

BIRD ECOLOGY AND CONSERVATION ONTARIO

Financial Statements
December 31, 2020

INDEPENDENT AUDITORS' REPORT

To the Members of Bird Ecology and Conservation Ontario:

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of Bird Ecology and Conservation Ontario ("the Organization"), which comprise the statement of financial position as at December 31, 2020, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2020, 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.

Basis for Qualified Opinion

In common with many charitable organizations, Bird Ecology and Conservation Ontario derives revenue from donations and fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our audit of these revenues was limited to the amounts recorded in the records of Bird Ecology and Conservation Ontario and we were not able to determine whether any adjustments might be necessary for recorded donations or fundraising revenues, the excess of revenues over expenditures, cash flows from operating activities for the years ended December 31, 2020 and December 31, 2019, current assets as at December 31, 2020 and December 31, 2019 and net assets as at January 1 and December 31 for 2019 and 2020. Consequently we expressed a qualified audit opinion on the financial statements for the year ended December 31, 2020, because of the possible effect of this scope limitation.

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 report. We are independent of the Organization 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 qualified opinion.

INDEPENDENT AUDITORS' REPORT CONTINUED

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

Those charged with governance are responsible for overseeing the Organization'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 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 Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITORS' REPORT CONTINUED

- 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 Organization'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 Organization 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Hufon Valvano & Co. Chartered Accountants LLP

Chartered Professional Accountants
Licensed Public Accountants

Mississauga, Ontario
March 22, 2021

BIRD ECOLOGY AND CONSERVATION ONTARIO

STATEMENT OF FINANCIAL POSITION December 31, 2020

	Notes	2020	2019
ASSETS			
CURRENT			
Cash		\$ 67,295	\$ 75,160
Accounts receivable		27,613	1,278
Prepaid expenses		856	750
		\$ 95,764	\$ 77,188
LIABILITIES			
CURRENT			
Line of credit	2	\$ 7,004	\$ 12
Accounts payable and accrued liabilities		3,041	4,196
Deferred revenue	3	36,043	44,372
		46,088	48,580
NET ASSETS			
Internally restricted net assets	4	39,740	-
Unrestricted net assets		9,936	28,608
		49,676	28,608
		\$ 95,764	\$ 77,188

See accompanying notes

BIRD ECOLOGY AND CONSERVATION ONTARIO

STATEMENT OF CHANGES IN NET ASSETS

For the year ended December 31, 2020

	Internally Restricted Net Assets	Unrestricted Net Assets	2020	2019
BALANCE, beginning of year	\$ -	\$ 28,608	\$ 28,608	\$ 34,034
Excess revenue over expenses (expenses over revenue)	-	21,068	21,068	(5,426)
Allocation - Note 4	39,740	(39,740)	-	-
BALANCE, end of year	\$ 39,740	\$ 9,936	\$ 49,676	\$ 28,608

See accompanying notes

BIRD ECOLOGY AND CONSERVATION ONTARIO

STATEMENT OF OPERATIONS

For the year ended December 31, 2020

	2020	2019
REVENUE		
Fundraising and donations	\$ 106,826	\$ 70,493
Grants	59,351	37,923
Contracts	27,528	1,084
	<u>193,705</u>	<u>109,500</u>
EXPENSES		
Research and conservation projects (Schedule)	159,380	104,420
Administrative and general	11,490	9,483
Fundraising	1,767	1,023
	<u>\$ 172,637</u>	<u>\$ 114,926</u>
EXCESS OF REVENUE OVER EXPENSES (EXPENSES OVER REVENUE)	\$ 21,068	\$ (5,426)

BIRD ECOLOGY AND CONSERVATION ONTARIO

STATEMENT OF CASH FLOWS

For the year ended December 31, 2020

	2020	2019
OPERATING ACTIVITIES		
Excess of revenue over expenses (expenses over revenue)	\$ 21,068	\$ (5,426)
Net change in non-cash working capital items:		
Accounts receivable	(26,335)	39,581
Prepaid expenses	(106)	(69)
Accounts payable and accrued liabilities	(1,155)	(1,322)
Deferred revenue	(8,329)	35,609
	(14,857)	68,373
FINANCING ACTIVITIES		
Advances from (repayment of) line of credit	6,992	(19,300)
(DECREASE) INCREASE IN CASH	(7,865)	49,073
CASH, beginning of year	75,160	26,087
CASH, end of year	\$ 67,295	\$ 75,160

See accompanying notes

BIRD ECOLOGY AND CONSERVATION ONTARIO

SCHEDULE

For the year ended December 31, 2020

	Note	2020	2019
RESEARCH AND CONSERVATION PROJECTS			
Salaries and benefits	5	\$ 143,369	\$ 94,642
Subcontractors		6,326	-
Project printing & publication		5,011	143
Travel		3,195	5,453
Project supplies		684	217
Accommodation		600	1,750
Other		195	2,215
		\$ 159,380	\$ 104,420

BIRD ECOLOGY AND CONSERVATION ONTARIO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

DESCRIPTION OF BUSINESS

Bird Ecology and Conservation Ontario (the "Organization") was incorporated on November 25, 2013 under the Canada Not-for-profit Corporations Act as a non-profit corporation without share capital. Its purpose is to protect the environment for the benefit of the public by conducting ecological research to further the conservation of at-risk birds and their habitats, and disseminating the research results to the public, researchers, and organizations involved in the conservation of wild birds and their habitats.

The Organization was registered as a charity on January 9, 2015 under the Income Tax Act, and is therefore not subject to income tax.

1 SIGNIFICANT ACCOUNTING POLICIES

These financial statements were prepared in accordance with Canadian generally accepted accounting principles applying accounting standards for not-for-profit organizations and include the following significant accounting policies:

Revenue recognition

The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Government assistance

Government assistance is recognized in the financial statements as a reduction of the expense to which the incentive applies in the period it is received. Government assistance related to current expenses is accrued when not received and there is reasonable assurance that the Organization has complied and will continue to comply with the conditions for the receipt of the government assistance.

Contributed services

The Organization derives a significant benefit from the voluntary services of its members. Since these services are not normally purchased by the Organization and because it is not possible to estimate their fair value, the value of these services is not recognized in the financial statements.

BIRD ECOLOGY AND CONSERVATION ONTARIO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

1 SIGNIFICANT ACCOUNTING POLICIES continued

Financial instruments

Measurement of financial instruments

The Organization initially measures its financial assets and financial liabilities at fair value. The Organization subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial instruments include cash, accounts receivable, line of credit and accounts payable and accrued liabilities.

Impairment

For financial assets measured at cost or amortized cost, the Organization determines whether there are indications of possible impairment. When there is an indication of impairment, and the Organization determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in the statement of operations. A previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may not be greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of operations.

Use of estimates

The preparation of the Organization's financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are reviewed periodically and adjustments are made to income as appropriate in the period they become known. Due to the inherent uncertainty in making estimates, actual results could differ from those estimates.

Significant items subject to estimates include deferred revenue.

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NOTES TO THE FINANCIAL STATEMENTS

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2 LINE OF CREDIT

The Organization has an unsecured demand line of credit of \$20,000 and a credit card with a limit of \$5,000. The line of credit bears interest at the bank's base rate plus 1.55% (7.0%, 2019 - 8.50%). The bank's base rate equals bank prime rate plus 3.00%. The bank prime rate as at the statement of financial position date is 2.45% (2019 - 3.95%). The line of credit balance at December 31, 2020 is \$7,004 (2019 - \$12).

3 DEFERRED REVENUE

Funding of expenses for the next year:

	2020	2019
Balance beginning of year	\$ 44,372	\$ 8,763
Less amount recognized as revenue in year	(44,372)	(8,763)
Add amounts related to following year	36,043	44,372
	<u>\$ 36,043</u>	<u>\$ 44,372</u>

4 INTERNALLY RESTRICTED NET ASSETS

Internally restricted net assets represent funds that have been restricted by the Organization's Board of Directors ("the Board") for use in research and conservation projects. The net assets internally restricted as at December 31, 2020 were comprised of unutilized individual donations received in 2020 and prior years. The Board internally restricted eighty per cent of the net assets to be used solely in connection with program related expenses with one exception. The Board will allow the internally restricted funds to be used to temporarily assist with cash flow in connection with non-program expenses. The remaining twenty per cent of net assets have no restrictions.

5 GOVERNMENT ASSISTANCE

The Organization had applied for the Canada Temporary Wage Subsidy during the year. The Organization credited \$2,750 against research and conservation projects salaries and benefits expense.

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NOTES TO THE FINANCIAL STATEMENTS

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6 FINANCIAL INSTRUMENTS

The Organization is exposed to various risks through its financial instruments, without being exposed to concentrations of risk, except where noted below. The following analysis provides a measure of the Organization's risk exposure at the balance sheet date.

Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The Organization is exposed to credit risk related to accounts receivable. The extent of the Organization's exposure to the above risk did not change from the prior year.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization is exposed to interest rate risk on its variable interest rate line of credit. The variable rate on bank line of credit also exposes the Organization to cash flow risk. The extent of the Organization's exposure to the above risk did not change from the prior year.

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NOTES TO THE FINANCIAL STATEMENTS

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7 COVID-19

The 2019 Novel Coronavirus infection (“COVID-19”, “the virus”) pandemic poses a major health threat with a resulting hindrance in the movement of people and products worldwide. Government restrictions on both individuals and businesses are widespread and the resulting impact on financial reporting may be significant.

This virus has had impacts on the Organization’s business with disruptions to operations, including revised activity for particular projects, deferred activities for particular grants, and revision of employee tasks and responsibilities to reduce potential exposure to the virus.

The duration and financial effect of the COVID-19 pandemic remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Organization for future periods.

While the extent and duration of the impact of COVID-19 remains uncertain, the Organization has implemented several measures to protect its financial position and preserve liquidity. Cost containment measures implemented in 2020 included reduced work hours for particular employees and a reduction in expenses associated with field work (i.e., accommodation and travel expenses for field staff).

Management has reviewed receivable balances as at the year-end and concluded that all balances are collectible and no provision is required for allowance for doubtful accounts. The Organization also has sufficient cash on hand at the year-end to meet its foreseeable obligations.