

THE PETERBOROUGH HUMANE SOCIETY

FINANCIAL STATEMENTS

DECEMBER 31, 2025

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FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

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To the Directors of The Peterborough Humane Society

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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, 2025, 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, 2025, 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 expenses and cash flows from operations for the years ended December 31, 2025 and December 31, 2024, assets as at December 31, 2025 and 2024, and fund balances at January 1 and December 31 for both 2025 and 2024 years. Our audit opinion on the financial statements for the year end December 31, 2025 was modified accordingly because of the possible effects of this scope limitation.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the 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

May 26, 2026

THE PETERBOROUGH HUMANE SOCIETY

STATEMENT OF FINANCIAL POSITION

As at December 31, 2025

	Unrestricted 2025 \$	Capital 2025 \$	Animal Care Centre Campaign 2025 \$	Total 2025 \$	Total 2024 \$
ASSETS					
Current assets					
Cash	468,281	-	547,162	1,015,443	728,076
Accounts receivable (note 3)	88,858	22,384	-	111,242	120,361
HST receivable	43,529	-	-	43,529	48,971
Inventory	43,525	-	-	43,525	28,010
Interfund receivable (payable)	25,924	(458,734)	432,810	-	-
Prepaid expenses and deposits	10,802	-	-	10,802	51,776
Total current assets	680,919	(436,350)	979,972	1,224,541	977,194
Tangible capital assets (note 4)	-	12,698,116	-	12,698,116	13,113,688
Total assets	680,919	12,261,766	979,972	13,922,657	14,090,882
LIABILITIES AND FUND BALANCES					
Current liabilities					
Accounts payable and accrued liabilities (note 5)	218,481	18,804	-	237,285	273,906
Deferred revenue (note 6)	101,353	-	-	101,353	110,021
Deferred contributions (note 7)	275,000	-	-	275,000	100,000
Current portion of loans payable (note 9)	-	81,441	-	81,441	61,454
Total current liabilities	594,834	100,245	-	695,079	545,381
Long term liabilities					
Deferred rental revenue (note 8)	-	1,675,805	-	1,675,805	1,799,685
Loans payable (note 9)	-	3,094,133	-	3,094,133	3,405,497
Total long term liabilities	-	4,769,938	-	4,769,938	5,205,182
Total liabilities	594,834	4,870,183	-	5,465,017	5,750,563
Fund balances					
Unrestricted	86,085	-	-	86,085	(56,968)
Invested in tangible capital assets	-	7,391,583	-	7,391,583	7,899,930
Externally restricted - capital campaign	-	-	979,972	979,972	497,357
Total fund balances	86,085	7,391,583	979,972	8,457,640	8,340,319
Total liabilities and fund balances	680,919	12,261,766	979,972	13,922,657	14,090,882

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, 2025

	Unrestricted 2025 \$	Capital 2025 \$	Animal Care Centre Campaign 2025 \$	Total 2025 \$	Total 2024 \$
Revenue					
Municipal fees	541,567	-	-	541,567	529,060
Shelter services	667,356	-	-	667,356	383,438
Donations	835,923	10,000	518,666	1,364,589	1,110,440
Fundraising	305,747	-	-	305,747	228,975
Investment income	9,569	-	13,756	23,325	50,894
Spay and neuter revenue	1,524,551	-	-	1,524,551	1,231,593
Grant revenue (note 10)	115,114	22,384	-	137,498	40,936
Miscellaneous income	16	-	-	16	28,568
OSPCA rental income (note 8)	123,880	-	-	123,880	103,384
Realized loss on sale of investments	(215)	-	-	(215)	(207)
	4,123,508	32,384	532,422	4,688,314	3,707,081
Expense					
Salaries and benefits	1,724,247	-	-	1,724,247	1,577,787
Spay and neuter payroll	718,147	-	-	718,147	513,114
Amortization	-	510,987	-	510,987	479,456
Animal care	418,454	-	-	418,454	416,162
Spay and neuter expenses	349,406	-	-	349,406	295,304
Interest on long term debt	-	207,826	-	207,826	259,105
Occupancy	188,669	-	-	188,669	138,284
Office	129,908	-	-	129,908	124,050
Fundraising	130,204	-	-	130,204	91,967
Professional fees	44,953	-	-	44,953	51,979
Interest and bank charges	40,557	-	-	40,557	33,226
Insurance	36,001	-	-	36,001	33,085
Vehicle	26,504	-	-	26,504	18,252
Training	10,252	-	-	10,252	11,341
Advertising and promotion	34,878	-	-	34,878	9,815
	3,852,180	718,813	-	4,570,993	4,052,927
Excess (deficiency) of revenue over expense for the year	271,328	(686,429)	532,422	117,321	(345,846)
Fund balances					
- beginning of year	(56,968)	7,899,930	497,357	8,340,319	8,686,165
Fund transfers (note 11)	(128,275)	178,082	(49,807)	-	-
Fund Balances- end of year	86,085	7,391,583	979,972	8,457,640	8,340,319

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, 2025

	2025	2024
	\$	\$
CASH PROVIDED FROM (USED FOR):		
Operating activities		
Excess of revenue over expense for the year	117,321	(345,846)
Items not affecting cash		
Amortization of tangible capital assets	510,987	479,456
Realized loss on disposal of investments	215	207
Deferred OSPCA rental revenue	(123,880)	(103,384)
	<u>504,643</u>	<u>30,433</u>
Changes in non-cash working capital items		
Decrease in accounts receivable	9,119	155,581
(Increase)/decrease in HST receivable	5,442	(11,994)
Increase in inventory	(15,515)	(3,538)
(Increase)/decrease in prepaid expenses	40,974	(126)
Increase/(decrease) in accounts payable	(36,621)	33,246
Increase/(decrease) in deferred revenue	(8,668)	51,701
Increase in deferred contributions	175,000	100,000
	<u>169,731</u>	<u>324,870</u>
Net increase in cash from operating activities	<u>674,374</u>	<u>355,303</u>
Investing activities		
Purchase of Investments	(10,190)	(10,000)
Proceeds on sale of investments	9,975	9,793
Purchase of tangible capital assets	(95,415)	(302,637)
Net decrease in cash from investing activities	<u>(95,630)</u>	<u>(302,844)</u>
Financing activities		
Proceeds from term loan	-	3,500,000
Repayment of construction loan	-	(4,062,946)
Repayment of term loan	(291,377)	(33,049)
Net decrease in cash from financing activities	<u>(291,377)</u>	<u>(595,995)</u>
Increase/(decrease) in cash	287,367	(543,536)
Cash - beginning of year	728,076	1,271,612
Cash - end of year	<u>1,015,443</u>	<u>728,076</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, 2025

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) *Revenue recognition*

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 fundraising 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, spay and neuter 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.

OSPCA rental revenue is recognized over the term of the agreement and in the period in which the related expenses are 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.

(c) *Inventory*

Inventory is recorded at the lesser of cost and net realizable value, on a first in, first out basis.

THE PETERBOROUGH HUMANE SOCIETY

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2025

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(d) *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	30 years
Computer equipment and software	3 years
Equipment	10 years
Vehicles	5 years
Land improvements	30 years

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

(e) *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.

(f) *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 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.

(g) *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.

(h) *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.

(i) *Cloud computing arrangements*

The Society applies the simplification approach to account for expenditures in cloud computing arrangements. The expenditures in the arrangements are expensed as incurred.

THE PETERBOROUGH HUMANE SOCIETY

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2025

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(j) *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, HST receivable and accounts receivable.

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

(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. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	2025	2024
	\$	\$
Accounts receivable	88,852	67,483
Ontario Ministry of Infrastructure - Strategic Priorities Infrastructure Fund grant	22,384	52,878
	111,236	120,361

THE PETERBOROUGH HUMANE SOCIETY

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2025

4. TANGIBLE CAPITAL ASSETS

Tangible capital assets consist of the following:

	Cost	Accumulated Amortization	Net Book Value	
	\$	\$	2025	2024
			\$	\$
Land	429,286	-	429,286	429,286
Buildings	11,590,364	1,010,625	10,579,739	10,962,622
Computer hardware and software	85,413	84,533	880	8,353
Equipment	651,562	236,609	414,953	435,883
Vehicles	158,042	77,909	80,134	71,160
Land improvements	1,257,833	64,709	1,193,124	1,206,384
	14,172,500	1,474,385	12,698,116	13,113,688

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consists of the following:

	2025	2024
	\$	\$
Accounts payable and accrued liabilities	195,431	209,594
Government remittances	41,854	64,312
	237,285	273,906

6. DEFERRED REVENUE

Deferred revenue represents revenues collected but not earned as at December 31, 2025 and consists of dog license revenue, cat tag revenue, and spay and neuter revenue.

THE PETERBOROUGH HUMANE SOCIETY

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2025

7. DEFERRED CONTRIBUTIONS

Deferred contributions relate to restricted funding received for operating purposes which have not been spent in accordance with the restrictions. Deferred contributions will be amortized to revenue as the related expenses are incurred.

Changes in deferred contribution balances are as follows

	2025 \$	2024 \$
Balance, beginning of year	100,000	-
Capital contributions received		
Contribution - PetSmart Charities of Canada - Accelerator Grant	225,000	100,000
Contribution - PetSmart Charities of Canada - Veterinary and Veterinary Support Staff Grant	50,000	-
Amortization of deferred contributions	(100,000)	-
Balance, end of year	275,000	100,000
The deferred contributions balance consists of:		
PetSmart Charities of Canada - Accelerator Grant	225,000	100,000
PetSmart Charities of Canada - Veterinary and Veterinary Support Staff Grant	50,000	-
	275,000	100,000

8. 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 contributed \$2 Million in funds towards the construction of the building. The advance payments will be earned in lieu of rent payments, 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.

The first date of occupancy was February 2023, and rental revenue for occupancy from this point has been recorded in these statements as rental income in the unrestricted fund.

	2025 \$	2024 \$
Balance, beginning of year	1,799,685	1,903,069
Less: rental income recognized	(123,880)	(103,384)
Balance, end of year	1,675,805	1,799,685

THE PETERBOROUGH HUMANE SOCIETY

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2025

9. LOANS PAYABLE

	2025	2024
	\$	\$
Term loan payable, bearing interest at 6.14% per annum, repayable in monthly blended interest and principal payments of \$22,850, due June 2027, eligible for prepayments of up to 10% of the original principal amount at each anniversary date without penalty.	3,175,574	3,466,951
Less principal payments due within one year	(81,441)	(61,454)
Due beyond one year	3,094,133	3,405,497

Security

The organization has pledged the following as security for their commitment letter as at December 31, 2025:

- A general security agreement over all assets of the organization
- A mortgage over land and buildings at 1999 Technology Drive, for \$6 Million.
- An assignment of leases and rents and an assignment of insurance proceeds

Estimated principal repayments are as follows:

	\$
2026	81,441
2027	3,094,133

THE PETERBOROUGH HUMANE SOCIETY

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2025

10. GRANT REVENUE

Grant revenue consists of the following:

	2025 \$	2024 \$
PetSmart Charities of Canada - Accelerator Grant	100,000	-
Ontario Ministry of Infrastructure - Strategic Priorities Infrastructure Grant	22,384	26,740
Other operating grants	15,114	14,196
	137,498	40,936

The Government of Ontario created the Strategic Priorities Infrastructure Fund to support, in part, large-scale new builds and expansions of community, culture and recreation infrastructure. The Society was approved to receive maximum funds of \$1,560,503 and has until March 31, 2027 to ensure that the approved project is substantially completed.

As at December 31, 2025, the Society has incurred eligible expenditures of \$887,549 related to the grant to date, and a corresponding amount of revenue has been recognized.

Grant funds are subject to final approval by the funding agency. In the event the funder determines that the grants were not spent in accordance with the terms of the related funding agreements, the funding agency is entitled to recover the funds from the Society.

11. INTERFUND TRANSFERS

During the year, the Society made the following interfund transfers between funds related to the new building construction:

	Unrestricted 2025 \$	Capital 2025 \$	Animal Care Centre Campaign 2025 \$	Total 2025 \$
Transfer capital campaign funding to capital fund	-	49,807	(49,807)	-
Transfers from operating fund to capital fund	(128,275)	128,275	-	-
	(128,275)	178,082	(49,807)	-

THE PETERBOROUGH HUMANE SOCIETY

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended December 31, 2025

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 fair value or future cash flows of financial instruments will fluctuate due to changes in market interest rates. The Society's loan payable is exposed to interest rate risk as the fair value of the obligation will change as market interest rates change. The Society'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) Liquidity risk

Liquidity risk is the risk that the Company cannot repay its obligations when they become due to its creditors. The Society is exposed to liquidity risk on its accounts payable, and loan payable balances. The Society reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due and by maintaining an adequate amount of cash to repay accounts payable and loan payable balances as they become due.

It is management's opinion that the Society is not exposed to significant currency or other price risks.

13. CREDIT FACILITY AGREEMENT

The Society has a line of credit approved by its main lender, to a maximum of \$100,000, and bearing interest at the lender's prime lending rate per annum on outstanding balances, subject to the same security as the term loan, as detailed in note 9. At December 31, 2025, there were no amounts outstanding on this facility.

14. CLOUD COMPUTING ARRANGEMENTS

During the year, the Company expensed \$92,630 (2024 - \$70,621) with respect to cloud computing arrangements.