

Financial Statements of

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

Year ended March 31, 2016



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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, 2016, 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.

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



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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, 2016, 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

August 10, 2016
Waterloo, Canada

BIRD STUDIES CANADA/ÉTUDES D'OISEAUX CANADA

Statement of Financial Position

March 31, 2016, with comparative information for 2015

	Operating Fund	Endowment Fund	Capital Fund	Baillie Fund	Tarry Fund	Murre Fund	2016	2015
	\$	\$	\$	\$	\$	\$	\$	\$
Assets								
Current assets:								
Cash and term deposits	561,804	50	23,837	10,707	18,289	64,457	679,144	824,390
Accounts receivable (note 2)	749,636	938	13,736	25,999	360	-	790,669	819,233
Prepaid expenses	54,007	-	-	-	-	-	54,007	48,291
	1,365,447	988	37,573	36,706	18,649	64,457	1,523,820	1,691,914
Investments (note 3)	-	4,804,383	-	-	-	-	4,804,383	4,745,174
Property, buildings and equipment (note 4)	-	-	1,510,790	-	-	-	1,510,790	1,562,906
	1,365,447	4,805,371	1,548,363	36,706	18,649	64,457	7,838,993	7,999,994
Liabilities and Fund Balances								
Liabilities:								
Accounts payable and accrued liabilities (note 5)	379,120	5,000	-	-	-	2,555	386,675	434,448
Deferred revenue (note 6)	555,677	-	-	-	-	-	555,677	658,015
	934,797	5,000	-	-	-	2,555	942,352	1,092,463
Fund balances:								
Invested in capital assets	-	-	1,410,790	-	-	-	1,410,790	1,462,906
Externally restricted	-	2,739,329	100,000	-	-	61,902	2,901,231	2,903,751
Internally restricted	-	2,061,042	37,573	36,706	-	-	2,135,321	2,144,845
Unrestricted	430,650	-	-	-	18,649	-	449,299	396,029
	430,650	4,800,371	1,548,363	36,706	18,649	61,902	6,896,641	6,907,531
Contingencies (note 7)								
	1,365,447	4,805,371	1,548,363	36,706	18,649	64,457	7,838,993	7,999,994

See accompanying notes to financial statements.

BIRD STUDIES CANADA/ÉTUDES D'OISEAUX CANADA

Statement of Operations

Year ended March 31, 2016, with comparative information for 2015

	Operating Fund	Endowment Fund	Capital Fund	Baillie Fund	Tarry Fund	Murre Fund	2016	2015
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue:								
Fees	238,246	-	-	-	-	-	238,246	234,356
Donations	512,340	-	(1,347)	500	-	-	511,493	419,869
Fundraising	361,837	-	-	-	-	-	361,837	318,740
Other	49,908	-	-	-	-	-	49,908	86,944
Research and conservation	4,070,307	-	-	-	-	-	4,070,307	4,186,101
Bank interest and exchange	9,465	22	56	40	47	37	9,667	(2,444)
Investment income	102,474	34,123	-	1,134	34,144	-	171,875	166,838
Gain (loss) on sale of investments	132,025	43,991	-	1,462	43,991	-	221,469	(58,849)
Gain (loss) on disposal of property, buildings and equipment	-	-	1,046	-	-	-	1,046	(1,659)
	5,476,602	78,136	(245)	3,136	78,182	37	5,635,848	5,349,896
Expenses:								
Administration	315,799	4,900	-	151	4,900	-	325,750	386,069
Fundraising	211,752	-	-	-	-	-	211,752	192,522
Membership services	260,387	-	-	-	-	-	260,387	239,521
Other	-	-	-	-	1,000	2	1,002	1,002
Research and conservation	4,164,366	-	-	-	21,673	1,000	4,187,039	4,360,213
Amortization of buildings and equipment	-	-	167,254	-	-	-	167,254	154,537
Grants	-	-	-	18,925	-	-	18,925	21,300
	4,952,304	4,900	167,254	19,076	27,573	1,002	5,172,109	5,355,164
Excess (deficiency) of revenue over expenses before the undernoted	524,298	73,236	(167,499)	(15,940)	50,609	(965)	463,739	(5,268)
Change in fair value of investments	-	(474,629)	-	-	-	-	(474,629)	272,761
Excess (deficiency) of revenue over expenses before interfund transfers	524,298	(401,393)	(167,499)	(15,940)	50,609	(965)	(10,890)	267,493

See accompanying notes to financial statements.

BIRD STUDIES CANADA/ÉTUDES D'OISEAUX CANADA

Statement of Changes in Fund Balances

Year ended March 31, 2016, with comparative information for 2015

	Operating Fund	Endowment Fund	Capital Fund	Baillie Fund	Tarry Fund	Murre Fund	2016	2015
	\$	\$	\$	\$	\$	\$	\$	\$
Fund balance, beginning of year	384,999	4,746,179	1,667,674	33,227	11,030	64,422	6,907,531	6,640,038
Excess (deficiency) of revenue over expenses	524,298	(401,393)	(167,499)	(15,940)	50,609	(965)	(10,890)	267,493
Interfund transfers (note 8)	140,893	626,034	48,188	21,864	30,246	-	867,225	302,803
Interfund transfers (note 8)	(619,540)	(170,449)	-	(2,445)	(73,236)	(1,555)	(867,225)	(302,803)
Net interfund transfers	(478,647)	455,585	48,188	19,419	(42,990)	(1,555)	-	-
Fund balances, end of year	430,650	4,800,371	1,548,363	36,706	18,649	61,902	6,896,641	6,907,531

See accompanying notes to financial statements.

BIRD STUDIES CANADA/ÉTUDES D'OISEAUX CANADA

Statement of Cash Flows

Year ended March 31, 2016, with comparative information for 2015

	Operating Fund	Endowment Fund	Capital Fund	Baillie Fund	Tarry Fund	Murre Fund	2016	2015
	\$	\$	\$	\$	\$	\$	\$	\$
Cash provided by (used in):								
Operating activities:								
Excess (deficiency) of revenue over expenses	524,298	(401,393)	(167,499)	(15,940)	50,609	(965)	(10,890)	267,493
Items not involving cash:								
Amortization of property, buildings and equipment	-	-	167,254	-	-	-	167,254	154,537
Loss (gain) on disposal of property, buildings and equipment	-	-	(1,046)	-	-	-	(1,046)	1,659
Change in fair value of investments	-	474,629	-	-	-	-	474,629	(272,761)
Change in non-cash operating working capital balances:								
Accounts receivable	(33,972)	17	70,251	(7,372)	(360)	-	28,564	241,581
Prepaid expenses	(5,716)	-	-	-	-	-	(5,716)	(4,952)
Accounts payable and accrued liabilities	(46,716)	5,000	-	-	(7,212)	1,155	(47,773)	102,737
Deferred revenue	(102,338)	-	-	-	-	-	(102,338)	(54,352)
	335,556	78,253	68,960	(23,312)	43,037	190	502,684	435,942
Investing:								
Sale (purchase) of investments	-	(533,838)	-	-	-	-	(533,838)	63,856
Proceeds of disposition of property, buildings and equipment	-	-	3,000	-	-	-	3,000	-
Purchase of property, buildings and equipment	-	-	(117,092)	-	-	-	(117,092)	(83,429)
	-	(533,838)	(114,092)	-	-	-	(647,930)	(19,573)
Increase (decrease) in cash	335,556	(455,585)	(45,132)	(23,312)	43,037	190	(145,246)	416,369
Cash, beginning of year	704,895	50	20,781	14,600	18,242	65,822	824,390	408,021
Net interfund transfers	(478,647)	455,585	48,188	19,419	(42,990)	(1,555)	-	-
Cash, end of year	561,804	50	23,837	10,707	18,289	64,457	679,144	824,390
Cash is defined as:								
Cash and term deposits	561,804	50	23,837	10,707	18,289	64,457	679,144	824,390

See accompanying notes to financial statements.

BIRD STUDIES CANADA/ÉTUDES D'OISEAUX CANADA

Notes to Financial Statements

Year ended March 31, 2016

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, 2016

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, 2016

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	5 years
Vehicles	Straight-line	5 years
Equipment	Straight-line	10 years
Network, computers and equipment	Straight-line	3 years
Leasehold improvements	Straight-line	Lease term

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, 2016

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	2016	2015
	\$	\$	\$	\$	\$	\$	\$	\$
Trade	747,081	-	-	-	-	-	747,081	707,052
Due from Operating	-	938	13,736	20,999	360	-	36,033	103,569
Due from Endowment	-	-	-	5,000	-	-	5,000	-
Due from Tarry	-	-	-	-	-	-	-	7,212
Due from Murre	2,555	-	-	-	-	-	2,555	1,400
	749,636	938	13,736	25,999	360	-	790,669	819,233

BIRD STUDIES CANADA/ÉTUDES D'OISEAUX CANADA

Notes to Financial Statements, continued

Year ended March 31, 2016

3. Investments:

Investments consist of:

	2016		2015	
	Market value	Cost	Market value	Cost
Endowment Fund:				
Marketable securities	\$ 2,939,301	\$ 2,235,259	\$ 2,839,623	\$ 1,688,635
Fixed income	1,166,532	1,119,053	1,413,975	1,338,813
Cash and money market	698,550	698,550	491,576	491,576
	<u>\$ 4,804,383</u>	<u>\$ 4,052,862</u>	<u>\$ 4,745,174</u>	<u>\$ 3,519,024</u>

	2016		2015	
Fund allocation based on market value is as follows:				
Baillie account	\$	31,619	\$	27,889
Tarry account		1,876,771		1,950,902
Long Point Bird Observatory account		806,254		868,765
Long Point Waterfowl and Wetlands:				
Research Fund account		775,144		818,673
Building		293,145		324,667
General account		1,021,450		754,278
	\$	<u>4,804,383</u>	\$	<u>4,745,174</u>

The fixed income investments have a weighted average effective interest rate of 2.40% (2015 - 3.06%) and a weighted average term to maturity of 3.59 years (2015 - 3.95). 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, 2016

4. Property, buildings and equipment:

			2016	2015
	Cost	Accumulated amortization	Net book value	Net book value
Headquarters land	\$ 216,000	\$ -	\$ 216,000	\$ 216,000
Headquarters buildings	1,927,101	1,044,772	882,329	958,114
Old Cut property	82,701	-	82,701	82,701
Old Cut field station and visitor centre	191,842	150,418	41,424	44,966
Remote Long Point field stations	155,703	138,714	16,989	17,672
Vehicles	355,480	284,679	70,801	67,510
Network, computers and equipment	496,769	459,446	37,323	35,534
Kiosks	185,938	185,938	-	-
Leasehold improvements	304,440	141,217	163,223	140,409
Barn and laboratory	135,521	135,521	-	-
	\$ 4,051,495	\$ 2,540,705	\$ 1,510,790	\$ 1,562,906

5. Accounts payable and accrued liabilities:

	Operating Fund	Endowment Fund	Capital Fund	Baillie Fund	Tarry Fund	Murre Fund	2016	2015
	\$	\$	\$	\$	\$	\$	\$	\$
Trade and accrued liabilities	343,087	-	-	-	-	-	343,087	322,267
Due to Operating	-	-	-	-	-	2,555	2,555	8,612
Due to Endowment	938	-	-	-	-	-	938	955
Due to Capital	13,736	-	-	-	-	-	13,736	83,987
Due to Baillie	20,999	5,000	-	-	-	-	25,999	18,627
Due to Tarry	360	-	-	-	-	-	360	-
	379,120	5,000	-	-	-	2,555	386,675	434,448

6. Deferred revenue:

This account represents money that was 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, 2016

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, \$170,449 was transferred from the Endowment Fund:

- \$139,338 into the Operating Fund to cover \$25,404 of budgeted expenses of the Long Point Waterfowl and Wetlands Research Fund and \$113,934 for operational expenses
- \$30,246 into the Tarry Fund to fund the annual Young Ornithologists Workshop
- \$865 into the Baillie Fund to fund annual Baillie Fund Grants

During the year, \$69,187 was transferred from the Operating Fund:

- \$48,188 into the Capital Fund to purchase capital assets
- \$20,999 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

During the year, \$626,034 was transferred into the Endowment Fund from the Operating Fund (\$550,353), Baillie fund (\$2,445), and Tarry Fund (\$73,236).

9. Financial risks:

(a) Currency risk:

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

BIRD STUDIES CANADA/ÉTUDES D'OISEAUX CANADA

Notes to Financial Statements, continued

Year ended March 31, 2016

9. Financial risks (continued):

(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, 2016.

(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.

10. Long Point Waterfowl and Wetlands Research Fund ("LPWWRF"):

LPWWRF is dedicated primarily to the study and conservation of waterfowl and wetlands throughout the Great Lakes region. BSC has administered LPWWRF activities for a fee through sequential agreements. In November 2014 of fiscal 2015, BSC exercised its option to terminate its service provision to LPWWRF with a notice period until December 31, 2015. BSC intended to transfer all the assets it manages that are associated with the LPWWRF to the newly incorporated organization in a timely manner that was mutually agreeable to both parties. However, in fiscal 2016, this transfer did not occur and it was mutually agreed upon that BSC would continue to administer LPWWRF activities indefinitely.