

Financial Statements of

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

And Independent Auditors' Report thereon

Year ended March 31, 2019



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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of Bird Studies Canada/Études d'Oiseaux Canada (the Entity), which comprise:

- the statement of financial position as at March 31, 2019
- the statement of operations for the year then ended
- the statement of changes in fund balances for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

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

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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

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

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



Responsibilities of Management and Those Charged With Governance 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.

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.

Auditors' 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 auditors' 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 the 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.



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- 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 auditors' 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 auditors' report. However, future events or conditions may cause the Entity's 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.
- 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.

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', with a small upward tick at the end.

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Canada
September 28, 2019

BIRD STUDIES CANADA/ÉTUDES D'OISEAUX CANADA

Statement of Financial Position

March 31, 2019, with comparative information for 2018

	Operating Fund	Endowment Fund	Capital Fund	Baillie Fund	Tarry Fund	Murre Fund	Miller Fund	2019	2018
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Assets									
Current assets:									
Cash and term deposits	791,207	50	24,422	24,046	18,640	51,057	-	909,422	535,093
Accounts receivable (note 2)	1,294,598	-	-	-	-	-	-	1,294,598	863,229
Prepaid expenses	54,950	-	-	-	-	-	-	54,950	130,851
	2,140,755	50	24,422	24,046	18,640	51,057	-	2,258,970	1,529,173
Investments (note 3)	-	6,322,693	-	-	-	-	-	6,322,693	5,077,664
Property, buildings and equipment (note 4)	-	-	1,126,599	-	-	-	-	1,126,599	1,136,265
	2,140,755	6,322,743	1,151,021	24,046	18,640	51,057	-	9,708,262	7,743,102
Liabilities and Fund Balances									
Liabilities:									
Accounts payable and accrued liabilities (note 5)	301,383	-	-	-	-	-	-	301,383	300,059
Interfund payable (receivable)	(136,151)	122,236	1,626	(22,422)	(10,336)	45,047	-	-	-
Deferred revenue (note 6)	1,379,271	-	-	-	-	-	-	1,379,271	551,035
	1,544,503	122,236	1,626	(22,422)	(10,336)	45,047	-	1,680,654	851,094
Fund balances:									
Invested in capital assets	-	-	1,026,599	-	-	-	-	1,026,599	1,036,265
Externally restricted	-	4,155,519	100,000	-	-	6,010	-	4,261,529	2,890,108
Internally restricted	-	2,044,988	22,796	46,468	-	-	-	2,114,252	2,377,866
Unrestricted	596,252	-	-	-	28,976	-	-	625,228	587,769
	596,252	6,200,507	1,149,395	46,468	28,976	6,010	-	8,027,608	6,892,008
Contingencies (note 7)									
	2,140,755	6,322,743	1,151,021	24,046	18,640	51,057	-	9,708,262	7,743,102

See accompanying notes to financial statements.

BIRD STUDIES CANADA/ÉTUDES D'OISEAUX CANADA

Statement of Operations

Year ended March 31, 2019, with comparative information for 2018

	Operating Fund	Endowment Fund	Capital Fund	Baillie Fund	Tarry Fund	Murre Fund	Miller Fund	2019	2018
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue:									
Fees	186,603	-	-	-	-	-	-	186,603	246,975
Donations	648,714	-	250	2,000	(700)	-	1,000,000	1,650,264	378,644
Fundraising	223,957	-	-	-	-	-	-	223,957	382,190
Other	45,974	-	-	-	-	-	-	45,974	40,510
Research and conservation	4,184,882	-	-	-	-	-	-	4,184,882	3,798,555
Bank interest and exchange	12,907	504	290	232	222	277	-	14,432	6,602
Investment income	76,799	29,007	-	982	29,510	-	27,085	163,383	160,584
Change in fair value of investments:									
Gain on sales of investments	63,663	24,462	-	814	24,462	-	22,451	135,852	389,965
Unrealized gains (losses) on investments	-	116,883	-	-	-	-	-	116,883	(371,547)
	5,443,499	170,856	540	4,028	53,494	277	1,049,536	6,722,230	5,032,478
Expenses:									
Administration	442,419	-	-	-	-	-	-	442,419	405,902
Fundraising	266,146	-	-	-	-	-	-	266,146	272,026
Membership services	387,530	-	-	-	-	-	-	387,530	324,402
Other	-	-	-	-	1,000	-	-	1,000	1,000
Research and conservation	4,276,003	-	-	-	21,618	38,225	-	4,335,846	3,876,128
Amortization of buildings and equipment	-	-	110,307	-	-	-	-	110,307	118,465
Grants	-	-	-	15,500	-	-	-	15,500	23,305
Investment fees	13,066	-	-	167	10,041	-	4,608	27,882	25,252
	5,385,164	-	110,307	15,667	32,659	38,225	4,608	5,586,630	5,046,480
Excess (deficiency) of revenue over expenses	58,335	170,856	(109,767)	(11,639)	20,835	(37,948)	1,044,928	1,135,600	(14,002)

See accompanying notes to financial statements.

BIRD STUDIES CANADA/ÉTUDES D'OISEAUX CANADA

Statement of Changes in Fund Balances

Year ended March 31, 2019, with comparative information for 2018

	Operating Fund	Endowment Fund	Capital Fund	Baillie Fund	Tarry Fund	Murre Fund	Miller Fund	2019	2018
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Fund balance, beginning of year	561,812	5,038,183	1,172,463	42,814	25,957	50,779	-	6,892,008	6,906,010
Excess (deficiency) of revenue over expenses	58,335	170,856	(109,767)	(11,639)	20,835	(37,948)	1,044,928	1,135,600	(14,002)
Interfund transfers (note 8)	254,381	1,264,443	86,699	16,923	25,415	-	-	1,647,861	697,812
Interfund transfers (note 8)	(278,276)	(272,975)	-	(1,630)	(43,231)	(6,821)	(1,044,928)	(1,647,861)	(697,812)
Net interfund transfers	(23,895)	991,468	86,699	15,293	(17,816)	(6,821)	(1,044,928)	-	-
Fund balances, end of year	596,252	6,200,507	1,149,395	46,468	28,976	6,010	-	8,027,608	6,892,008

See accompanying notes to financial statements.

BIRD STUDIES CANADA/ÉTUDES D'OISEAUX CANADA

Statement of Cash Flows

Year ended March 31, 2019, with comparative information for 2018

	Operating Fund	Endowment Fund	Capital Fund	Baillie Fund	Tarry Fund	Murre Fund	Miller Fund	2019	2018
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cash provided by (used in):									
Operating activities:									
Excess (deficiency) of revenue over expenses	58,335	170,856	(109,767)	(11,639)	20,835	(37,948)	1,044,928	1,135,600	(14,002)
Items not involving cash:									
Amortization of buildings and equipment	-	-	110,307	-	-	-	-	110,307	118,465
Change in fair value of investments	-	(252,735)	-	-	-	-	-	(252,735)	(18,418)
Change in non-cash operating working capital balances:									
Accounts receivable	(431,369)	-	-	-	-	-	-	(431,369)	(138,909)
Prepaid expenses	75,901	-	-	-	-	-	-	75,901	(55,075)
Interfund payable/receivable	(133,157)	82,705	13,692	1,938	(2,797)	37,619	-	-	-
Accounts payable and accrued liabilities	1,324	-	-	-	-	-	-	1,324	11,184
Deferred revenue	828,236	-	-	-	-	-	-	828,236	(95,849)
	399,270	826	14,232	(9,701)	18,038	(329)	1,044,928	1,467,264	(192,604)
Investing:									
Net (purchase) sale of investments	-	(992,294)	-	-	-	-	-	(992,294)	9,664
Purchase of property, buildings and equipment	-	-	(100,641)	-	-	-	-	(100,641)	(14,242)
	-	(992,294)	(100,641)	-	-	-	-	(1,092,935)	(4,578)
Increase (decrease) in cash	399,270	(991,468)	(86,409)	(9,701)	18,038	(329)	1,044,928	374,329	(197,182)
Cash, beginning of year	415,832	50	24,132	18,454	18,418	58,207	-	535,093	732,275
Net interfund transfers per Statement of Changes in Fund Balances									
	(23,895)	991,468	86,699	15,293	(17,816)	(6,821)	(1,044,928)	-	-
Cash, end of year	791,207	50	24,422	24,046	18,640	51,057	-	909,422	535,093

See accompanying notes to financial statements.

BIRD STUDIES CANADA/ÉTUDES D'OISEAUX CANADA

Notes to Financial Statements

Year ended March 31, 2019

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 external and internal for endowment.

(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, 2019

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.

(vii) Miller Fund:

The Miller Fund reports the assets, liabilities, revenue and expenses related to an endowment fund established in memory of Richard Graham Miller, to support senior scientist personnel costs and support students in training.

(b) 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 the contribution is received or can be reasonably estimated and collection is reasonably assured.

Contributions for endowments are recognized as revenue of the Endowment Fund in the year which the contributions are received. Investment income and realized gains/losses on sales of investments that are subject to externally imposed restrictions are allocated based on the investment distribution by fund held within the Endowment Fund. Unrealized gains and losses on investments are recognized in the Endowment Fund until the gains and losses are realized.

Revenue from fees, fundraising and other activities is recognized when the services are provided or the events have taken place.

BIRD STUDIES CANADA/ÉTUDES D'OISEAUX CANADA

Notes to Financial Statements, continued

Year ended March 31, 2019

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

(c) 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 elected to carry fixed income investments 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.

(d) 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.

BIRD STUDIES CANADA/ÉTUDES D'OISEAUX CANADA

Notes to Financial Statements, continued

Year ended March 31, 2019

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

(e) 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.

(f) 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.

2. Accounts receivable:

	2019	2018
Accounts receivable	\$ 1,294,598	\$ 883,229
Allowance for doubtful accounts	-	-
	<u>\$ 1,294,598</u>	<u>\$ 883,229</u>

BIRD STUDIES CANADA/ÉTUDES D'OISEAUX CANADA

Notes to Financial Statements, continued

Year ended March 31, 2019

3. Investments:

Endowment Fund investments consist of:

	2019	2018
Fair value:		
Canadian equities	\$ 2,228,405	\$ 2,137,075
US equities	616,880	548,277
International equities	557,063	592,529
Fixed income	2,580,467	1,327,982
Cash and money market	339,878	471,801
	\$ 6,322,693	\$ 5,077,664

	2019	2018
Investment income is allocated based on the following investment distribution held within the Endowment Fund:		
Baillie account	\$ 37,468	\$ 34,972
Tarry account	2,222,613	2,073,706
Long Point Bird Observatory account	836,495	852,538
Long Point Waterfowl and Wetland Research Fund account	867,276	829,152
Building	319,865	309,297
General account	973,346	977,999
Miller Fund	1,065,630	-
	\$ 6,322,693	\$ 5,077,664

The fixed income investment earn a rate of return ranging from 1.6% to 8% (2018 - 1.9% to 8%) and maturities ranging from April 9, 2019 to June 2, 2024. 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, 2019

4. Property, buildings and equipment:

			2019	2018
	Cost	Accumulated amortization	Net book value	Net book value
Headquarters land	\$ 216,000	\$ -	\$ 216,000	\$ 216,000
Headquarters buildings	1,951,341	1,272,410	678,931	734,067
Old Cut property	82,701	-	82,701	82,701
Old Cut field station and visitor centre	197,121	161,043	36,078	34,341
Remote Long Point field stations	165,303	149,161	16,142	19,713
Vehicles	259,174	243,193	15,981	30,606
Network, computers and equipment	424,334	343,568	80,766	18,837
Kiosks	185,938	185,938	-	-
Barn and laboratory	135,521	135,521	-	-
	\$ 3,617,433	\$ 2,490,834	\$ 1,126,599	\$ 1,136,265

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities as at March 31, 2019 are government remittances payable of \$82,590 (2018 - \$76,155).

6. Deferred revenue:

	2019	2018
Balance, beginning of year end	\$ 551,035	\$ 646,884
Add: contributions received	1,307,652	459,023
Less: amounts recognized to revenue	(479,416)	(554,872)
Balance, end of year end	\$ 1,379,271	\$ 551,035

BIRD STUDIES CANADA/ÉTUDES D'OISEAUX CANADA

Notes to Financial Statements, continued

Year ended March 31, 2019

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, \$272,975 was transferred from the Endowment Fund:

- \$247,560 into the Operating Fund to cover operational expenses in a number of programs
- \$25,415 into the Tarry Fund to fund the annual Young Ornithologists Workshop

During the year, \$278,276 was transferred from the Operating Fund:

- \$86,699 into the Capital Fund to purchase capital assets
- \$16,923 in proceeds from the Birdathon was transferred to the Baillie Fund to provide grants to individuals or groups for projects
- \$174,654 into the Endowment Fund

During the year, \$1,089,789 was transferred into the Endowment Fund from the Miller Fund (\$1,044,928), the Baillie Fund (\$1,630) and Tarry Fund (\$43,231) and \$6,821 was transferred into the Operating Fund from the Murre Fund (\$6,821).

BIRD STUDIES CANADA/ÉTUDES D'OISEAUX CANADA

Notes to Financial Statements, continued

Year ended March 31, 2019

9. Financial risks:

The Organization manages its investment portfolio to earn investment income and invests according to a Statement of Investment Policy approved by the Board. The Organization is not involved in any hedging relationships through its operations and does not hold or use any derivative financial instruments for trading purposes.

(a) Currency risk:

The Organization's investments that trade in foreign markets are exposed to currency risk as the price in local terms on the foreign stock exchange is converted to Canadian dollars to determine fair value. The Organization's overall currency positions are monitored on a daily basis by the portfolio manager. Included in cash at year end is \$519,703 US (2018 - \$57,544 US).

(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.

(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. Comparative information:

Certain comparative information have been reclassified from those previously presented to conform to the presentation of the 2019 financial statements.