

**THE PETERBOROUGH HUMANE SOCIETY**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2020**

**THE PETERBOROUGH HUMANE SOCIETY**

**FINANCIAL STATEMENTS**

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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, 2020, 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, 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 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.

*Baker Tilly KDN LLP*

Chartered Professional Accountants

Licensed Public Accountants

Peterborough, Ontario

April 1, 2021

**THE PETERBOROUGH HUMANE SOCIETY**  
**STATEMENT OF FINANCIAL POSITION**  
**As at December 31, 2020**

	Unrestricted 2020 \$	Capital 2020 \$	Animal Care Centre Campaign 2020 \$	Total 2020 \$	Total 2019 \$
<b>ASSETS</b>					
<b>Current assets</b>					
Cash	272,386	-	1,845,615	2,118,001	746,256
Investments (note 3)	490,793	-	-	490,793	489,342
Accounts receivable (note 12)	42,960	-	15,750	58,710	41,760
HST receivable	12,667	-	-	12,667	22,607
Interfund receivable (payable) (note 4)	(87,909)	(143,778)	231,687	-	-
Prepaid expenses	7,688	-	-	7,688	9,313
<b>Total current assets</b>	<b>738,585</b>	<b>(143,778)</b>	<b>2,093,052</b>	<b>2,687,859</b>	<b>1,309,278</b>
<b>Tangible capital assets (note 5)</b>	<b>-</b>	<b>1,865,185</b>	<b>-</b>	<b>1,865,185</b>	<b>1,860,701</b>
<b>Total assets</b>	<b>738,585</b>	<b>1,721,407</b>	<b>2,093,052</b>	<b>4,553,044</b>	<b>3,169,979</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Current liabilities</b>					
Accounts payable and accrued liabilities (note 7)	85,828	-	-	85,828	107,718
Mortgage payable (note 8)	-	-	-	-	167,647
Deferred revenue (note 9)	15,600	-	-	15,600	37,173
<b>Total current liabilities</b>	<b>101,428</b>	<b>-</b>	<b>-</b>	<b>101,428</b>	<b>312,538</b>
<b>Long term liabilities</b>					
Bank loan - CEBA (note 10)	30,000	-	-	30,000	-
Deferred rental revenue (note 11)	-	563,031	-	563,031	559,201
<b>Total long term liabilities</b>	<b>30,000</b>	<b>563,031</b>	<b>-</b>	<b>593,031</b>	<b>559,201</b>
<b>Total liabilities</b>	<b>131,428</b>	<b>563,031</b>	<b>-</b>	<b>694,459</b>	<b>871,739</b>
<b>Fund balances</b>					
Unrestricted	607,157	-	-	607,157	(440,854)
Invested in tangible capital assets	-	1,158,376	-	1,158,376	1,010,009
Internally restricted	-	-	-	-	678,734
Externally restricted - capital campaign	-	-	2,093,052	2,093,052	1,050,351
<b>Total fund balances</b>	<b>607,157</b>	<b>1,158,376</b>	<b>2,093,052</b>	<b>3,858,585</b>	<b>2,298,240</b>
<b>Total liabilities and fund balances</b>	<b>738,585</b>	<b>1,721,407</b>	<b>2,093,052</b>	<b>4,553,044</b>	<b>3,169,979</b>

Approved on behalf of the Board:

\_\_\_\_\_, Director \_\_\_\_\_, 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, 2020**

	Unrestricted 2020 \$	Capital 2020 \$	Restricted 2020 \$	Animal Care Centre Campaign 2020 \$	Total 2020 \$	Total 2019 \$
<b>Revenue</b>						
Municipal fees	387,041	-	-	-	387,041	384,366
Shelter services	269,858	-	-	-	269,858	362,879
Donations	241,694	-	-	1,288,175	1,529,869	435,737
OSPCA grant	-	-	-	-	-	19,637
Fundraising	79,212	-	-	-	79,212	142,459
Investment income	566	-	8,501	4,386	13,453	18,745
Unrealized gain (loss) on investments	-	-	19,353	-	19,353	22,848
Grant revenue	34,078	-	-	-	34,078	409,713
Miscellaneous Income	6,619	-	-	-	6,619	9,928
Gain on sale of asset	-	-	-	-	-	8,893
Government assistance - Canada Emergency Wage Subsidy (note 12)	222,866	-	-	-	222,866	-
Debt forgiveness (note 10)	10,000	-	-	-	10,000	-
	<b>1,251,934</b>	<b>-</b>	<b>27,854</b>	<b>1,292,561</b>	<b>2,572,349</b>	<b>1,815,205</b>
<b>Expense</b>						
Salaries and benefits	565,342	-	-	84,389	649,731	795,748
Animal care	159,676	-	-	-	159,676	214,091
Fundraising	8,812	-	-	6,648	15,460	186,549
Office	36,575	-	-	-	36,575	50,307
Occupancy	60,055	-	-	-	60,055	65,751
Professional fees	22,133	-	-	-	22,133	12,090
Vehicle	7,971	-	-	-	7,971	19,487
Amortization	-	26,010	-	-	26,010	18,147
Advertising and promotion	2,205	-	-	-	2,205	3,032
Interest and bank charges	18,105	-	-	-	18,105	15,888
Insurance	10,473	-	-	-	10,473	11,172
Meetings and travel	-	-	-	-	-	7,752
Training	3,610	-	-	-	3,610	5,337
	<b>894,957</b>	<b>26,010</b>	<b>-</b>	<b>91,037</b>	<b>1,012,004</b>	<b>1,405,351</b>
<b>Excess (deficiency) of revenue over expense for the year</b>	<b>356,977</b>	<b>(26,010)</b>	<b>27,854</b>	<b>1,201,524</b>	<b>1,560,345</b>	<b>409,854</b>
<b>Fund balances</b>						
- beginning of year	(440,854)	1,010,009	678,734	1,050,351	2,298,240	1,888,386
<b>Fund transfers (note 13)</b>	<b>691,034</b>	<b>174,377</b>	<b>(706,588)</b>	<b>(158,823)</b>	<b>-</b>	<b>-</b>
<b>Fund Balances- end of year</b>	<b>607,157</b>	<b>1,158,376</b>	<b>-</b>	<b>2,093,052</b>	<b>3,858,585</b>	<b>2,298,240</b>

*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, 2020

	2020	2019
	\$	\$
<b>CASH PROVIDED FROM (USED FOR):</b>		
<b>Operating activities</b>		
Excess (deficiency) of revenue over expense for the year	1,560,345	409,854
Items not affecting cash		
Amortization of tangible capital assets	26,010	18,147
Unrealized gain on investments	(19,353)	(22,848)
Gain on sale of asset	-	(8,893)
Debt forgiveness	(10,000)	-
	<u>1,557,002</u>	<u>396,260</u>
Changes in non-cash working capital items		
(Increase) decrease in accounts receivable	(16,950)	48,642
Decrease in HST receivable	9,940	24,012
(Increase) decrease in prepaid expenses	1,625	49
Decrease in accounts payable and accrued liabilities	(21,890)	(41,022)
Decrease in deferred program revenue	(21,573)	(12,485)
	<u>(48,848)</u>	<u>19,196</u>
<b>Net increase in cash from operating activities</b>	<u>1,508,154</u>	<u>415,456</u>
<b>Investing activities</b>		
Purchase of investments	(9,837)	(11,339)
Proceeds on sale of investments	27,739	-
Purchase of tangible capital assets	(30,494)	(97,416)
Proceeds on disposal of asset	-	27,662
Proceeds on CEBA loan	40,000	-
<b>Net increase/(decrease) in cash from investing activities</b>	<u>27,408</u>	<u>(81,093)</u>
<b>Financing activities</b>		
Repayment of Mortgage	(167,647)	(21,177)
Deferred OSPCA rental revenue received	3,830	114,217
<b>Net increase/(decrease) in cash from financing activities</b>	<u>(163,817)</u>	<u>93,040</u>
<b>Increase in cash</b>	<u>1,371,745</u>	<u>427,403</u>
<b>Cash - beginning of year</b>	<u>746,256</u>	<u>318,853</u>
<b>Cash - end of year</b>	<u>2,118,001</u>	<u>746,256</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, 2020**

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**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) 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, 2020**

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**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, 2020**

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**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.

*(i) Covid-19 and measurement uncertainty*

On March 11, 2020 the World Health Organization categorized COVID-19 as a pandemic. The potential economic effects within the Society's environment and the global markets due to the 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 operations, imposition of quarantines and social distancing) could have a material impact on the Society's operations.

The duration and full financial effect of the COVID-19 pandemic is unknown at this time, as is the efficacy of the government and central bank interventions, and other mitigating measures. Any estimate of the length and severity of these developments is therefore subject to significant uncertainty, and accordingly estimates of the extent to which the COVID-19 pandemic may materially and adversely affect the Society's operations, financial results and condition in future periods are also subject to significant uncertainty. Therefore, uncertainty about judgments, estimates, and assumptions made by management during the preparation of the Society's financial statements related to potential impacts of the COVID-19 outbreak on revenue, expenses, assets, liabilities, and note disclosures could result in a material adjustment to the carrying value of the assets or liabilities affected.

The Society has undertaken measures to protect their employees and customers from the potential spread of COVID-19. These measures include the closure of the shelter to walk-in customers, the closure of the thrift store, the use of personal protective equipment, additional cleaning, social distancing where possible, and self-quarantining after travel or suspected symptoms. The Society is actively monitoring operations and mitigating its potential risk exposure by monitoring controllable costs, reducing the some employment positions and applying for all applicable Federal and Provincial government subsidies and financial assistance.

**THE PETERBOROUGH HUMANE SOCIETY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended December 31, 2020

**2. SIGNIFICANT ACCOUNTING POLICIES, continued**

*(i) Government assistance*

Government assistance as a result of the Government of Canada COVID-19 response programs is recognized as revenue in the period in which transactions or events occurred that give rise to the revenue. Any year-end receivable from or payable to funding agencies based on eligible operating costs is dependent ultimately upon their acceptance by various agencies that fund the programs.

**3. INVESTMENTS**

Investments consists of the following

	2020	2019
	\$	\$
Guaranteed investment certificate	-	27,433
Mutual funds	490,793	461,909
	<b>490,793</b>	<b>489,342</b>

The guaranteed investment certificate is recorded at amortized cost. It bears interest at 1.4500% and was due October 10, 2020. The GIC was redeemed at maturity in October of 2020.

The mutual funds are recorded at market value. The cost of the mutual funds is \$452,650.

**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, 2020

**5. TANGIBLE CAPITAL ASSETS**

Tangible capital assets consist of the following:

	Cost	Accumulated	Net Book Value	
	\$	Amortization	2020	2019
	\$	\$	\$	\$
Land	89,804	-	89,804	89,804
Buildings	967,828	371,440	596,388	606,067
Computer hardware and software	47,148	43,297	3,851	6,367
Equipment	163,096	44,695	118,401	116,334
Vehicles	55,104	24,359	30,745	39,528
Land and development costs	429,286	-	429,286	429,286
Building under construction	596,710	-	596,710	573,315
	<b>2,348,976</b>	<b>483,791</b>	<b>1,865,185</b>	<b>1,860,701</b>

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 \$40,000 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, 2020 was \$nil (2019 - \$nil).

**7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities consists of the following:

	2020	2019
	\$	\$
Accounts payable and accrued liabilities	68,810	96,081
Government remittances	16,108	11,637
	<b>84,918</b>	<b>107,718</b>

**THE PETERBOROUGH HUMANE SOCIETY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2020**

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**8. MORTGAGE PAYABLE**

During the year, the Society had 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 secured by land at 1999 Technology Drive. The mortgage was repaid in full in November of 2020.

**9. DEFERRED REVENUE**

Deferred revenue represents revenues collected but not earned as at December 31, 2020 and consists of dog license revenue and cat tag revenue.

**10. BANK LOAN - CEBA**

Canada Emergency Business Account

The amount of \$30,000 represents the unforgivable balance of the \$40,000 interest-free loan received under the Government of Canada COVID-19 response programs. 25% of the loan will be eligible for loan forgiveness, up to \$10,000, if the loan is fully repaid on or before December 31, 2022. As at the year end date, \$10,000 has been included in revenue and represents the maximum forgivable portion of the loan. If the unforgiven balance is not fully repaid by December 31, 2022 the remaining principal balance will be repayable and will bear interest at a rate of 5% per annum beginning January 1, 2023. The loan is due in full December 31, 2025.

**11. 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 instalments, as construction progresses. The OSPCA has paid the Society \$563,031 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.

**12. GOVERNMENT SUBSIDIES**

During the year, the Society determined that it was eligible for the Canada Emergency Wage Subsidy ("CEWS"). CEWS 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. CEWS provides a subsidy of up to 75% of eligible remuneration, paid by an eligible entity to each eligible employee - up to a maximum of \$847 per week.

The organization has applied for \$222,866 in Canada Emergency Wage Subsidy for periods ending prior to December 31, 2020, of which \$27,938 was still receivable at December 31, 2020. The subsidies are recognized in revenue in the period when the related expenses have occurred, and collection of the subsidies is reasonably assured.

**THE PETERBOROUGH HUMANE SOCIETY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2020**

**13. INTERFUND TRANSFERS**

During the year, the Society transferred \$15,554 from the Unrestricted Fund to the Capital Fund related to the repayment of the mortgage payable.

The Society also transferred \$158,823 from the Animal Care Centre Campaign Fund to the Capital Fund, related to the repayment of the mortgage payable.

The Board of Directors has approved a removal of the internal restrictions on the funds in the Restricted Fund, totalling \$706,588. As a result, these funds have been transferred to the Unrestricted Fund balance.

	Unrestricted 2020 \$	Capital 2020 \$	Restricted 2020 \$	Animal Care Centre Campaign 2020 \$	Total 2020 \$
Repayment of mortgage	(15,554)	174,377	-	(158,823)	-
Transfer to unrestricted resources	706,588	-	(706,588)	-	-
	691,034	174,377	(706,588)	(158,823)	-

**14. 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.

**THE PETERBOROUGH HUMANE SOCIETY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2020**

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**15. 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, 2020, the Society has received cash, and in-kind contributions totaling \$1,086,000 under this agreement.