Financial Statements of
[expressed in Canadian dollars]

DUCKS UNLIMITED CANADA

March 31, 2019

Independent auditor's report

To the Directors of Ducks Unlimited Canada

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Ducks Unlimited Canada (the Entity) as at March 31, 2019 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.

What we have audited
The Entity's financial statements comprise:

- the statement of financial position as at March 31, 2019;
- the statement of revenue and expenses and changes in unrestricted net assets;
- the statement of changes in net assets for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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

Independence
We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Comparative information

The financial statements of the Entity for the year ended March 31, 2018 were audited by another auditor who expressed an unmodified opinion on those statements on July 24, 2018.

PricewaterhouseCoopers LLP
One Lombard Place, Suite 2300, Winnipeg, Manitoba, Canada R3B 0X6
T: +1 204 926 2400, F: +1 204 944 1020

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

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

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Winnipeg, Manitoba
June 17, 2019

DUCKS UNLIMITED CANADA

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

As at March 31

	2019	2018 *(restated - note 22)*
Assets		
Current assets:		
Cash and cash equivalents	$ 18,034	$ 25,031
Accounts receivable	18,402	16,487
Receivable from Ducks Unlimited, Inc. (note 3)	4,727	6,612
Inventories (note 4)	706	2,360
Project materials and prepaid expenses	986	970
Short-term investments (note 5)	19,010	9,229
	61,865	60,689
Investments (note 5)	179,799	173,584
Property, plant and equipment, net of accumulated amortization (note 6)	7,205	7,309
Land held for resale (note 7)	20,779	22,106
Conservation lands (note 8)	178,127	174,343
	$ 447,775	$ 438,031
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (notes 15 and 16)	33,062	9,106
Derivative liability (note 20)	998	683
Revolving loans (note 9)	19,252	21,739
Current portion of unearned revenue	6,084	18,040
Current portion of deferred contributions (note 10)	12,068	17,519
	71,464	67,087
Unearned revenue	17,849	19,465
Deferred contributions (note 10)	2,189	2,336
Accrued pension and post-employment benefits obligations (note 11)	13,007	18,619
	104,509	107,507
Commitments (note 15)		
Net assets to support conservation activities:		
Internally restricted (note 12)	149,129	140,201
Invested in land held for resale, property, plant and equipment and conservation lands (note 13)	183,654	178,012
Unrestricted	10,483	12,311
	343,266	330,524
	$ 447,775	$ 438,031

See accompanying notes to financial statements.

On behalf of the Board:

David Blom
President

Patrick O’Connor
Treasurer

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DUCKS UNLIMITED CANADA

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

Year ended March 31

	2019	2018 *(restated - note 22)*
Revenue:		
Philanthropic fundraising (note 17)	$ 9,231	$ 9,788
Grassroots fundraising	7,491	9,152
Grant revenue (notes 7 and 18)	50,451	59,838
Program and other (note 16)	14,922	13,478
Investment income	13,421	7,382
	95,516	99,638
Expenses (note 21):		
Conservation program (notes 9 and 16)	67,454	64,451
Fundraising (note 4)	12,931	13,228
Administration	6,299	5,914
	86,684	83,593
Excess of revenue over expenses for the year	8,832	16,045
Transfers from unrestricted net assets (note 14)	(10,660)	(15,991)
Change in unrestricted net assets	(1,828)	54
Opening balance, unrestricted net assets	12,311	12,257
Closing balance, unrestricted net assets	$ 10,483	$ 12,311

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, 2017 *(restated – note 22)*	$ 131,775	$ 173,231	$ 12,257	$ 317,263
Excess of revenue over expenses for the year	-	-	16,045	16,045
Pension remeasurement and other items (note 11)	(3,641)	-	-	(3,641)
Internally imposed restrictions (note 12(b))	12,067	-	(12,067)	-
Invested in land held for resale, property, plant and equipment and conservation lands (note 13)	-	3,924	(3,924)	-
Donated land (notes 7, 8 and 13)	-	857	-	857
Balance, March 31, 2018 *(restated – note 22)*	$ 140,201	$ 178,012	$ 12,311	$ 330,524
Excess of revenue over expenses for the year	-	-	8,832	8,832
Pension remeasurement and other items (note 11)	3,337	-	-	3,337
Internally imposed restrictions (note 12(b))	5,591	-	(5,591)	-
Invested in land held for resale, property, plant and equipment and conservation lands (note 13)	-	5,069	(5,069)	-
Donated land (notes 7, 8 and 13)	-	573	-	573
Balance, March 31, 2019	$ 149,129	$ 183,654	$ 10,483	$ 343,266

See accompanying notes to financial statements.

DUCKS UNLIMITED CANADA

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

Year ended March 31

	2019	2018 *(restated - note 22)*
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses for the year	$ 8,832	$ 16,045
Adjustments for items not affecting cash:		
Depreciation and amortization	961	1,021
Amortization of deferred contributions related to property, plant and equipment	(147)	(151)
Gain on disposal of property, plant and equipment	(27)	(23)
(Gain) loss on disposal on conservation lands	(389)	16
Loss on disposal of land held for resale	1,844	2,357
Non-cash pension and post-employment benefit expense	2,279	2,212
Unrealized gains on investments	(13,164)	(7,112)
Unrealized loss on derivative financial instruments	315	688
Employer contributions to pension	(4,554)	(4,092)
Net change in non-cash working capital (note 19)	6,541	15,598
	2,491	26,559
Investing activities:		
Contributions to investments	(8,000)	(34,369)
Proceeds from disposal of investments	5,168	10,949
Purchase of conservation lands	(3,212)	(6,168)
Proceeds from disposal of conservation lands	390	20
Purchase of land held for resale	(6,714)	(8,179)
Proceeds from disposal of land held for resale	6,197	6,106
Purchase of property, plant and equipment	(865)	(456)
Proceeds from sale of property, plant and equipment	35	32
	(7,001)	(32,065)
Financing activities:		
Proceeds from revolving loans	$ 13,128	13,532
Repayment of revolving loans	(15,615)	(11,931)
	$ (2,487)	1,601
Net decrease in cash and cash equivalents during the year	(6,997)	(3,905)
Cash and cash equivalents, beginning of year	25,031	28,936
Cash and cash equivalents, end of year	$ 18,034	25,031

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.

Contributions received with external restrictions are deferred until the related obligations are met. Unrestricted contributions are recorded as revenue when received.

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 events organized primarily by volunteer committees, the sale of framed art prints and other merchandise sales. Revenue from fundraising events is recognized when received from the volunteer committee. 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 equity, 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 expenses:

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 costs 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, which approximates fair value, 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 and pooled funds that are quoted in an active market 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 ("USD") 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's current policy is to hedge up to 80% of the USD currency exchange exposure of the subsequent year. 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.

2. Significant accounting policies (cont'd):

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.

(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 property, plant and equipment, percentage of completion amounts related to conservation restoration services 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.

4. Inventories:

During the year, inventories, including purchases during the year, of $2,414,000 (2018 - $2,787,000) were recognized as fundraising expenses. The write-down to reflect inventories at the lower of cost and net realizable value was $1,338,000 (2018 - $80,000) and was recognized in fundraising expenses.

5. Investments:

DUC's investments consist of the following:

As at March 31 (in thousands)

	2019	2018
Cash	$ 4,402	$ 4,573
Fixed income – Canadian	86,313	68,261
Equity investments - Canadian	37,037	42,396
Equity investments - U.S.	44,575	45,287
Equity investments – Other	26,467	22,276
Life insurance policy	15	20
Total Investments	$ 198,809	$ 182,813
Less: Short term investments	(19,010)	(9,229)
Investments	$ 179,799	$ 173,584

Current portion of Fixed Income - Canadian represents guaranteed investment certificates with a maturity date within the next twelve months from the respective balance sheet date. 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, 2019 (in thousands)

		Cost		Accumulated amortization		Net book value
Buildings	$	15,053	$	(9,157)	$	5,896
Exhibits		1,018		(1,018)		-
Vehicles		2,056		(1,904)		152
Equipment		8,593		(7,436)		1,157
	$	26,720	$	(19,515)	$	7,205

As at March 31, 2018 (in thousands)

		Cost		Accumulated amortization		Net book value
Buildings	$	15,041	$	(8,795)	$	6,246
Exhibits		1,018		(1,018)		-
Vehicles		2,093		(1,857)		236
Equipment		8,131		(7,304)		827
	$	26,283	$	(18,974)	$	7,309

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 grants includes specific funding of $2,646,000 (2018 - $2,470,000) 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)

		2019		2018
Balance, beginning of year	$	22,106	$	22,390
Purchases		6,714		8,179
Proceeds from land sold		(6,197)		(6,106)
Loss on disposal of land sold		(1,844)		(2,357)
Balance, end of year	$	20,779	$	22,106

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)

	2019	2018
Balance, beginning of year	$ 174,343	$ 167,354
Purchases	3,212	6,168
Donated land (note 13)	573	857
Proceeds from land sold	(390)	(20)
Gain (loss) on disposal of land sold	389	(16)
Balance, end of year (note 13)	$ 178,127	$ 174,343

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, 2019, 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.

Outstanding balances on revolving loans were as follows:

As at March 31 (in thousands)

	2019	2018
ATB	$ 4,910	$ 4,999
CIBC	14,342	16,740
	$ 19,252	$ 21,739

Amounts drawn on the Alberta Treasury Branch Financial ("ATB") loan are secured by specific land and bear interest at 2.59% (2018 – 2.09%). 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 March 2020 to March 2023.

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, 2019, the annual interest costs would be $129,500 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 $22.8 million (note 5). The credit facility bears interest at CIBC's prime rate minus 0.50% (March 31, 2019 – 3.45%; March 31, 2018 - 2.95%) 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:

As at March 31 (in thousands)	2019	2018
Deferred contributions related to operations	$ 11,062	$ 16,513
Deferred contributions related to land held for resale	1,006	1,006
Current portion of deferred contributions	$ 12,068	$ 17,519
Deferred contributions related to property, plant and equipment	2,189	2,336
	$ 14,257	$ 19,855

(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)	2019	2018
Balance, beginning of year	$ 16,513	$ 21,427
Add: contributions received recorded as deferred contributions	38,516	40,021
Less: contributions recognized as revenue during the year	(43,967)	(44,935)
Balance, end of year	$ 11,062	$ 16,513

(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, and are presented as long-term on the statement of financial position.

For the year ended March 31 (in thousands)	2019	2018
Balance, beginning of year	$ 2,336	$ 2,487
Less: amounts amortized to revenue in the year	(147)	(151)
Balance, end of year	$ 2,189	$ 2,336

11. Pension and other post-employment benefits:

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, 2018. The next required actuarial valuation for the pension benefit plan will be as at December 31, 2019. The measurement date used for the benefit obligation and plan assets is March 31 of each year.

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

As at March 31 (in thousands)

	Pension benefit plans		Other benefit plan	
	2019	2018	2019	2018
Benefit obligation, end of year	$(68,173)	$(62,072)	$(11,457)	$(14,542)
Plan assets fair value, end of year	66,623	57,995	-	-
Funded status - plan deficit	$ (1,550)	$ (4,077)	$(11,457)	$(14,542)

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

For the year ended March 31 (in thousands)

	2019	2018
Balance, beginning of year	$ 18,619	$ 16,858
Current service cost	1,343	1,360
Interest cost on accrued benefit	936	852
Remeasurement and other items	(3,337)	3,641
Employer contributions	(4,554)	(4,092)
Balance, end of year	$ 13,007	$ 18,619

12. Internally restricted net assets:

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

As at March 31 (in thousands)

	2019	2018
Future habitat management	$ 138,549	$ 130,305
Future development	8,295	12,796
Provincial operating reserve	9,157	10,995
Land lease commitments	6,135	4,724
Unfunded pension and other post-employment benefits obligations (note 11)	(13,007)	(18,619)
	$ 149,129	$ 140,201

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

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.

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

For the year ended March 31 (in thousands)

	2019	2018
Future habitat management	$ (8,244)	$ (5,391)
Future development	4,501	805
Provincial operating reserve	1,838	(3,894)
Land lease commitments	(1,411)	(1,707)
Unfunded pension and other post-employment benefits obligations	(2,275)	(1,880)
	$ (5,591)	$ (12,067)

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)

	2019	2018
Invested in conservation lands (note 8)	$ 178,127	$ 174,343
Invested in property, plant and equipment (notes 6 and 10(b)(ii))	5,016	4,973
Invested in land held for resale	511	(1,304)
	$ 183,654	$ 178,012

The increase in net assets invested in land held for resale, property, plant and equipment and conservation lands was $5,642,000 (2018 - $4,781,000), of which $5,069,000 (2018 - $3,924,000) was funded by unrestricted net assets and $573,000 (2018 - $857,000) was contributed as donated land (notes 7 and 8).

14. Transfers from 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.

Amounts transferred from unrestricted net assets were as follows:

For the year ended March 31 (in thousands)

	2019	2018
Internally imposed restrictions (note 12(b))	$ 5,591	$ 12,067
Invested in land held for resale, property, plant and equipment and conservation lands (note 13)	5,069	3,924
	$ 10,660	$ 15,991

15. Commitments:

(a) Lease agreement commitments:

DUC has entered into operating lease agreements with varying terms to 2024 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
2020	$ 1,551	$ 634	$ 2,185
2021	1,077	622	1,699
2022	449	619	1,068
2023	103	572	675
2024	5	572	577
2025 to expiry	-	3,080	3,080
	$ 3,185	$ 6,099	$ 9,284

15. Commitments (cont'd):

(b) Contractual obligations:

DUC has undertaken an IT renovation project to enhance the effectiveness and efficiency of its financial and operating systems software. The first two phases of the project were complete at March 31, 2019. The Board approved phase three of the project and DUC has currently entered into contracts related to Constituent Relationship Management phase three for $763,000.

DUC administered the wetland restoration program for the Government of Alberta under the Alberta Wetland Policy, accepting funds directly from proponents with obligations to restore wetlands at their request. In December 2018, the Government of Alberta began administering the program themselves. DUC has received $19.3 million to-date recorded as accounts payable, related to this program that is expected to be returned to the Government of Alberta before March 31, 2020. At March 31, 2018, $9.7 million related to this program was included in unearned revenue.

16. Other information:

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

For the year ended March 31 (in thousands)

		2019		2018
Government remittances included within accounts payable and accrued liabilities	$	1,050	$	1,760
Interest expense on current liabilities included within conservation program expenses	$	664	$	465
Foreign exchange losses included within program and other revenue	$	166	$	236

17. Philanthropic fundraising revenue:

For the year ended March 31 (in thousands)

		2019		2018
Unrestricted development	$	3,249	$	3,565
Restricted development		5,272		5,487
Annual direct response		710		736
	$	9,231	$	9,788

18. Grant revenue:

For the year ended March 31 (in thousands)

		2019		2018
USFWS	$	27,512	$	29,907
Ducks Unlimited, Inc.		7,697		7,384
U.S. state		3,833		4,051
Canadian federal		3,985		6,318
Canadian provincial		4,889		7,786
Canadian municipal		197		426
Other non-government organizations		2,338		3,966
	$	50,451	$	59,838

The United States Fish and Wildlife Services ("USFWS"), the National Fish and Wildlife Foundation 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.

19. Net change in non-cash working capital:

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)

		2019		2018
Change in non-cash assets and liabilities:				
Decrease (increase) in:				
Accounts receivable	$	(1,915)	$	7,418
Receivable from Ducks Unlimited, Inc.		1,885		(2,987)
Inventories		1,654		790
Project materials and prepaid expenses		(16)		(22)
(Decrease) increase in:				
Accounts payable and accrued liabilities		23,956		50
Unearned revenue		(13,572)		15,263
Current portion of deferred contributions		(5,451)		(4,914)
	$	6,541	$	15,598

20. 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 USD. There has been no change to the risk exposure from 2018. DUC uses foreign exchange forward contracts to help manage its exposure to unfavourable movements in USD. DUC's current policy is to hedge up to 80% of the USD currency exchange exposure of the subsequent year.

DUC had the following foreign exchange forward contracts outstanding as at March 31, 2019 with expiries ranging from April 30, 2019 to January 28, 2020:

	In thousands of Canadian dollars (CAD)			
	Notional amount	Contract amount	Fair value	Unrealized (loss) gain
Sell USD at contract rates from 1.2550 to 1.2935 USD/CAD	USD 30,000	$ 38,223	$ 37,204	$ (1,019)
Purchase USD at 1.3311 USD/CAD	USD 5,000	$ 6,655	$ 6,676	$ 21

DUC had the following forward contracts for USD outstanding as at March 31, 2018 with expiries ranging from April 31, 2018 to March 31, 2019:

	In thousands of Canadian dollars			
	Notional amount	Contract amount	Fair value	Unrealized loss
Sell USD at contract rates from 1.2240 to 1.3050 USD/CAD	USD 28,000	$ 34,720	$ 34,037	$ (683)

(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 2018.

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 (2018 - $3,000,000) with interest at prime (March 31, 2019 - 3.95%; March 31, 2018 – 3.45%), repayable on demand and secured by a general security agreement. The revolving demand facility was not drawn upon as at March 31, 2019 and 2018.

20. Risk management (cont'd):

(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.

(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 2023.

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.

21. Allocated expenses:

Information technology expenses have been allocated as follows:

For the year ended March 31 (in thousands)

	2019	2018
Conservation program	$ 3,433	$ 2,714
Fundraising	614	602
Administration	357	338
	$ 4,404	$ 3,654

22. Restatement of prior period:

Effective April 1, 2018, DUC changed its accounting policy to account for revenue from fundraising events organized by volunteer committees. In previous periods, DUC accounted for revenue from fundraising events on an accrual basis, as the events occurred. Upon a review by DUC of this policy, it was determined that recognizing revenue from fundraising events when the cash is received provides a better basis to determine when collection is reasonably assured. 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:

Statement of Financial Position as at March 31, 2018 (in thousands)

		2018
Increase (decrease) in:		
Accounts receivable	$	(1,129)
Accounts payable and accrued liabilities		209
Current portion of unearned revenue		(84)

Statement of Revenue and Expenses and Changes in Unrestricted Net Assets for the year ended March 31, 2018 (in thousands)

		2018
Decrease in:		
Grassroots fundraising revenue	$	(530)
Excess of revenue over expenses for the year		(530)
Unrestricted net assets, opening balance		(724)
Unrestricted net assets, closing balance		(1,254)

23. Comparative financial information:

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