



THE PETERBOROUGH HUMANE SOCIETY

FINANCIAL STATEMENTS

DECEMBER 31, 2022

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TABLE OF CONTENTS

	Page Number
INDEPENDENT AUDITOR'S REPORT	
FINANCIAL STATEMENTS	
Statement of Financial Position	5 - 6
Statement of Operations and Changes in Fund Balances	6
Statement of Cash Flows	7
Notes to the Financial Statements	8 - 15

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, 2022, 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, 2022, 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.

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.



Chartered Professional Accountants
Licensed Public Accountants

Peterborough, Ontario

May 31, 2023

THE PETERBOROUGH HUMANE SOCIETY
STATEMENT OF FINANCIAL POSITION
As at December 31, 2022

	Unrestricted 2022 \$	Capital 2022 \$	Animal Care Centre Campaign 2022 \$	Total 2022 \$	Total 2021 \$
ASSETS					
Current assets					
Cash	427,941	-	706,535	1,134,476	2,801,123
Investments (note 3)	349	-	-	349	15,784
Accounts receivable	38,394	281,272	5,000	324,666	56,366
HST receivable	287,737	-	-	287,737	253,535
Interfund receivable (payable) (note 4)	(559,258)	559,258	-	-	-
Prepaid expenses	2,279	-	-	2,279	17,733
Total current assets	197,442	840,530	711,535	1,749,507	3,144,541
Tangible capital assets (notes 5 and 13)	-	12,828,027	-	12,828,027	5,766,388
Total assets	197,442	13,668,557	711,535	14,577,534	8,910,929
LIABILITIES AND FUND BALANCES					
Current liabilities					
Accounts payable and accrued liabilities (note 6)	172,907	884,778	-	1,057,685	482,085
Deferred revenue (note 7)	44,328	-	-	44,328	30,578
Current portion of loans payable (note 8)	40,000	-	-	40,000	-
Total current liabilities	257,235	884,778	-	1,142,013	512,663
Long term liabilities					
Deferred rental revenue (note 9)	-	2,000,000	-	2,000,000	2,000,000
Loans payable (note 8)	-	4,256,422	-	4,256,422	40,000
Total long term liabilities	-	6,256,422	-	6,256,422	2,040,000
Total liabilities	257,235	7,141,200	-	7,398,435	2,552,663
Fund balances					
Unrestricted	(59,793)	-	-	(59,793)	247,573
Invested in tangible capital assets	-	6,527,357	-	6,527,357	3,492,382
Externally restricted - capital campaign	-	-	711,535	711,535	2,618,311
Total fund balances	(59,793)	6,527,357	711,535	7,179,099	6,358,266
Total liabilities and fund balances	197,442	13,668,557	711,535	14,577,534	8,910,929

Approved on behalf of the Board:

_____, Director

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, 2022

	Unrestricted 2022 \$	Capital 2022 \$	Animal Care Centre Campaign 2022 \$	Total 2022 \$	Total 2021 \$
Revenue					
Municipal fees	457,741	-	-	457,741	393,382
Shelter services	453,018	-	-	453,018	347,896
Donations	246,482	-	858,908	1,105,390	2,742,379
Fundraising	28,148	-	-	28,148	54,147
Investment income	6,905	-	6,971	13,876	13,065
Unrealized gain (loss) on investments	-	-	-	-	(17)
Grant revenue	2,606	390,795	-	393,401	5,100
Miscellaneous Income	8,972	-	-	8,972	11,859
Government assistance (note 10)	21,346	-	-	21,346	127,182
Debt forgiveness (note 8)	-	-	-	-	10,000
Realized gain (loss) on sale of investments	(263)	-	-	(263)	3,937
	<u>1,224,955</u>	<u>390,795</u>	<u>865,879</u>	<u>2,481,629</u>	<u>3,708,930</u>
Expense					
Salaries and benefits	938,032	-	118,381	1,056,413	826,098
Animal care	263,571	-	-	263,571	183,919
Fundraising	6,950	-	4,728	11,678	17,312
Office	68,567	-	-	68,567	41,400
Occupancy	71,534	-	-	71,534	53,254
Professional fees	24,560	-	-	24,560	13,481
Vehicle	14,710	-	-	14,710	12,165
Amortization	-	46,181	-	46,181	27,146
Advertising and promotion	4,207	-	-	4,207	3,585
Interest and bank charges	15,308	-	-	15,308	16,317
Insurance	18,019	-	-	18,019	12,263
Training	7,157	-	-	7,157	2,309
Spay and neuter expenses	58,891	-	-	58,891	-
	<u>1,491,506</u>	<u>46,181</u>	<u>123,109</u>	<u>1,660,796</u>	<u>1,209,249</u>
Excess (deficiency) of revenue over expense for the year	(266,551)	344,614	742,770	820,833	2,499,681
Fund balances					
- beginning of year	247,573	3,492,382	2,618,311	6,358,266	3,858,585
Fund transfers (note 11)	(40,815)	2,690,361	(2,649,546)	-	-
Fund Balances- end of year	<u>(59,793)</u>	<u>6,527,357</u>	<u>711,535</u>	<u>7,179,099</u>	<u>6,358,266</u>

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, 2022

	2022	2021
	\$	\$
CASH PROVIDED FROM (USED FOR):		
Operating activities		
Excess (deficiency) of revenue over expense for the year	820,833	2,499,681
Items not affecting cash		
Amortization of tangible capital assets	46,181	27,146
Unrealized gain on investment	-	17
Realized gain (loss) of disposal of investments	263	(3,937)
Debt forgiveness	-	(10,000)
	<u>867,277</u>	<u>2,512,907</u>
Changes in non-cash working capital items		
(Increase) decrease in accounts receivable	(268,300)	2,344
Decrease in HST receivable	(34,202)	(240,868)
(Increase) decrease in prepaid expenses	15,454	(10,045)
Increase in accounts payable and accrued liabilities	575,600	396,257
Decrease in deferred program revenue	13,750	14,978
	<u>302,302</u>	<u>162,666</u>
Net increase in cash from operating activities	<u>1,169,579</u>	<u>2,675,573</u>
Investing activities		
Purchase of investments	(25,643)	(58,688)
Proceeds on sale of investments	40,815	537,617
Purchase of tangible capital assets	(7,107,820)	(3,928,349)
Net increase/(decrease) in cash from investing activities	<u>(7,092,648)</u>	<u>(3,449,420)</u>
Financing activities		
Proceeds from loans	4,256,422	20,000
Deferred OSPCA rental revenue received	-	1,436,969
Net increase/(decrease) in cash from financing activities	<u>4,256,422</u>	<u>1,456,969</u>
Increase/(decrease) in cash	<u>(1,666,647)</u>	<u>683,122</u>
Cash - beginning of year	<u>2,801,123</u>	<u>2,118,001</u>
Cash - end of year	<u>1,134,476</u>	<u>2,801,123</u>

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, 2022

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.

Grant revenues are recognized as revenue in the period in which the related expenses are incurred.

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) 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, 2022

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, pledges receivable, useful lives of tangible 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, 2022

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, and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable, Canada Emergency Business Account loan, and loans 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.

(i) Government assistance

Government assistance as a result of the Government of Canada COVID response programs are recognized as revenue in the period in which transactions or events occurred that give rise to the revenue. This revenue is dependent ultimately upon approval of the funder.

3. INVESTMENTS

Investments consists of the following

	2022	2021
	\$	\$
Mutual funds	349	15,784

The mutual funds are recorded at market value. The cost of the mutual funds is \$nil

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.

THE PETERBOROUGH HUMANE SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

5. TANGIBLE CAPITAL ASSETS

Tangible capital assets consist of the following:

	Cost \$	Accumulated Amortization \$	Net Book Value	
			2022 \$	2021 \$
Land	89,804	-	89,804	89,804
Buildings	967,828	390,796	577,032	586,710
Computer hardware and software	75,057	53,315	21,742	5,287
Equipment	430,653	68,848	361,805	113,014
Vehicles	66,246	32,977	33,269	21,962
Land and development costs	429,286	-	429,286	429,286
Building under construction	11,315,089	-	11,315,089	4,520,325
	13,373,963	545,936	12,828,027	5,766,388

Land and development costs relate to the development of the Society's proposed new facility on Technology Drive in Peterborough, Ontario. Amortization on the building under construction will commence upon completion of construction.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consists of the following:

	2022 \$	2021 \$
Accounts payable and accrued liabilities	147,021	78,962
Government remittances	25,887	15,605
Construction holdbacks payable	884,778	387,518
	1,057,686	482,085

THE PETERBOROUGH HUMANE SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

7. DEFERRED REVENUE

Deferred revenue represents revenues collected but not earned as at December 31, 2022 and consists of dog license revenue and cat tag revenue.

8. LOANS PAYABLE

	2022	2021
	\$	\$
Loan payable, Canada Emergency Business Account, non-interest bearing, repayable by December 31, 2023 to qualify for debt forgiveness (balance of \$60,000, reported net of expected forgiveness of \$20,000 previously recognized as revenue) - see below	40,000	40,000
Construction loan - (approved to a maximum of \$4,500,000), repayable 18 months after the date of disbursement, with the option for two 3 month extensions at the discretion of the lender, repayable in monthly interest-only payments at the lender's prime lending rate. The lender has approved take-out financing of \$4,500,000 to be used to repay the construction loan at maturity, with interest and repayment terms to be determined at the time of disbursement.	2,943,922	-
Bridge loan - repayable in monthly interest-only payments at the lender's prime lending rate, due May 2024	1,312,500	-
	4,296,422	40,000
Less principal payments due within one year	(40,000)	-
Due beyond one year	4,256,422	40,000

Canada Emergency Business Account

The amount of \$40,000 represents the unforgivable balance of the \$60,000 interest-free loan received under the Government of Canada COVID response programs. 33% of the loan will be eligible for loan forgiveness, up to \$20,000, if the loan is fully repaid on or before December 31, 2023. As at the year end date, \$20,000 has previously been included in other income and represents the maximum forgivable portion of the loan. If the unforgiven balance of the loan is not fully repaid by December 31, 2023 the remaining principal balance will be repayable and will bear interest at a rate of 5% per annum beginning on January 1, 2024. The loan is due in full December 31, 2025.

THE PETERBOROUGH HUMANE SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

8. LOANS PAYABLE, continued

Security

The organization has pledged the following as security for their various loans outstanding as at December 31, 2022:

- A general security agreement over all assets of the organization
- A mortgage on land and buildings for the new Animal Care Centre at 1999 Technology Drive, for \$6 Million, and for the existing land and buildings for \$1,350,000.
- An assignment of leases and rents, and an assignment of insurance proceeds

The principal payments due in each of the next five years, based on the current repayment terms, are as follows:

	\$
2023	40,000
2024	1,312,500

9. DEFERRED RENTAL REVENUE

The Society has entered into an agreement with the OSPCA to lease a portion of the new premises at 1999 Technology Drive, commencing on the first day of occupancy. The OSPCA has agreed to advance \$2 Million in funds in installments, as construction progresses. The OSPCA has paid the Society \$2,000,000 to date relating to this agreement. The advance payments will be earned on an annual basis over a term of 20 years commencing on the date of first occupancy, at an agreed-upon rate based on OSPCA's relative use of the building. The lease agreement may be terminated for any reason, by either party with 120 days written notice. In the event of termination by the OSPCA, any right to the unearned advance payments is forfeited. In the event of termination by the Society, the unearned portion of the advance payments must be repaid to the OSPCA in full.

10. GOVERNMENT SUBSIDIES

During the year, the Society determined that it was eligible for the Canada Recovery Hiring Program ("CRHP"). CRHP is a wage subsidy for eligible employers whose business has been affected by COVID-19, and who have experienced a reduction on revenue during the pandemic. CRHP provides a subsidy of 50% of eligible remuneration, paid by an eligible entity to each eligible employee - up to a maximum of \$1,129 per week.

The organization has applied for \$21,346 in Canada Recovery Hiring Program, of which all was recognized as revenue at December 31, 2022. The subsidies are recognized in revenue in the period when the related expenses have occurred, and collection of the subsidies is reasonably assured.

Subsidies claimed under the above programs are subject to review at a future date. If it is determined that the organization did not qualify for or overclaimed on the subsidies, the Government of Canada has the ability to recover any overpaid amounts.

THE PETERBOROUGH HUMANE SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

11. INTERFUND TRANSFERS

During the year, the Society made the following interfund transfers to the Capital Fund related to the new building construction:

	Unrestricted 2022 \$	Capital 2022 \$	Animal Care Centre Campaign 2022 \$	Total 2022 \$
Transfer capital campaign funding to capital fund	-	2,649,546	(2,649,546)	-
Transfer investment proceeds to capital fund	(40,815)	40,815	-	-
	(40,815)	2,690,361	(2,649,546)	-

12. 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. The organization's approved credit facilities are exposed to interest rate risk as they bear interest at variable rates.

(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.

13. CONTINGENT LIABILITY

The Society has received capital funding from the City of Peterborough (the "City"), towards the construction of the new Animal Care Centre at 1999 Technology Drive, under the terms of a funding agreement. The terms of the agreement stipulate certain criteria that must be met, in connection with the funding. In the event of default by the Society, the City has the right to declare all funds previously advanced as repayable. As at December 31, 2022, the Society has received cash, and in-kind contributions totaling \$1,686,000 under this agreement.

THE PETERBOROUGH HUMANE SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

14. SUBSEQUENT EVENT

The organization has entered into an agreement to sell land and building for the existing shelter for \$1,750,000 less transaction costs. This sale is scheduled to close in June 2023.

15. IMPACT OF COVID-19

In March 2020, the World Health Organization categorized COVID-19 as a pandemic. The potential economic effects within the organization's 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 organization's operations. The extent of the impact of this outbreak and related containment measures on the organization's operations cannot be reliably estimated at this time.

16. CONTRACTUAL OBLIGATIONS

The organization has entered into a contract for the construction of the Animal Care Centre totaling \$10,386,098 plus HST. As at December 31, 2022, the organization has incurred building costs of \$9,106,751 on this contract. The remainder of the contract will be billed on a monthly basis as construction progresses.