

Financial Statements of

**BIRD STUDIES CANADA/
ÉTUDES D'OISEAUX CANADA**

Year ended March 31, 2018



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INDEPENDENT AUDITORS' REPORT

To The Members of Bird Studies Canada/Études d'Oiseaux Canada

We have audited the accompanying financial statements of Bird Studies Canada/Études d'Oiseaux Canada, which comprise the statement of financial position as at March 31, 2018, the statements of operations, changes in fund balances and cash flows for the year then ended, and notes, comprising 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 an 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 our 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, we 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.



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We believe that the audit evidence we have obtained in our audit 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 Bird Studies Canada/Études d'Oiseaux Canada as at March 31, 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Canada
August 9, 2018

BIRD STUDIES CANADA/ÉTUDES D'OISEAUX CANADA

Statement of Financial Position

March 31, 2018, with comparative information for 2017

	Operating Fund	Endowment Fund	Capital Fund	Baillie Fund	Tarry Fund	Murre Fund	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$
Assets								
Current assets:								
Cash and term deposits	415,832	50	24,132	18,454	18,418	58,207	535,093	732,275
Accounts receivable (note 2)	908,585	-	15,463	24,360	7,539	-	955,947	771,450
Prepaid expenses	130,851	-	-	-	-	-	130,851	75,776
	1,455,268	50	39,595	42,814	25,957	58,207	1,621,891	1,579,501
Investments (note 3)	-	5,077,664	-	-	-	-	5,077,664	5,068,910
Property, buildings and equipment (note 4)	-	-	1,136,265	-	-	-	1,136,265	1,240,488
	1,455,268	5,077,714	1,175,860	42,814	25,957	58,207	7,835,820	7,888,899
Liabilities and Fund Balances								
Liabilities:								
Accounts payable and accrued liabilities (note 5)	342,421	39,531	3,397	-	-	7,428	392,777	336,005
Deferred revenue (note 6)	551,035	-	-	-	-	-	551,035	646,884
	893,456	39,531	3,397	-	-	7,428	943,812	982,889
Fund balances:								
Invested in capital assets	-	-	1,036,265	-	-	-	1,036,265	1,140,488
Externally restricted	-	2,739,329	100,000	-	-	50,779	2,890,108	2,897,475
Internally restricted	-	2,298,854	36,198	42,814	-	-	2,377,866	2,407,104
Unrestricted	561,812	-	-	-	25,957	-	587,769	460,943
	561,812	5,038,183	1,172,463	42,814	25,957	50,779	6,892,008	6,906,010
Contingencies (note 7)								
	1,455,268	5,077,714	1,175,860	42,814	25,957	58,207	7,835,820	7,888,899

See accompanying notes to financial statements.

BIRD STUDIES CANADA/ÉTUDES D'OISEAUX CANADA

Statement of Operations

Year ended March 31, 2018, with comparative information for 2017

	Operating Fund	Endowment Fund	Capital Fund	Baillie Fund	Tarry Fund	Murre Fund	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue:								
Fees	246,975	-	-	-	-	-	246,975	251,765
Donations	376,193	-	-	1,000	1,451	-	378,644	353,929
Fundraising	382,190	-	-	-	-	-	382,190	361,217
Other	40,510	-	-	-	-	-	40,510	11,059
Research and conservation	3,798,555	-	-	-	-	-	3,798,555	3,571,874
Bank interest and exchange	6,231	16	122	79	93	61	6,602	(3,709)
Investment income	92,640	33,408	-	1,113	33,423	-	160,584	174,615
Loss on disposal of property, buildings and equipment	-	-	-	-	-	-	-	(2,708)
Gain on sale of investments	224,948	81,157	-	2,703	81,157	-	389,965	162,379
	5,168,242	114,581	122	4,895	116,124	61	5,404,025	4,880,421
Expenses:								
Administration	420,468	-	-	175	10,511	-	431,154	388,187
Fundraising	272,026	-	-	-	-	-	272,026	226,461
Membership services	324,402	-	-	-	-	-	324,402	282,517
Other	-	-	-	-	1,000	-	1,000	1,000
Research and conservation	3,846,307	-	-	-	25,796	4,025	3,876,128	3,833,346
Amortization of buildings and equipment	-	-	118,465	-	-	-	118,465	145,002
Grants	-	-	-	23,305	-	-	23,305	14,146
Write-down of property, building and equipment	-	-	-	-	-	-	-	159,204
	4,863,203		118,465	23,480	37,307	4,025	5,046,480	5,049,863
Excess (deficiency) of revenue over expenses before the undernoted	305,039	114,581	(118,343)	(18,585)	78,817	(3,964)	357,545	(169,442)
Change in fair value of investments	-	(371,547)	-	-	-	-	(371,547)	178,811
Excess (deficiency) of revenue over expenses before interfund transfers	305,039	(256,966)	(118,343)	(18,585)	78,817	(3,964)	(14,002)	9,369

See accompanying notes to financial statements.

BIRD STUDIES CANADA/ÉTUDES D'OISEAUX CANADA

Statement of Changes in Fund Balances

Year ended March 31, 2018, with comparative information for 2017

	Operating Fund	Endowment Fund	Capital Fund	Baillie Fund	Tarry Fund	Murre Fund	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$
Fund balance, beginning of year	438,038	5,064,987	1,277,271	44,663	22,905	58,146	6,906,010	6,896,641
Excess (deficiency) of revenue over expenses	305,039	(256,966)	(118,343)	(18,585)	78,817	(3,964)	(14,002)	9,369
Interfund transfers (note 8)	188,357	445,838	13,535	20,378	29,704	-	697,812	558,362
Interfund transfers (note 8)	(369,622)	(215,676)	-	(3,642)	(105,469)	(3,403)	(697,812)	(558,362)
Net interfund transfers	(181,265)	230,162	13,535	16,736	(75,765)	(3,403)	-	-
Fund balances, end of year	561,812	5,038,183	1,172,463	42,814	25,957	50,779	6,892,008	6,906,010

See accompanying notes to financial statements.

BIRD STUDIES CANADA/ÉTUDES D'OISEAUX CANADA

Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

	Operating Fund	Endowment Fund	Capital Fund	Baillie Fund	Tarry Fund	Murre Fund	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$
Cash provided by (used in):								
Operating activities:								
Excess (deficiency) of revenue over expenses	305,039	(256,966)	(118,343)	(18,585)	78,817	(3,964)	(14,002)	9,369
Items not involving cash:								
Amortization of buildings and equipment	-	-	118,465	-	-	-	118,465	145,002
Loss on disposal of property, buildings and equipment	-	-	-	-	-	-	-	2,708
Write-down of property, buildings and equipment	-	-	-	-	-	-	-	159,204
Change in fair value of investments	-	371,547	-	-	-	-	371,547	(178,811)
Change in non-cash operating working capital balances:								
Accounts receivable	(180,982)	1,027	(2,690)	1,107	(2,959)	-	(184,497)	19,219
Prepaid expenses	(55,075)	-	-	-	-	-	(55,075)	(21,769)
Accounts payable and accrued liabilities	15,199	34,531	3,397	-	-	3,645	56,772	(50,670)
Deferred revenue	(95,849)	-	-	-	-	-	(95,849)	91,207
	(11,668)	150,139	829	(17,478)	75,858	(319)	197,361	175,459
Investing:								
Purchase of investments	-	(380,301)	-	-	-	-	(380,301)	(85,716)
Proceeds of disposition of property, buildings and equipment	-	-	-	-	-	-	-	225
Purchase of property, buildings and equipment	-	-	(14,242)	-	-	-	(14,242)	(36,837)
	-	(380,301)	(14,242)	-	-	-	(394,543)	(122,328)
Increase (decrease) in cash	(11,668)	(230,162)	(13,413)	(17,478)	75,858	(319)	(197,182)	53,131
Cash, beginning of year	608,765	50	24,010	19,196	18,325	61,929	732,275	679,144
Net interfund transfers per Statement of Changes in Fund Balances	(181,265)	230,162	13,535	16,736	(75,765)	(3,403)	-	-
Cash, end of year	415,832	50	24,132	18,454	18,418	58,207	535,093	732,275
Cash is defined as:								
Cash and term deposits	415,832	50	24,132	18,454	18,418	58,207	535,093	732,275

See accompanying notes to financial statements.

BIRD STUDIES CANADA/ÉTUDES D'OISEAUX CANADA

Notes to Financial Statements

Year ended March 31, 2018

Bird Studies Canada/Études d'Oiseaux Canada ("BSC") (the "Organization") is incorporated without share capital under the laws of the province of Ontario. The mission of BSC is to advance and encourage the wider understanding, appreciation and conservation of wild birds and their habitats, in Canada and elsewhere, through studies using the skills, enthusiasm and support of its members, volunteers, staff and the interested public.

The Organization is a registered charity under the Income Tax Act and, accordingly, is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

1. Summary of significant accounting policies and reporting practices:

The financial statements have been prepared by management in accordance with Part III of the Chartered Professional Accountants of Canada Handbook - Canadian accounting standards for not-for-profit organizations.

(a) Fund accounting:

BSC follows the restricted fund method of accounting for contributions. The purpose of the funds is as follows:

(i) Operating Fund:

The Operating Fund accounts for the Organization's program and administrative activities. The fund reports unrestricted resources and restricted operating program grants.

(ii) Endowment Fund:

The Endowment Fund reports resources contributed for endowment. Investment income earned on resources of the Endowment Fund subject to externally imposed restrictions is reported in the accounts of this fund.

(iii) Capital Fund:

The Capital Fund reports the assets, liabilities, revenue and expenses related to BSC property, buildings and equipment.

BIRD STUDIES CANADA/ÉTUDES D'OISEAUX CANADA

Notes to Financial Statements, continued

Year ended March 31, 2018

1. Summary of significant accounting policies and reporting practices (continued):

(a) Fund accounting (continued):

(iv) Baillie Fund:

The James L. Baillie Memorial Fund (Baillie Fund) reports the assets, liabilities, revenue and expenses related to the Baillie Fund. The fund provides grants to individuals or groups for projects that relate to the dissemination of knowledge, contribution to the preservation of Canadian birds and the study of their natural environment.

(v) Tarry Fund:

The Doug Tarry Natural History Fund (Tarry Fund) reports the assets, liabilities, revenue and expenses related to the Tarry Fund. The fund provides educational support to students with respect to the study of Canadian birds.

(vi) Murre Fund:

The Murre Fund reports the assets, liabilities, revenue and expenses related to the Murre Fund. The fund provides grants to individuals or groups that relate to the preservation of Murre habitat.

(b) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Organization has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the effective interest rate method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Organization determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Organization expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

BIRD STUDIES CANADA/ÉTUDES D'OISEAUX CANADA

Notes to Financial Statements, continued

Year ended March 31, 2018

1. Summary of significant accounting policies and reporting practices (continued):

(c) Property, buildings and equipment:

Property, buildings and equipment are recorded at cost. Amortization is provided using the following method and annual rates:

Asset	Basis	Rate
Headquarters buildings	Straight-line	25 years
Old Cut field station and visitor centre	Straight-line	20 years
Remote Long Point field stations	Straight-line	10 years
Kiosks, barn and laboratory	Straight-line	10 years
Vehicles	Straight-line	5 years
Network, computers and equipment	Straight-line	3-5 years

When property, buildings and equipment no longer contribute to BSC's ability to provide services, their carrying amount is written down to their residual value.

(d) Revenue recognition:

Restricted contributions related to general operations are recognized as revenue of the Operating Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

Unrestricted contributions are recognized as revenue of the Operating Fund in the year pledged if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions for endowment and investment income subject to externally imposed restrictions are recognized as revenue in the Endowment Fund.

Other restricted income is recognized in the fund to which it relates.

(e) Use of estimates:

The preparation of 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 at the dates 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, buildings and equipment, accounts payable and accrued liabilities and valuation allowances for receivables. Actual results could differ from those estimates.

BIRD STUDIES CANADA/ÉTUDES D'OISEAUX CANADA

Notes to Financial Statements, continued

Year ended March 31, 2018

1. Summary of significant accounting policies and reporting practices (continued):

(f) Donated materials and services:

Donated materials and services, which would otherwise be paid by the Organization, are recorded at fair value when determinable. A substantial number of volunteers have made significant contributions of their time to the Organization's program and support services. The value of this contributed time is not reflected in these statements.

(g) Deferred revenue:

Program grants received before the statement of financial position date, for programs to be completed for periods after the statement of financial position date, are deferred to the following year and disclosed as deferred revenue on the statement of financial position.

2. Accounts receivable:

	Operating Fund	Endowment Fund	Capital Fund	Baillie Fund	Tarry Fund	Murre Fund	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$
Trade	863,229	-	-	-	-	-	863,229	724,320
Due from Operating	-	-	15,463	19,360	7,539	-	42,362	38,347
Due from Endowment	34,531	-	-	5,000	-	-	39,531	5,000
Due from Capital	3,397	-	-	-	-	-	3,397	-
Due from Murre	7,428	-	-	-	-	-	7,428	3,783
	908,585	-	15,463	24,360	7,539	-	955,947	771,450

BIRD STUDIES CANADA/ÉTUDES D'OISEAUX CANADA

Notes to Financial Statements, continued

Year ended March 31, 2018

3. Investments:

Investments consist of:

	2018		2017	
	Market value	Cost	Market value	Cost
Endowment Fund:				
Marketable securities	\$ 3,277,881	2,699,384	\$ 3,528,265	\$ 2,623,700
Fixed income	1,327,982	1,347,694	1,207,542	1,181,775
Cash and money market	471,801	471,801	333,103	333,103
	<u>\$ 5,077,664</u>	<u>4,518,879</u>	<u>\$ 5,068,910</u>	<u>\$ 4,138,578</u>

	2018	2017
Fund allocation based on market value is as follows:		
Baillie account	\$ 34,972	\$ 34,938
Tarry account	2,073,706	2,039,696
Long Point Bird Observatory account	852,538	844,839
Long Point Waterfowl and Wetlands:		
Research Fund account	829,152	828,357
Building	309,297	323,918
General account	977,999	997,162
	<u>\$ 5,077,664</u>	<u>\$ 5,068,910</u>

The fixed income investments have a weighted average effective interest rate of 3.51% (2017 - 2.42%) and a weighted average term to maturity of 3.56 years (2017 - 2.87). It is the Organization's policy to only invest in debt of counterparties with quality ratings of A or better.

BIRD STUDIES CANADA/ÉTUDES D'OISEAUX CANADA

Notes to Financial Statements, continued

Year ended March 31, 2018

4. Property, buildings and equipment:

			2018	2017
	Cost	Accumulated amortization	Net book value	Net book value
Headquarters land	\$ 216,000	\$ -	\$ 216,000	\$ 216,000
Headquarters buildings	1,929,390	1,195,323	734,067	806,998
Old Cut property	82,701	-	82,701	82,701
Old Cut field station and visitor centre	191,842	157,501	34,341	37,882
Remote Long Point field stations	165,303	145,590	19,713	23,284
Vehicles	259,174	228,568	30,606	45,051
Network, computers and equipment	404,003	385,166	18,837	28,572
Kiosks	185,939	185,939	-	-
Barn and laboratory	135,521	135,521	-	-
	\$ 3,569,873	\$ 2,433,608	\$ 1,136,265	\$ 1,240,488

5. Accounts payable and accrued liabilities:

	Operating Fund	Endowment Fund	Capital Fund	Baillie Fund	Tarry Fund	Murre Fund	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$
Trade and accrued liabilities	300,059	-	-	-	-	-	300,059	288,875
Due to Operating	-	34,531	3,397	-	-	7,428	45,356	3,783
Due to Endowment	-	-	-	-	-	-	-	1,027
Due to Capital	15,463	-	-	-	-	-	15,463	12,773
Due to Baillie	19,360	5,000	-	-	-	-	24,360	24,967
Due to Tarry	7,539	-	-	-	-	-	7,539	4,580
	342,421	39,531	3,397	-	-	7,428	392,777	336,005

Included in accounts payable and accrued liabilities as at March 31, 2018 are government remittances payable of \$76,155 (2017 - \$69,505).

6. Deferred revenue:

This account represents amounts that were invoiced or received in the current year which will be expended on projects in the subsequent year.

BIRD STUDIES CANADA/ÉTUDES D'OISEAUX CANADA

Notes to Financial Statements, continued

Year ended March 31, 2018

7. Contingencies:

BSC has a 99 year agreement with the Ontario Heritage Foundation to maintain and preserve the headquarters' property in a manner as outlined in the agreement. If breached, BSC will be required to return a \$100,000 grant received from the Foundation during 1995 to assist in the purchase of this property.

8. Interfund transfers and internally restricted fund balances:

In fiscal 2007, the Board of Directors, consistent with the terms of the endowment, authorized the segregation of \$300,000 of internally restricted funds for the Capital Fund. Investment income and capital gains from the \$300,000 are to be used to fund maintenance of the capital assets and operations of the headquarters building.

During the year, \$215,676 was transferred from the Endowment Fund:

- \$184,954 into the Operating Fund to cover \$24,127 of budgeted expenses of the Long Point Waterfowl and Wetlands Research Fund and \$160,827 for operational expenses
- \$29,704 into the Tarry Fund to fund the annual Young Ornithologists Workshop
- \$1,018 into the Baillie Fund to fund annual Baillie Fund grants

During the year, \$369,622 was transferred from the Operating Fund:

- \$13,535 into the Capital Fund to purchase capital assets
- \$19,360 in proceeds from the Birdathon was transferred to the Baillie Fund to provide grants to individuals or groups for projects that relate to the dissemination of knowledge, contribution to the preservation of Canadian birds and the study of their natural environment
- \$336,727 into the Endowment Fund

During the year, \$445,838 was transferred into the Endowment Fund from the Operating Fund (\$336,727), Baillie fund (\$3,642), and Tarry Fund (\$105,469).

BIRD STUDIES CANADA/ÉTUDES D'OISEAUX CANADA

Notes to Financial Statements, continued

Year ended March 31, 2018

9. Financial risks:

(a) Currency risk:

The Organization transacted minimal amounts in foreign currency and, therefore, has limited exposure to foreign exchange fluctuations.

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Organization is exposed to credit risk with respect to the accounts receivable. The Organization assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. Management has determined that no allowance for doubtful accounts is required at March 31, 2018.

(c) Liquidity risk:

Liquidity risk is the risk that the Organization will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Organization manages its liquidity risk by monitoring its operating requirements. The Organization prepares budget forecasts to ensure it has sufficient funds to fulfill its obligations.

(d) Interest rate risk:

The Organization is exposed to interest rate risk on its fixed interest rate financial instruments. Further details about the fixed rate investments are included in note 3.