

Financial Statements of

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

Year ended 31 March, 2007

AUDITORS' REPORT

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

We have audited the statement of financial position of Bird Studies Canada/Études d'Oiseaux Canada as at 31 March, 2007 and the statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at 31 March, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants, Licensed Public Accountants

Waterloo, Canada

May 17, 2007

BIRD STUDIES CANADA/ÉTUDES D'OISEAUX CANADA

Statement of Financial Position

31 March, 2007, with comparative figures for 2006

	Operating Fund	Endowment Fund	Capital Fund	Baillie Fund	Tarry Fund	2007	2006
	\$	\$	\$	\$	\$	\$	\$
Assets							
Current assets:							
Cash and term deposits	63,896	50	24,722	17,053	16,719	122,440	326,468
Investment (note 3)	-	100,000	-	-	-	100,000	-
Accounts receivable (note 2)	656,127	342	29,636	19,104	6,475	711,684	489,464
Prepaid expenses	27,903	-	-	-	-	27,903	32,336
	747,926	100,392	54,358	36,157	23,194	962,027	848,268
Investments (note 3)	-	3,212,675	-	-	-	3,212,675	3,170,567
Property, buildings and equipment (note 4)	-	-	2,237,666	-	-	2,237,666	2,389,752
	747,926	3,313,067	2,292,024	36,157	23,194	6,412,368	6,408,587
Liabilities and Fund Balances							
Liabilities:							
Bank indebtedness (note 5)	231,728	-	-	-	-	231,728	-
Accounts payable and accrued liabilities (note 6)	368,955	45,353	575	-	20,451	435,334	447,385
Deferred revenue (note 7)	201,945	-	-	-	-	201,945	389,085
Current portion of long-term debt (note 8)	-	-	4,291	-	-	4,291	3,758
	802,628	45,353	4,866	-	20,451	873,298	840,228
Long-term debt (note 8)	-	-	16,028	-	-	16,028	23,351
Fund balances:							
Invested in capital assets	-	-	2,137,667	-	-	2,137,667	2,289,751
Externally restricted	-	804,057	100,000	-	-	904,057	891,782
Internally restricted	-	2,463,657	33,463	36,157	-	2,533,277	2,404,041
Unrestricted	(54,702)	-	-	-	2,743	(51,959)	(40,566)
	(54,702)	3,267,714	2,271,130	36,157	2,743	5,523,042	5,545,008
Contingencies (note 10)							
Commitments (note 11)							
	747,926	3,313,067	2,292,024	36,157	23,194	6,412,368	6,408,587

See accompanying notes to financial statements.

BIRD STUDIES CANADA/ÉTUDES D'OISEAUX CANADA

Statement of Operations and Changes in Fund Balances

Year ended 31 March, 2007, with comparative figures for 2006

	Operating Fund	Endowment Fund	Capital Fund	Baillie Fund	Tarry Fund	2007	2006
	\$	\$	\$	\$	\$	\$	\$
Revenue:							
Fees	188,672	-	-	-	-	188,672	184,528
Donations	114,965	392,210	930	-	-	508,105	398,078
Fund-raising	245,809	-	-	-	-	245,809	276,776
Other	93,427	581	1,564	-	-	95,572	140,155
Research and conservation	1,773,922	-	-	-	-	1,773,922	1,490,672
Bank interest and exchange	5,147	2,478	777	690	627	9,719	3,438
Investment income	-	343,638	-	-	-	343,638	421,641
	2,421,942	738,907	3,271	690	627	3,165,437	2,915,288
Expenses:							
Administration	173,792	18,591	-	-	-	192,383	195,474
Fund-raising	205,200	-	-	-	-	205,200	173,230
Membership services	143,110	-	-	-	-	143,110	102,057
Other	-	1,190	1,564	-	500	3,254	2,852
Research and conservation	2,372,724	-	-	-	20,451	2,393,175	2,138,799
Amortization of buildings and equipment	-	-	222,252	-	-	222,252	208,034
Grants	-	-	-	28,030	-	28,030	25,327
	2,894,826	19,781	223,816	28,030	20,951	3,187,404	2,845,773
Excess (deficiency) of revenue over expenses before interfund transfers							
	(472,884)	719,126	(220,545)	(27,340)	(20,324)	(21,967)	69,515
Interfund transfers in (note 9)	575,237	-	93,828	19,104	19,510	707,679	581,439
Interfund transfers out (note 9)	(112,932)	(594,747)	-	-	-	(707,679)	(581,439)
Net interfund transfers	462,305	(594,747)	93,828	19,104	19,510	-	-
Excess (deficiency) of revenue over expenses							
	(10,579)	124,379	(126,717)	(8,236)	(814)	(21,967)	69,515
Fund balances, beginning of year	(44,123)	3,143,335	2,397,846	44,393	3,557	5,545,008	5,475,493
Fund balances, end of year	(54,702)	3,267,714	2,271,129	36,157	2,743	5,523,041	5,545,008

See accompanying notes to financial statements.

BIRD STUDIES CANADA/ÉTUDES D'OISEAUX CANADA

Statement of Cash Flows

Year ended 31 March, 2007, with comparative figures for 2006

	Operating Fund	Endowment Fund	Capital Fund	Baillie Fund	Tarry Fund	2007	2006
	\$	\$	\$	\$	\$	\$	\$
Sources of cash:							
Donations	114,965	392,210	180	-	-	507,355	397,033
Project revenue	1,377,419	-	-	-	-	1,377,419	1,771,556
Other	527,908	581	1,564	-	-	530,053	601,459
Investment income	5,147	346,430	777	690	627	353,671	424,765
	2,025,439	739,221	2,521	690	627	2,768,498	3,194,813
Uses of cash:							
Program and operational salaries and benefits	1,588,772	-	-	-	-	1,588,772	1,547,919
Purchased materials and project expenses	1,327,138	-	-	-	-	1,327,138	1,099,383
Purchase of property, buildings and equipment	-	-	70,167	-	-	70,167	20,433
Purchase of investments	-	142,107	-	-	-	142,107	314,776
Other	-	19,781	7,307	28,030	20,952	76,070	61,900
	2,915,910	161,888	77,474	28,030	20,952	3,204,254	3,044,411
Increase (decrease) in cash	(890,471)	577,333	(74,953)	(27,340)	(20,325)	(435,756)	150,402
Cash, beginning of year	267,320	50	22,910	20,097	16,091	326,468	176,066
Net interfund transfers	455,319	(577,333)	76,765	24,296	20,953	-	-
Cash (bank indebtedness), end of year	(167,832)	50	24,722	17,053	16,719	(109,288)	326,468
Cash is defined as:							
Cash	63,896	50	24,722	17,053	16,719	122,440	326,468
Bank indebtedness	(231,728)	-	-	-	-	(231,728)	-
	(167,832)	50	24,722	17,053	16,719	(109,288)	326,468

See accompanying notes to financial statements.

BIRD STUDIES CANADA/ÉTUDES D'OISEAUX CANADA

Notes to Financial Statements

Year ended 31 March, 2007

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:

(a) Fund accounting:

Bird Studies Canada 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 is reported in the accounts of this fund.

(iii) Capital Fund:

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

(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.

BIRD STUDIES CANADA/ÉTUDES D'OISEAUX CANADA

Notes to Financial Statements, page 2

Year ended 31 March, 2007

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

(b) 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
Vehicles	Straight-line	5 years
Equipment	Straight-line	5 years
Network, computers	Straight-line	3 years

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

(c) Investments:

Investments are recorded at the lower of cost and market value. If the market value of investments becomes lower than cost and this decline in value is considered to be other than temporary, the investments are written-down to market value.

(d) Revenue recognition:

Restricted contributions related to general operations are recognized as revenue of the Operating Fund in the year 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 received if the amount received can be reasonably estimated and collection is reasonably assumed.

Contributions for endowment are recognized as revenue in the Endowment Fund. Investment income earned on Endowment Fund is recognized as revenue of the Endowment Fund.

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

(e) Donated materials and services:

Donated materials and services, which would otherwise be paid by the entity, 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.

BIRD STUDIES CANADA/ÉTUDES D'OISEAUX CANADA

Notes to Financial Statements, page 3

Year ended 31 March, 2007

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

(f) Deferred revenue:

Program grants received before 31 March, 2007, for programs to be completed for periods after 31 March, 2007, are deferred to the following year and disclosed as deferred revenue on the balance sheet.

(g) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. Estimates are reviewed on a regular basis and, as adjustments become necessary, they are reported in income in the periods in which they become known. The assets and liabilities which require management to make significant estimates and assumptions in determining carrying values include accounts receivable, property, buildings and equipment, investments, accounts payable and accrued liabilities, and deferred revenue.

2. Accounts receivable:

	Operating Fund	Endowment Fund	Capital Fund	Baillie Fund	Tarry Fund	2007	2006
	\$	\$	\$	\$	\$	\$	\$
Trade	589,748	-	750	-	-	590,498	381,744
Due from Operating	-	342	28,886	19,104	6,475	54,807	51,567
Due from Endowment	45,353	-	-	-	-	45,353	40,716
Due from Capital	575	-	-	-	-	575	576
Due from Tarry	20,451	-	-	-	-	20,451	14,861
	656,127	342	29,636	19,104	6,475	711,684	489,464

BIRD STUDIES CANADA/ÉTUDES D'OISEAUX CANADA

Notes to Financial Statements, page 4

Year ended 31 March, 2007

3. Investments:

Investments consist of:

	Cost		Market value	
	2007	2006	2007	2006
Endowment fund:				
Short-term	\$ 100,000	\$ -	\$ 100,000	\$ -
Long-term	3,212,675	3,170,567	3,834,125	3,772,943
	<u>\$ 3,312,675</u>	<u>\$ 3,170,567</u>	<u>\$ 3,934,125</u>	<u>\$ 3,772,943</u>

Fund allocation based on market value is as follows:

Tarry account	\$ 1,350,476	\$ 1,231,362
Long Point Bird Observatory account	767,565	715,596
Long Point Waterfowl and Wetlands Research Fund account	1,026,989	1,045,405
Building	331,648	354,826
General account	457,447	425,754
	<u>\$ 3,934,125</u>	<u>\$ 3,772,943</u>

4. Property, buildings and equipment:

	2007		2006	
	Cost	Accumulated amortization	Net book value	Net book value
Headquarters land	\$ 216,000	\$ -	\$ 216,000	\$ 216,000
Headquarters building	1,900,018	365,998	1,534,020	1,608,821
Old Cut property	82,701	-	82,701	82,701
Old Cut field station and visitor centre	142,939	83,638	59,301	60,272
Remote Long Point field stations	129,593	106,204	23,389	27,356
Vehicles	233,885	156,380	77,505	70,756
Network, computers and equipment	604,624	555,058	49,566	96,516
Kiosks	185,938	70,873	115,065	133,659
Barn and lab	135,521	55,402	80,119	93,671
	<u>\$ 3,631,219</u>	<u>\$ 1,393,553</u>	<u>\$ 2,237,666</u>	<u>\$ 2,389,752</u>

5. Bank indebtedness:

The bank indebtedness bears interest at bank prime plus 0.25%. The line of credit consists of \$150,000, unsecured and \$100,000 secured by a \$100,000 guaranteed investment certificate.

BIRD STUDIES CANADA/ÉTUDES D'OISEAUX CANADA

Notes to Financial Statements, page 5

Year ended 31 March, 2007

6. Accounts payable and accrued liabilities:

	Operating Fund	Endowment Fund	Capital Fund	Baillie Fund	Tarry Fund	2007	2006
	\$	\$	\$	\$	\$	\$	\$
Trade and accrued liabilities	314,119	-	-	-	-	314,119	339,665
Due to Operating	-	45,353	575	-	20,451	66,379	56,153
Due to Endowment	342	-	-	-	-	342	13,120
Due to Capital	28,886	-	-	-	-	28,886	11,824
Due to Baillie	19,133	-	-	-	-	19,133	24,296
Due to Tarry	6,475	-	-	-	-	6,475	2,327
	368,955	45,353	575	-	20,451	435,334	447,385

7. Deferred revenue:

This account represents money that was invoiced or received in the current year which will be expended on projects in 2007 - 2008.

8. Long-term debt:

	2007	2006
7.10% term loan payable in blended monthly payments of principal and interest of \$463, secured by a vehicle, due March 2012	\$ 20,319	\$ 27,109
Current year portion	4,291	3,758
	\$ 16,028	\$ 23,351

Principal repayments on long-term debt are as follows:

2008	\$ 4,292
2009	4,606
2010	4,943
2011	5,306
2012	1,172
	\$ 20,319

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Notes to Financial Statements, page 6

Year ended 31 March, 2007

9. Interfund transfers and internally restricted fund balances:

In fiscal 2006, 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.

\$575,237 was transferred from the Endowment Fund into the Operating Fund to cover \$457,637 of budgeted expenses of the Long Point Waterfowl and Wetlands Research Fund and \$117,600 for operational expenses. \$19,510 was transferred from the Endowment Fund to the Tarry Fund to fund the annual Young Ornithologists Workshop.

\$112,932 was transferred from the Operating Fund:

- \$93,828 into the Capital Fund to purchase capital assets and renovation cost of the farm house.
- \$19,104 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.

10. Contingencies:

Bird Studies Canada 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.

11. Commitments:

Future minimum payments under an operating lease for office equipment are as follows:

2008	\$	12,293
2009		12,293
2010		10,677
2011		1,946

12. Fair value of financial instruments:

The carrying value of cash and term deposits, accounts receivable, bank indebtedness, accounts payable and accrued liabilities approximate their fair values due to the relatively short periods to maturity of these items.