information technology services for operations, fundraising and administration with Ducks Unlimited, Inc. for which DUC does not invoice.

### 4. Inventories:

During the year, inventories, including purchases during the year, of $3,439,000 (2016 - $4,481,000) were recognized as fundraising expenses. The write-down to reflect inventories at the lower of cost and net realizable value was $41,000 (2016 - $96,000).

### 5. Investments:

DUC's investments are invested as follows:

As at March 31 (in thousands)

| | 2017 | 2016 |
|---|---|---|
| Cash | $ 4,948 | $ 5,284 |
| Fixed income - Canadian | 39,931 | 32,059 |
| Equity investments - Canadian | 41,793 | 35,707 |
| Equity investments – U.S. | 41,732 | 37,562 |
| Equity investments - Other foreign | 24,581 | 23,494 |
| Pooled investment funds | 27 | 17 |
| | $ 153,012 | $ 134,123 |

A portion of DUC's fixed income investments are pledged as collateral for the CIBC credit facility (note 9).

## 6. Property, plant and equipment:

As at March 31, 2017 (in thousands)

| | Cost | Accumulated amortization | Net book value |
|---|---|---|---|
| Buildings | $ 15,030 | $ (8,423) | $ 6,607 |
| Exhibits | 1,018 | (1,017) | 1 |
| Vehicles | 2,018 | (1,661) | 357 |
| Equipment | 7,895 | (6,977) | 918 |
| | $ 25,961 | $ (18,078) | $ 7,883 |

As at March 31, 2016 (in thousands)

| | Cost | Accumulated amortization | Net book value |
|---|---|---|---|
| Buildings | $ 15,167 | $ (8,184) | $ 6,983 |
| Exhibits | 1,152 | (1,149) | 3 |
| Vehicles | 1,986 | (1,478) | 508 |
| Equipment | 8,126 | (7,109) | 1,017 |
| | $ 26,431 | $ (17,920) | $ 8,511 |

## 7. Land held for resale:

Land held for resale is inventory, and represents designated land held in order to obtain a conservation easement to preserve wetlands. Revenue from Government grants includes specific funding to cover losses incurred on disposals of land held for resale.

The continuity of land held for resale is as follows:

As at March 31 (in thousands)

| | 2017 | 2016 |
|---|---|---|
| Balance, beginning of year | $ 19,773 | $ 13,903 |
| Purchases | 11,268 | 9,524 |
| Donated land (note 13) | 225 | - |
| Transferred to conservation lands (note 8) | (40) | - |
| Proceeds from land sold | (6,634) | (3,062) |
| Loss on disposal of land sold | (2,202) | (592) |
| Balance, end of year | $ 22,390 | $ 19,773 |

## 8. Conservation lands:

DUC retains fee simple title or joint title to conservation lands acquired, either purchased or donated, as part of DUC’s investment in conservation habitat. In addition to conservation lands to which it holds title, DUC also holds conservation agreements such as conservation easements which are not recorded as an asset. Conservation agreement costs are expensed as incurred.

## 8. Conservation lands (cont'd):

The continuity of conservation lands is as follows:

As at March 31 (in thousands)

| | 2017 | 2016 |
|---|---|---|
| Balance, beginning of year | $ 162,136 | $ 158,244 |
| Purchases | 5,316 | 4,285 |
| Donated land (note 13) | 558 | 131 |
| Transferred from land held for resale (note 7) | 40 | - |
| Proceeds from land sold | (391) | (1,224) |
| Gain (loss) on disposal of land sold | (305) | 700 |
| Balance, end of year (note 13) | $ 167,354 | $ 162,136 |

DUC has agreements with several partners that have provided funding to purchase conservation land. Under the terms of certain agreements, DUC is responsible for monitoring the use of the land acquired in accordance with the agreements and, in certain cases, objectives of the North American Waterfowl Management Plan (NAWMP). Should the land be sold or cease to be used for the purposes specified, DUC may be required to reimburse certain partners for their proportionate share of the proceeds from the sale of such land at that time. As at March 31, 2017, management believes that all such lands were being used for the purposes specified.

## 9. Revolving loans:

Revolving loans are used to fund land acquired to obtain conservation easements to preserve wetlands. The land is sold once the conservation easement is in place. Interest on revolving loans is classified as a conservation program expense.

As at March 31, outstanding balances on revolving loans were as follows (in thousands):

| | 2017 | 2016 |
|---|---|---|
| ATB | $ 4,999 | $ 4,997 |
| CIBC | 15,139 | 11,502 |
| | $ 20,138 | $ 16,499 |

Amounts drawn on the Alberta Treasury Branch Financial (ATB) loan are secured by specific land and bear interest at 1.34%. The loan is drawn upon via individual loans up to a maximum of $5 million, which are due on demand and require monthly interest-only payments with a bullet payment due no later than four years from the initial advance. Current due dates range from February 2018 to March 2021.

In conjunction with the ATB loan, DUC signed a donation agreement with ATB for up to a maximum $100,000 gift each year, until December 2023, to offset interest costs on the loans. Based on the interest rates in effect at March 31, 2017, the annual interest costs would be $67,000 had the full $5 million available under the facility been drawn on that date.

**9. Revolving loans (cont'd):**

Amounts drawn on the Canadian Imperial Bank of Commerce (CIBC) credit facility are secured by a pledge of investments with a fair value of $15.5 million (note 5). The credit facility bears interest at CIBC's prime rate minus 0.50% (March 31, 2017 - 2.20%) and is due on demand. During the year, the maximum amount available under the credit facility was $30 million.

**10. Deferred contributions:**

(a) Deferred contributions consist of the following:

| For the year ended March 31 (in thousands) | 2017 | 2016 *(restated)* |
|---|---|---|
| Deferred contributions related to operations | $ 23,852 | $ 20,224 |
| Deferred contributions related to property, plant and equipment | 2,487 | 2,645 |
| | $ 26,339 | $ 22,869 |

(b) The changes in the deferred contributions balances for the year are as follows:

(i) Deferred contributions related to operations:

| For the year ended March 31 (in thousands) | 2017 | 2016 *(restated)* |
|---|---|---|
| Balance, beginning of year | $ 20,224 | $ 18,205 |
| Add: contributions received recorded as deferred contributions | 38,052 | 27,343 |
| Less: contributions recognized as revenue during the year | (34,424) | (25,324) |
| Balance, end of year | $ 23,852 | $ 20,224 |

(ii) Deferred contributions related to property, plant and equipment:

Deferred contributions related to property, plant and equipment represent contributed assets and externally restricted contributions for the purchase or construction of property, plant and equipment.

| For the year ended March 31 (in thousands) | 2017 | 2016 |
|---|---|---|
| Balance, beginning of year | $ 2,645 | $ 2,806 |
| Less: amounts amortized to revenue in the year | (158) | (161) |
| Balance, end of year | $ 2,487 | $ 2,645 |

## 11. Pension and other post-employment benefits and restatement:

DUC sponsors defined benefit plans providing pension and other post-employment benefits to its employees.

Actuarial valuations are required to be performed at least every three years for the defined benefit pension plan. The unfunded status of the plan creates an additional requirement to have annual actuarial valuations performed. The last actuarial valuation was performed as at December 31, 2016. The next required actuarial valuation for the pension benefit plan will be as of December 31, 2017. The measurement date used for the benefit obligation and plan assets is March 31 of each year.

Information about DUC's defined benefit plan as at March 31, in aggregate, is as follows:

(in thousands)

| | Pension benefit plans | | Other benefit plan | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| Benefit obligation, end of year | $ (55,622) | $ (48,374) | $ (13,568) | $ (13,497) |
| Plan assets fair value, end of year | 52,332 | 44,675 | - | - |
| Funded status - plan deficit | $ (3,290) | $ (3,699) | $ (13,568) | $ (13,497) |

The changes in accrued pension and post-employment benefits obligations are as follows:

As at March 31 (in thousands)

| | 2017 | 2016 *(restated)* |
|---|---|---|
| Balance, beginning of year | $ 17,196 | $ 14,954 |
| Current service cost | 1,947 | 1,843 |
| Interest cost on accrued benefit | 899 | 756 |
| Remeasurement and other items | 538 | 3,925 |
| Employer contributions | (3,722) | (4,282) |
| Balance, end of year | $ 16,858 | $ 17,196 |

In prior periods DUC charged expected return on plan assets related to the defined benefit pension plan directly to net assets rather than the offsetting interest costs in the statement of revenue and expenses and changes in unrestricted net assets. Accounting standards for not-for-profit organizations require that only remeasurements and other items be recognized directly in net assets. All other defined benefit costs should be expensed in the statement revenue and expenses and changes in unrestricted net assets. As a result, an adjustment has been recorded to correct this difference, and the prior year financial statements have been restated accordingly.

## 11. Pension and other post-employment benefits and restatement (cont'd):

The following summarizes the effect of the correction of this error on each financial statement line affected:

Statement of Revenue and Expenses and Changes in Unrestricted Net Assets for the year ended March 31, 2016 (in thousands)

| | | 2016 |
|---|---|---|
| Increase in: | | |
| Administration expenses | $ | 359 |
| Conservation expenses | | 1,655 |
| Fundraising expenses | | 412 |
| Excess of revenue over expenses for the year decreased | $ | (2,426) |
| Increase in internally restricted net assets | | 2,426 |

Statement of Changes in Net Assets for the year ended March 31, 2016 (in thousands)

| | | 2016 |
|---|---|---|
| Increase (decrease) in: | | |
| Pension remeasurement and other items | $ | (2,426) |
| Internally imposed restrictions | | 2,426 |

## 12. Internally restricted net assets:

(a) Internally restricted net assets consist of the following:

As at March 31 (in thousands)

| | | 2017 | | 2016 |
|---|---|---|---|---|
| Future habitat management | $ | 124,914 | $ | 111,713 |
| Future development | | 13,601 | | 8,554 |
| Provincial operating reserve | | 7,101 | | 5,631 |
| Land lease commitments | | 3,017 | | 1,257 |
| Unfunded pension and other post-employment benefits obligations (note 11) | | (16,858) | | (17,196) |
| | $ | 131,775 | $ | 109,959 |

Net assets invested in future habitat management are used to fund habitat management costs on conservation lands owned by DUC; net assets invested in future development are used at the Board of Directors' discretion to fund future conservation activities; net assets invested in provincial operating reserve are used for future provincial conservation activities; and net assets invested in land lease commitments represent amounts internally restricted to fund lease payments on long-term land conservation agreements. The unfunded pension and other post-employment benefits obligation represents the accrued pension and post-employment benefits obligations.

The Board of Directors determines the amount, if any, to be transferred between unrestricted and internally restricted net assets for future conservation activities.

**12. Internally restricted net assets (cont'd):**

(b) Transfers of internally restricted net assets to (from) unrestricted net assets available for conservation activity are as follows:

For the year ended March 31 (in thousands)

| | | 2017 | | 2016 |
|---|---|---|---|---|
| Future habitat management | $ | (13,201) | $ | 14,849 |
| Future development | | (5,047) | | (1,134) |
| Provincial operating reserve | | (1,470) | | (3,286) |
| Land lease commitments | | (1,760) | | (785) |
| Unfunded pension and other post-employment benefits obligations | | (876) | | (1,683) |
| | $ | (22,354) | $ | 7,961 |

**13. Invested in land held for resale, property, plant and equipment and conservation lands:**

Invested in land held for resale, property, plant and equipment and conservation lands represents the net book value of acquisitions that have been internally funded as follows:

As at March 31 (in thousands)

| | | 2017 | | 2016 |
|---|---|---|---|---|
| Invested in conservation lands (note 8) | $ | 167,354 | $ | 162,136 |
| Invested in property, plant and equipment (note 6) | | 5,396 | | 5,866 |
| Invested in land held for resale (note 7) | | 481 | | 2,486 |
| | $ | 173,231 | $ | 170,488 |

The increase in net assets invested in land held for resale, property, plant and equipment and conservation lands was $2,743,000 (2016 - $970,000), of which $1,960,000 (2016 - $839,000) was funded by unrestricted net assets and $783,000 (2016 - $131,000) was contributed as donated land (notes 7 and 8).

**14. Transfers from (to) unrestricted net assets:**

Unrestricted net assets are used to fund DUC's activities and make investments in land held for resale, conservation lands and property, plant and equipment. Unrestricted net assets may also be internally restricted by the Board of Directors.

## 14. Transfers from (to) unrestricted net assets (cont'd):

Amounts transferred from (to) unrestricted net assets were as follows:

| As at March 31 (in thousands) | | 2017 | | 2016 |
|---|---|---|---|---|
| Internally imposed restrictions (note 12(b)) | $ | 22,354 | $ | (7,961) |
| Invested in land held for resale, property, plant and equipment and conservation lands (note 13) | | 1,960 | | 839 |
| | $ | 24,314 | $ | (7,122) |

## 15. Commitments:

(a) Lease agreement commitments:

DUC has entered into operating lease agreements with varying terms to 2022 covering certain office premises, equipment and vehicles. DUC has also entered into land lease agreements with varying terms to 2045.

The future minimum lease payments in each of the next five years and in aggregate to expiry are approximately as follows:

| For the year ending March 31 (in thousands) | | Office, equipment and vehicle leases | | Land lease agreements | | Total |
|---|---|---|---|---|---|---|
| 2018 | $ | 1,711 | $ | 561 | $ | 2,272 |
| 2019 | | 1,036 | | 291 | | 1,327 |
| 2020 | | 741 | | 286 | | 1,027 |
| 2021 | | 446 | | 271 | | 717 |
| 2022 | | 190 | | 267 | | 457 |
| 2023 to expiry | | - | | 1,870 | | 1,870 |
| | $ | 4,124 | $ | 3,546 | $ | 7,670 |

(b) Contractual obligations:

DUC has undertaken an IT renovation project to enhance the effectiveness and efficiency of its financial and operating systems software. Phase one of the project was completed at the end of FY17, and additional implementation is planned over the next three years, with the remainder of the project expected to cost $6 million. The Board has approved investing up to $2.3 million for phase two of the project. DUC has currently entered into licensing and maintenance contracts as part of phase one, and intends to enter into contracts for software implementation services for the residual phases subject to Board approval.

## 16. Other information:

Other information not otherwise disclosed in these financial statements is as follows:

For the year ended March 31 (in thousands)

| | 2017 | 2016 |
|---|---|---|
| Interest expense on current liabilities included within conservation program expenses | $ (347) | $ (276) |
| Interest expense on long-term liabilities included within administration expenses | - | (157) |
| Foreign exchange gains (losses) included within administration expenses | 63 | 98 |

## 17. Philanthropic fundraising revenue:

For the year ended March 31 (in thousands)

| | 2017 | 2016 *(restated)* |
|---|---|---|
| Unrestricted development | $ 1,237 | $ 723 |
| Restricted development | 7,964 | 6,152 |
| Annual direct response | 1,072 | 1,019 |
| | $ 10,273 | $ 7,894 |

## 18. Non-government partnership revenue:

For the year ended March 31 (in thousands)

| | 2017 | 2016 |
|---|---|---|
| Ducks Unlimited, Inc. | $ 3,029 | $ 3,389 |
| Other non-government organizations | 2,997 | 2,895 |
| | $ 6,026 | $ 6,284 |

## 19. Government grants:

For the year ended March 31 (in thousands)

| | 2017 | 2016 |
|---|---|---|
| USFWS | $ 31,178 | $ 24,591 |
| U.S. state | 4,316 | 3,304 |
| Canadian federal | 6,561 | 7,632 |
| Canadian provincial | 7,440 | 6,358 |
| Canadian municipal | 71 | 100 |
| | $ 49,566 | $ 41,985 |

## 19. Government grants (cont'd):

The United States Fish and Wildlife Services (USFWS), the National Fish and Wildlife Foundation (NFWF) and various American federal agencies have provided funds to DUC to be expended on certain NAWMP projects.

USFWS reserves the right to review the books and records of DUC to ensure expenditures have been made for the purposes intended and within the specified time period from the date of funding. DUC is able, within one year, to either reallocate or return funds related to any expenditure that does not meet USFWS approval. DUC has never been required to return funds as a result of these monitoring visits.

## 20. Change in non-cash assets and liabilities:

The change in non-cash current assets and current liabilities related to operations consists of the following:

For the year ended March 31 (in thousands)

| | | 2017 | | 2016 *(restated)* |
|---|---|---|---|---|
| Change in non-cash assets and liabilities: | | | | |
| Decrease (increase) in: | | | | |
| Accounts receivable | $ | (6,595) | $ | (1,767) |
| Receivable from Ducks Unlimited, Inc. | | 1,287 | | (2,363) |
| Inventories | | (645) | | 1,325 |
| Project materials and prepaid expenses | | 110 | | (66) |
| Increase (decrease) in: | | | | |
| Accounts payable and accrued liabilities | | 4,563 | | (1,695) |
| Unearned revenue | | 2,661 | | 2,634 |
| Deferred contributions | | 3,628 | | 4,699 |
| | $ | 5,009 | $ | 2,767 |

## 21. Risk management:

Financial risks:

(i) Currency risk:

DUC is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, DUC receives funding, holds investments, issues invoices and purchases inventories denominated in U.S. dollars (USD). There has been no change to the risk exposure from 2016. DUC uses forward exchange contracts to help manage its exposure to unfavourable movements in USD.

## 21. Risk management (cont'd):

DUC had the following derivative contracts for USD outstanding as at March 31, 2017:

| | | | In thousands of Canadian dollars | | |
|---|---|---|---|---|---|
| | | Notional amount | Contract amount | Fair value | Unrealized gain (loss) |
| Purchase Option June 2017 | USD | 4,000,000 | $5,200 | 5,225 | 25 |
| Sell Option June 2017 | USD | 4,000,000 | $5,630 | 5,609 | (21) |
| Sell Forward April 2017 | USD | 491,000 | $654 | 653 | 1 |

DUC had the following derivative contracts for USD outstanding as at March 31, 2016:

| | | | In thousands of Canadian dollars | | |
|---|---|---|---|---|---|
| | | Notional amount | Contract amount | Fair value | Unrealized loss |
| Sell Forward April 2016 | USD | 1,286,000 | $1,666 | 1,670 | (4) |

(ii) Liquidity risk:

Liquidity risk is the risk that DUC will be unable to fulfill its obligations on a timely basis or at a reasonable cost. DUC manages its liquidity risk by monitoring its operating requirements. DUC prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from 2016.

In addition to credit facilities disclosed elsewhere in these financial statements, DUC has established arrangements for a revolving demand facility to a maximum of $3,000,000 (2016 - $3,000,000) with interest at prime, repayable on demand and secured by a general security agreement. The revolving demand facility was not drawn upon as at March 31, 2017 and 2016.

(iii) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations, resulting in a financial loss. DUC deals with creditworthy counterparties to mitigate the risk of financial loss from defaults.

Credit risk on bonds is minimized as DUC invests primarily in government bonds, government-guaranteed bonds, investment grade corporate bonds and bond funds. The credit risk related to DUC's accounts receivable and contributions receivable is mitigated as the majority is owed by government agencies, corporations and individuals who have historically supported the activities of DUC. There is no significant concentration of accounts receivable and contributions receivable.

**21. Risk management (cont'd):**

(iv) Interest rate risk:

DUC is exposed to interest rate risk through its revolving loan facilities with ATB and CIBC as described in note 9. The interest rate exposure with the ATB facility is mitigated by a donation made by ATB to DUC to offset the interest costs incurred on the loan up to $100,000 annually until 2018.

DUC's fixed income investments are exposed to the risk that the value of interest-bearing investments will fluctuate due to changes in the level of market interest rates. To properly manage DUC's interest rate risk, appropriate guidelines on the weighting and duration for bonds and other fixed income investments are set and monitored.

(v) Price risk:

DUC's investments in equities are sensitive to market fluctuations. To properly manage DUC's other price risk, appropriate guidelines on asset diversification to address specific security, geographic, sector and investment manager risks are set and monitored.

**22. Allocated expenses:**

Information technology expenses have been allocated as follows:

For the year ended March 31 (in thousands)

| | 2017 | 2016 |
|---|---|---|
| Conservation program | $ 2,072 | $ 1,806 |
| Fundraising | 320 | 320 |
| Administration | 183 | 160 |
| | $ 2,575 | $ 2,286 |

**23. Change in accounting policy:**

Effective April 1, 2016, DUC changed its accounting policy to account for philanthropic fundraising revenue on a cash basis. In previous periods, DUC accounted for philanthropic fundraising revenue and contributions receivable on an accrual basis. The benefits of the change in accounting policy include aligning with existing and future accounting standards, cleaner and more transparent internal and external financial statements, and transparency with donors. The change in accounting policy has been applied retrospectively with restatement of prior period financial statements. The effects of the accounting policy change are included in the following table:

## 23. Change in accounting policy (cont'd):

Statement of Financial Position as at March 31, 2016 (in thousands)

| | | 2016 |
|---|---|---|
| Decrease in: | | |
| Current portion of contributions receivable | $ | (4,396) |
| Contributions receivable | | (7,703) |
| Unearned revenue | | (413) |
| Current portion of deferred contributions | | (2,460) |
| Deferred contributions | | (7,681) |

Statement of Revenue and Expenses and Changes in Unrestricted Net Assets for the year ended March 31, 2016 (in thousands)

| | | 2016 |
|---|---|---|
| Decrease in: | | |
| Philanthropic fundraising revenue | $ | (227) |
| Fundraising expense | | (61) |
| Excess of revenue over expenses for the year | | (166) |
| Unrestricted net assets, opening balance | | (1,399) |
| Unrestricted net assets, closing balance | | (1,565) |

## 24. Comparative financial information:

Certain comparative financial information has been reclassified to conform to the presentation adopted in the current year.