

THE PETERBOROUGH HUMANE SOCIETY
FINANCIAL STATEMENTS
DECEMBER 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Directors of The Peterborough Humane Society

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, 2019, 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, 2019, 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.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Society 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.

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 3, 2020

THE PETERBOROUGH HUMANE SOCIETY

STATEMENT OF FINANCIAL POSITION As at December 31, 2019

	Unrestricted 2019 \$	Capital 2019 \$	Restricted 2019 \$	Animal Care Centre Campaign 2019 \$	Total 2019 \$	Total 2018 \$
ASSETS						
Current assets						
Cash	142,227	-	-	604,029	746,256	318,853
Investments (note 3)	-	-	489,342	-	489,342	455,154
Accounts receivable	41,760	-	-	-	41,760	90,403
HST receivable	22,607	-	-	-	22,607	46,619
Interfund receivable (payable) (note 4)	(511,870)	(123,844)	189,392	446,322	-	-
Prepaid expenses	9,313	-	-	-	9,313	9,362
Total current assets	(295,963)	(123,844)	678,734	1,050,351	1,309,278	920,391
Tangible capital assets (note 5)	-	1,860,701	-	-	1,860,701	1,800,201
Total assets	(295,963)	1,736,857	678,734	1,050,351	3,169,979	2,720,592
LIABILITIES AND FUND BALANCES						
Current liabilities						
Accounts payable and accrued liabilities (note 7)	107,718	-	-	-	107,718	148,740
Mortgage payable (note 8)	-	167,647	-	-	167,647	188,824
Deferred revenue (note 9)	37,173	-	-	-	37,173	49,658
Total current liabilities	144,891	167,647	-	-	312,538	387,222
Deferred rental revenue (note 10)	-	559,201	-	-	559,201	444,984
Total liabilities	144,891	726,848	-	-	871,739	832,206
Fund balances						
Unrestricted	(440,854)	-	-	-	(440,854)	(444,408)
Invested in tangible capital assets	-	1,010,009	-	-	1,010,009	997,158
Internally restricted	-	-	678,734	-	678,734	644,931
Externally restricted - capital campaign	-	-	-	1,050,351	1,050,351	690,705
Total fund balances	(440,854)	1,010,009	678,734	1,050,351	2,298,240	1,888,386
Total liabilities and fund balances	(295,963)	1,736,857	678,734	1,050,351	3,169,979	2,720,592

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, 2019

	Unrestricted 2019 \$	Capital 2019 \$	Restricted 2019 \$	Animal Care Centre Campaign 2019 \$	Total 2019 \$	Total 2018 \$
Revenue						
Municipal fees	384,366	-	-	-	384,366	379,744
Shelter services	362,879	-	-	-	362,879	330,147
Donations	250,577	-	-	185,160	435,737	526,052
OSPCA grant	19,637	-	-	-	19,637	104,743
Fundraising	142,459	-	-	-	142,459	102,653
Investment income	574	-	10,955	7,216	18,745	9,487
Unrealized gain (loss) on investments	-	-	22,848	-	22,848	(17,783)
Grant revenue	9,713	-	-	400,000	409,713	253,051
Miscellaneous Income	9,928	-	-	-	9,928	-
Gain on sale of asset	8,893	-	-	-	8,893	-
	<u>1,189,026</u>	<u>-</u>	<u>33,803</u>	<u>592,376</u>	<u>1,815,205</u>	<u>1,688,094</u>
Expense						
Salaries and benefits	710,532	-	-	85,216	795,748	732,762
Animal care	214,091	-	-	-	214,091	231,422
Fundraising	39,035	-	-	147,514	186,549	210,512
Office	50,307	-	-	-	50,307	71,630
Occupancy	65,751	-	-	-	65,751	70,426
Professional fees	12,090	-	-	-	12,090	45,057
Vehicle	19,487	-	-	-	19,487	28,629
Amortization	-	18,147	-	-	18,147	22,400
Advertising and promotion	3,032	-	-	-	3,032	13,309
Interest and bank charges	15,888	-	-	-	15,888	12,547
Insurance	11,172	-	-	-	11,172	10,840
Meetings and travel	7,752	-	-	-	7,752	10,291
Training	5,337	-	-	-	5,337	5,470
	<u>1,154,474</u>	<u>18,147</u>	<u>-</u>	<u>232,730</u>	<u>1,405,351</u>	<u>1,465,295</u>
Excess (deficiency) of revenue over expense for the year	34,552	(18,147)	33,803	359,646	409,854	222,799
Fund balances - beginning of year	(444,408)	997,158	644,931	690,705	1,888,386	1,665,587
Fund transfers (note 4)	(30,998)	30,998	-	-	-	-
Fund Balances- end of year	(440,854)	1,010,009	678,734	1,050,351	2,298,240	1,888,386

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, 2019

	2019	2018
	\$	\$
CASH PROVIDED FROM (USED FOR):		
Operating activities		
Excess (deficiency) of revenue over expense for the year	409,854	222,799
Items not affecting cash		
Amortization of tangible capital assets	18,147	22,400
Unrealized (gain)/loss on investments	(22,848)	17,783
Gain on sale of asset	(8,893)	-
	<u>396,260</u>	<u>262,982</u>
Changes in non-cash working capital items		
Decrease in accounts receivable	48,642	14,643
(Increase) decrease in HST receivable	24,012	(21,610)
(Increase) decrease in prepaid expenses	49	(2,629)
Decrease in accounts payable and accrued liabilities	(41,022)	(4,045)
Increase (decrease) in deferred program revenue	(12,485)	36,606
	<u>19,196</u>	<u>22,965</u>
Net increase in cash from operating activities	<u>415,456</u>	<u>285,947</u>
Investing activities		
Purchase of investments	(11,339)	(9,380)
Purchase of tangible capital assets	(97,416)	(127,585)
Proceeds on disposal of asset	27,662	-
	<u>(81,093)</u>	<u>(136,965)</u>
Net decrease in cash from investing activities	<u>(81,093)</u>	<u>(136,965)</u>
Financing activities		
Decrease in line of credit	-	(2,000)
Repayment of mortgage	(21,177)	(21,176)
Deferred OSPCA rental revenue	114,217	60,000
	<u>93,040</u>	<u>36,824</u>
Net Increase in cash from financing activities	<u>93,040</u>	<u>36,824</u>
Increase in cash	427,403	185,806
Cash - beginning of year	318,853	133,047
Cash - end of year	746,256	318,853

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, 2019

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.

THE PETERBOROUGH HUMANE SOCIETY

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2019

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.

THE PETERBOROUGH HUMANE SOCIETY

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(h) Measurement of 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

	\$	\$
Guaranteed investment certificate	27,433	27,048
Mutual funds	461,909	428,106
	489,342	455,154

The guaranteed investment certificate is recorded at amortized cost. It bears interest at 1.4500% and is due October 10, 2020. (2018 - 1.4%, due October 8, 2019.) 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 \$443,130.

THE PETERBOROUGH HUMANE SOCIETY

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2019

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 \$30,998 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	
			2019 \$	2018 \$
Land	89,804	-	89,804	89,804
Buildings	967,828	361,761	606,067	615,746
Computer hardware and software	47,148	40,781	6,367	-
Equipment	155,997	39,663	116,334	95,027
Vehicles	55,103	15,575	39,528	18,769
Land and development costs	429,286	-	429,286	429,286
Building under construction	573,315	-	573,315	551,569
	2,318,481	457,780	1,860,701	1,800,201

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, 2019 was \$nil (2018 - \$nil).

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consists of the following:

	2019 \$	2018 \$
Accounts payable and accrued liabilities	107,718	121,704
Government remittances	-	27,036
	107,718	148,740

THE PETERBOROUGH HUMANE SOCIETY

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2019

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, 2020, 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, 2019 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 \$559,201 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.

12. SUBSEQUENT EVENT

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. The potential economic effects within the Enter description environment and in the global markets, possible disruption in supply chains, and measures being introduced at various levels of government to curtail the spread of the virus (such as travel restrictions, closures of non-essential municipal and private operations, imposition of quarantines and social distancing) could have a material impact on the Enter description operations. The extent of the impact of this outbreak and related containment measures on the Enter description operations cannot be reliably estimated at this time.
