



THE PETERBOROUGH HUMANE SOCIETY
FINANCIAL STATEMENTS
DECEMBER 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Directors of The Peterborough Humane Society

www.bakertilly.ca

Qualified Opinion

We have audited the financial statements of The Peterborough Humane Society (the Society), which comprise the statement of financial position as at December 31, 2018, the statements of operations and changes in fund balances, 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 Society as at December 31, 2018, 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 most not-for-profit organizations, The Peterborough Humane Society derives revenue from fundraising, memberships and donations, and bequests, the completeness of which is not susceptible to satisfactory audit evidence. Accordingly, our verification of these revenues was limited to the amounts recorded by the Society and we were not able to determine whether any adjustments might be necessary to revenue, excess (deficiency) of revenue over expense, assets and fund balances.

Other Matter

The financial statements of The Peterborough Humane Society as at and for the year ended December 31, 2017 were audited by Collins Barrow Kawarthas LLP, which became Baker Tilly KDN LLP effective January 10, 2019.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Society'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 Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society's financial reporting process.

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Auditor's 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 auditor's 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 Society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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 Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Society 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.

Baker Tilly KDN LLP

Chartered Professional Accountants
Licensed Public Accountants

Peterborough, Ontario
April 24, 2019

THE PETERBOROUGH HUMANE SOCIETY



STATEMENT OF FINANCIAL POSITION As at December 31, 2018

	Unrestricted 2018 \$	Capital 2018 \$	Restricted 2018 \$	Animal Care Centre Campaign 2018 \$	Total 2018 \$	Total 2017 \$
ASSETS						
Current assets						
Cash	55,976	-	-	262,877	318,853	133,047
Investments (note 3)	-	-	455,154	-	455,154	463,557
Accounts receivable	90,403	-	-	-	90,403	105,046
HST receivable	46,619	-	-	-	46,619	25,009
Interfund receivable (payable) (note 4)	(448,370)	(169,235)	189,777	427,828	-	-
Prepaid expenses	9,362	-	-	-	9,362	6,733
Total current assets	(246,010)	(169,235)	644,931	690,705	920,391	733,392
Tangible capital assets (note 5)	-	1,800,201	-	-	1,800,201	1,695,016
Total assets	(246,010)	1,630,966	644,931	690,705	2,720,592	2,428,408
LIABILITIES AND FUND BALANCES						
Current liabilities						
Operating line (note 6)	-	-	-	-	-	2,000
Accounts payable (note 7)	148,740	-	-	-	148,740	152,785
Mortgage payable (note 8)	-	188,824	-	-	188,824	210,000
Deferred revenue (note 9)	49,658	-	-	-	49,658	13,052
Total current liabilities	198,398	188,824	-	-	387,222	377,837
Deferred rental revenue (note 10)	-	444,984	-	-	444,984	384,984
Total liabilities	198,398	633,808	-	-	832,206	762,821
Fund balances						
Unrestricted	(444,408)	-	-	-	(444,408)	(294,936)
Invested in tangible capital assets	-	997,158	-	-	997,158	988,139
Internally restricted	-	-	644,931	-	644,931	653,501
Externally restricted - capital campaign	-	-	-	690,705	690,705	318,883
Total fund balances	(444,408)	997,158	644,931	690,705	1,888,386	1,665,587
Total liabilities and fund balances	(246,010)	1,630,966	644,931	690,705	2,720,592	2,428,408

The accompanying notes are an integral part of these financial statements

THE PETERBOROUGH HUMANE SOCIETY



STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES For the Year Ended December 31, 2018

	Unrestricted 2018 \$	Capital 2018 \$	Restricted 2018 \$	Animal Care Centre Campaign 2018 \$	Total 2018 \$	Total 2017 \$
Revenue						
Municipal fees	379,744	-	-	-	379,744	376,190
Shelter services	318,445	-	-	-	318,445	276,351
Memberships and donations	186,251	-	-	337,695	523,946	185,250
OSPCA grant	104,743	-	-	-	104,743	24,525
Fundraising	116,461	-	-	-	116,461	105,432
Bequests	-	-	-	-	-	147,099
Investment income	274	-	9,213	-	9,487	8,399
Unrealized gain (loss) on investments	-	-	(17,783)	-	(17,783)	9,262
Grant revenue	53,051	-	-	200,000	253,051	313,750
	1,158,969	-	(8,570)	537,695	1,688,094	1,446,258
Expense						
Salaries and benefits	732,762	-	-	-	732,762	683,921
Animal care	231,422	-	-	-	231,422	183,152
Fundraising	44,639	-	-	165,873	210,512	136,639
Office	70,712	-	-	-	70,712	51,282
Occupancy	70,426	-	-	-	70,426	55,717
Professional fees	45,057	-	-	-	45,057	41,459
Vehicle	28,629	-	-	-	28,629	19,411
Amortization	-	22,400	-	-	22,400	29,948
Advertising and promotion	13,309	-	-	-	13,309	3,594
Interest and bank charges	12,547	-	-	-	12,547	9,497
Insurance	10,840	-	-	-	10,840	12,057
Meetings and travel	10,291	-	-	-	10,291	2,272
Training	5,470	-	-	-	5,470	3,212
Memberships	918	-	-	-	918	337
	1,277,022	22,400	-	165,873	1,465,295	1,232,498
Excess (deficiency) of revenue over expense for the year	(118,053)	(22,400)	(8,570)	371,822	222,799	213,760
Fund balances - beginning of year	(294,936)	988,139	653,501	318,883	1,665,587	1,451,827
Fund transfers (note 4)	(31,419)	31,419	-	-	-	-
FUND BALANCES - END OF YEAR	(444,408)	997,158	644,931	690,705	1,888,386	1,665,587

The accompanying notes are an integral part of these financial statements



THE PETERBOROUGH HUMANE SOCIETY

STATEMENT OF CASH FLOWS For the Year Ended December 31, 2018

	2018	2017
	\$	\$
CASH PROVIDED FROM (USED FOR):		
Operating activities		
Excess (deficiency) of revenue over expense for the year	222,799	213,760
Items not affecting cash		
Amortization of tangible capital assets	22,400	29,948
Unrealized (gain)/loss on investments	17,783	(9,262)
	<u>262,982</u>	<u>234,446</u>
Changes in non-cash working capital items		
Decrease (increase) in accounts receivable	14,643	(100,300)
(Increase) decrease in HST receivable	(21,610)	19,668
Increase in prepaid expenses	(2,629)	(1,047)
Decrease in accounts payable and accrued liabilities	(4,045)	(110,007)
Increase (decrease) in deferred revenue	36,606	(7,552)
	<u>22,965</u>	<u>(199,238)</u>
Net Increase in cash from operating activities	<u>285,947</u>	<u>35,208</u>
Investing activities		
Purchase of investments	(9,380)	(8,302)
Purchase of tangible capital assets	(127,585)	(274,045)
	<u>(136,965)</u>	<u>(282,347)</u>
Financing activities		
Increase (decrease) in line of credit	(2,000)	2,000
Repayment of mortgage	(21,176)	(21,176)
Deferred OSPCA rental revenue	60,000	214,716
	<u>36,824</u>	<u>195,540</u>
Increase (decrease) in cash	185,806	(51,599)
Cash - beginning of year	133,047	184,646
Cash - end of year	318,853	133,047

The accompanying notes are an integral part of these financial statements

THE PETERBOROUGH HUMANE SOCIETY



NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2018

1. NATURE OF OPERATIONS

The Peterborough Humane Society ("the Society") is a not-for-profit organization that was incorporated on January 24, 1941, without share capital, to facilitate and provide for the prevention of cruelty to animals and their protection and relief there from and to provide shelter for homeless, unwanted or stray pets.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations. Significant aspects of the accounting policies are as follows:

(a) *Recognition of revenues and expenses*

The Peterborough Humane Society uses the restricted fund method of accounting. Restricted contributions are recognized as revenue of the appropriate fund when received or receivable. Unrestricted contributions, including memberships and donations, are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income is recognized as revenue when earned. Investment income consists of interest income and realized capital gains.

Revenue from municipal fees and shelter services is recognized when the services are provided or the goods are sold.

Expenses are reported on the accrual basis of accounting, recognizing expenses in the period the goods and services are acquired and a legal liability is incurred.

(b) *Fund accounting*

In order to ensure observance of limitations and restrictions placed on the use of the resources available to the Society, the accounts are maintained in accordance with the principles of fund accounting. Under these principles, resources are classified for accounting purposes into funds that are in accordance with particular activities or objectives specified. These funds are maintained as follows:

- (i) Unrestricted fund - includes results of day-to-day operating transactions and all unrestricted contributions;
- (ii) Capital fund - includes the Society's assets, liabilities, revenues, and expenses related to tangible capital assets;
- (iii) Restricted fund - includes internally restricted contributions as designated by the Board of Directors; and
- (iv) Animal care centre campaign fund - includes the Society's assets, liabilities, revenues, and expenses related to the capital campaign for the animal care centre.

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(c) *Tangible capital assets*

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, if any, of capital assets is amortized on a straight-line basis, over the expected useful life of the asset, as follows:

Building	100 years
Computer equipment and software	3 years
Equipment	10 years
Vehicles	5 years

Tangible capital assets categorized as assets under construction are not amortized until they are put into service.

(d) *Income taxes*

As a registered charitable organization under the Federal and Provincial Income Tax Acts, the organization is exempt from income taxes and is prohibited from distributing any of its earnings to or for the personal benefit of the members.

(e) *Use of estimates*

The preparation of 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year.

Key areas where management has made complex or subjective judgments (often as a result of matters that are inherently uncertain) include, among others, useful lives of capital assets and amortization, accounts payable and accrued liabilities and revenue recognition. Actual results could differ from these and other estimates, the impact of which would be recorded in future periods.

(f) *Deferred revenue*

Deferred revenue represents externally restricted operating funding received for specific purposes and revenue that has been received for services to be provided in the future.

(g) *Donated services*

Volunteers contribute a significant amount of time each year to assist the Society in carrying out its programs and services. However, these donated services are not recorded because their fair market value is not readily determinable.

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(h) Financial instruments

(i) Measurement

The Society initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Society subsequently measures its financial assets, other than mutual fund investments, and financial liabilities at amortized cost. Changes in fair value are recognized in the statement of operations.

Financial assets measured at amortized cost include cash, accounts receivable, and investments in guaranteed investment certificates.

Financial liabilities measured at amortized cost include accounts payable and mortgage payable.

Financial assets measured at fair value include investments in mutual funds.

(ii) Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in the statement of operations.

3. INVESTMENTS

Investments consists of the following

	2018	2017
	\$	\$
Guaranteed investment certificate	27,048	26,882
Mutual funds	428,106	436,675
	<u>455,154</u>	<u>463,557</u>

The guaranteed investment certificate is recorded at amortized cost. It bears interest at 1.4000% and is due October 8, 2019. (2017 - 0.90%, due October 6, 2018.) This investment is assigned as security for the line of credit as described in note 6.

The mutual funds are recorded at market value. The cost of the mutual funds is \$431,928.

THE PETERBOROUGH HUMANE SOCIETY



NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2018

4. INTERFUND RECEIVABLE (PAYABLE)

The interfund receivable (payable) balances consist of amounts owing between funds. These interfund advances are non-interest bearing with no fixed terms of repayment.

During the year, the Society transferred \$31,419 from the unrestricted fund to the capital fund for capital expenditures.

5. TANGIBLE CAPITAL ASSETS

Tangible capital assets consist of the following:

	Cost	Accumulated Amortization	Net Book Value	
			2018	2017
	\$	\$	\$	\$
Land	89,804	-	89,804	89,804
Buildings	967,829	352,083	615,746	625,424
Computer hardware and software	39,523	39,523	-	-
Equipment	131,873	36,846	95,027	4,210
Automotive	80,198	61,429	18,769	27,758
Land and development costs	429,286	-	429,286	429,286
Building under construction	551,569	-	551,569	518,534
	2,290,082	489,881	1,800,201	1,695,016

Land and development costs relate to the development of the Society's proposed new facility on Technology Drive in Peterborough, Ontario.

6. CREDIT FACILITY

The Society has a line of credit of \$25,000 established with the Royal Bank of Canada. The line of credit bears interest at bank prime rate plus 1.50%, and is secured by a general security agreement and a charge over the Society's investments. The balance at December 31, 2018 was \$nil (2017 - \$2,000).

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consists of the following:

	2018	2017
	\$	\$
Accounts payable and accrued liabilities	121,704	137,250
Government remittances	27,036	15,535
	148,740	152,785

THE PETERBOROUGH HUMANE SOCIETY



NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2018

8. MORTGAGE PAYABLE

The Society has a mortgage payable owing to the Royal Bank of Canada, which bears interest at the bank prime rate plus 1.55% per annum, repayable in monthly payments of \$1,765 plus interest and is secured by land at 1999 Technology Drive. The loan has a 12 month term, ending May 31, 2019, with all outstanding principal and interest payable in full at the end of the term.

9. DEFERRED REVENUE

Deferred revenue represents revenues collected but not earned as at December 31, 2018 and consists of dog license revenue, cat tag revenue and event revenue.

10. DEFERRED RENTAL REVENUE

The Society has entered into an agreement to lease a portion of the new premises at 1999 Technology Drive to the OSPCA. The OSPCA has paid the Society \$444,984 to date relating to prepaid rent, which the Society will defer and begin to recognize on the first day of occupancy. The lease agreement will be in effect for a period of 20 years.

11. FINANCIAL INSTRUMENTS

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below.

(a) Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. Mortgage payable is exposed to interest rate risk as it bears interest at a variable rate. Investments in guaranteed investment certificates bear interest at fixed rates and therefore are subject to interest rate price risk as the value of the investments will fluctuate with changes in the interest rate.

(b) 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 Society has limited exposure to credit risk as the majority of receivables are due from municipal and federal levels of government.

(c) Market risk

Market risk is the risk of exposure to certain conditions including changes in pricing and limited access to foreign markets. The mutual fund investments are exposed to market risk since the market value of the investments will change with fluctuations in pricing.