

Ottawa Humane Society
Financial Statements
For the year ended March 31, 2019

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Independent Auditor's Report

To the members of the
Ottawa Humane Society

Qualified Opinion

We have audited the accompanying financial statements of the Ottawa Humane Society (the Society), which comprise the statement of financial position as at March 31, 2019, the statements of operations, changes in net assets 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 possible 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 March 31, 2019, and its result of 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 many not-for-profit organizations, the Society derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Society. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended March 31, 2019 and 2018, current assets as at March 31, 2019 and 2018, and net assets as at April 1 and March 31 for both the 2019 and 2018 years. Our audit opinion on the financial statements for the year ended March 31, 2018 was modified accordingly because of the possible effects of this limitation in scope.

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

Ottawa, Ontario
August 14, 2019

Ottawa Humane Society
Statement of Financial Position

	2019	2018
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Assets		
Current		
Cash	\$ 390,132	\$ 1,189,746
Accounts receivable (Note 2)	210,398	82,919
Inventory	8,645	15,538
Short-term investments (Note 3)	1,001,186	813,095
Prepaid expenses	197,303	148,537
	<hr/>	<hr/>
	1,807,664	2,249,835
Long-term investments (Note 4)	5,068,991	3,709,554
Tangible capital assets (Note 5)	13,182,347	13,631,357
Intangible assets (Note 6)	39,274	41,262
	<hr/>	<hr/>
	\$ 20,098,276	\$19,632,008
<hr/>		
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities (Note 8)	\$ 567,506	\$ 529,717
Deferred revenue	168,701	144,258
	<hr/>	<hr/>
	736,207	673,975
Contractual obligations (Note 9)		
Net Assets		
Unrestricted operating fund	912,423	611,365
Internally restricted		
Trust fund	4,628,695	4,156,716
Property and equipment fund	13,221,622	13,672,619
Externally restricted		
Capital replacement fund	599,329	517,333
	<hr/>	<hr/>
	19,362,069	18,958,033
	<hr/>	<hr/>
	\$ 20,098,276	\$19,632,008

On behalf of the Board:

<p>On file</p> <hr style="width: 80%; margin: 0 auto;"/> <p>Margo Craig Garrison</p>	Chair	<p>On file</p> <hr style="width: 80%; margin: 0 auto;"/> <p>Brittany Ward</p>	Treasurer
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Ottawa Humane Society
Statement of Changes in Net Assets

	Unrestricted Operating Fund	Internally Restricted		Externally Restricted	Total Restricted Funds	Total Funds
		Trust Fund	Property and Equipment Fund	Capital Replacement Fund		
For the year ended March 31, 2019						
Balance, beginning of the year	\$ 611,365	\$ 4,156,716	\$13,672,619	\$ 517,333	\$18,346,668	\$18,958,033
Excess (deficiency) of revenues over expenses	801,058	106,699	(585,717)	81,996	(397,022)	404,036
Interfund transfers (Note 10)	(500,000)	365,280	134,720	-	500,000	-
Balance, end of the year	\$ 912,423	\$ 4,628,695	\$13,221,622	\$ 599,329	\$18,449,646	\$19,362,069

	Unrestricted Operating Fund	Internally Restricted		Externally Restricted	Total Restricted Funds	Total Funds
		Trust Fund	Property and Equipment Fund	Capital Replacement Fund		
For the year ended March 31, 2018						
Balance, beginning of the year	\$ 587,339	\$ 3,469,943	\$ 14,218,430	\$ 438,986	\$ 18,127,359	\$ 18,714,698
Excess (deficiency) of revenues over expenses	24,026	733,347	(592,385)	78,347	219,309	243,335
Interfund transfers (Note 10)	-	(46,574)	46,574	-	-	-
Balance, end of the year	\$ 611,365	\$ 4,156,716	\$ 13,672,619	\$ 517,333	\$ 18,346,668	\$ 18,958,033

Ottawa Humane Society
Statement of Operations

For the year ended March 31, 2019	Unrestricted Operating Fund	Trust Fund	Property and Equipment Fund	Capital Replacement Fund	Total Funds
Revenues (Note 11)					
Animal shelter	\$ 2,046,351	\$ -	\$ -	\$ -	\$ 2,046,351
Clinic and mobile clinic	65,038	-	-	-	65,038
Development	5,475,158	-	-	-	5,475,158
Volunteer and outreach	265,205	-	-	-	265,205
Community programs	13,740	-	-	-	13,740
Bequests	-	1,482,075	-	-	1,482,075
Investment income	117,017	21,191	-	12,012	150,220
Other	30,780	391	-	-	31,171
Building donations	-	3,286	-	-	3,286
Government and other funding for building	-	-	-	69,984	69,984
	<u>8,013,289</u>	<u>1,506,943</u>	<u>-</u>	<u>81,996</u>	<u>9,602,228</u>
Expenses (Notes 11,12)					
Animal shelter	3,065,586	-	-	-	3,065,586
Clinic and mobile clinic	1,021,761	-	-	-	1,021,761
Development	1,068,345	-	-	-	1,068,345
Volunteer and outreach	849,786	-	-	-	849,786
Premises	397,922	-	-	-	397,922
Central services	708,002	-	-	-	708,002
Community programs	100,829	-	-	-	100,829
Non-capital trust	-	1,400,244	-	-	1,400,244
Amortization of tangible capital and intangible assets	-	-	585,717	-	585,717
	<u>7,212,231</u>	<u>1,400,244</u>	<u>585,717</u>	<u>-</u>	<u>9,198,192</u>
Excess (deficiency) of revenues over expenses	<u>\$ 801,058</u>	<u>\$ 106,699</u>	<u>\$ (585,717)</u>	<u>\$ 81,996</u>	<u>\$ 404,036</u>

The notes are an integral part of these financial statements.

Ottawa Humane Society
Statement of Operations (continued)

For the year ended March 31, 2018	Unrestricted Operating Fund	Trust Fund	Property and Equipment Fund	Capital Replacement Fund	Total Funds
Revenues (Note 11)					
Animal shelter	\$ 1,989,032	\$ -	\$ -	\$ -	\$ 1,989,032
Clinic and mobile clinic	45,188	-	-	-	45,188
Rescue and investigation services	8,089	-	-	-	8,089
Development	4,682,806	-	-	-	4,682,806
Volunteer and outreach	241,526	-	-	-	241,526
Community programs	-	-	-	-	-
Bequests	-	2,015,186	-	-	2,015,186
Investment income (loss)	99,892	(38,388)	-	8,363	69,867
Other	45,658	866	-	-	46,524
Building donations	-	1,534	-	-	1,534
Government and other funding for building	-	-	-	69,984	69,984
	<u>7,112,191</u>	<u>1,979,198</u>	<u>-</u>	<u>78,347</u>	<u>9,169,736</u>
Expenses (Notes 11,12)					
Animal shelter	3,056,303	-	-	-	3,056,303
Clinic and mobile clinic	926,848	-	-	-	926,848
Rescue and investigation services	279,179	-	-	-	279,179
Development	911,972	-	-	-	911,972
Volunteer and outreach	839,867	-	-	-	839,867
Premises	357,809	-	-	-	357,809
Central services	716,187	-	-	-	716,187
Community programs	-	-	-	-	-
Non-capital trust	-	1,245,851	-	-	1,245,851
Amortization of tangible capital and intangible assets	-	-	592,385	-	592,385
	<u>7,088,165</u>	<u>1,245,851</u>	<u>592,385</u>	<u>-</u>	<u>8,926,401</u>
Excess (deficiency) of revenues over expenses	\$ 24,026	\$ 733,347	\$ (592,385)	\$ 78,347	\$ 243,335

The notes are an integral part of these financial statements.

Ottawa Humane Society Statement of Cash Flows

For the year ended March 31, 2019	2019	2018
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Cash flows from operating activities		
Excess of revenues over expenses	\$ 404,036	\$ 243,335
Items not affecting cash:		
Changes in unrealized (gains) and losses on investments	(29,004)	64,204
Realized (gains) losses on investments	7,813	(25,816)
Gain on disposal of tangible capital assets	-	(300)
Amortization of tangible and intangible capital assets	585,717	592,385
	<hr/>	<hr/>
	968,562	873,808
Changes in non-cash working capital:		
Accounts receivable	(127,479)	(4,735)
Inventory	6,893	503
Prepaid expenses	(48,766)	(49,394)
Accounts payable and accrued liabilities	37,791	42,682
Deferred revenue	24,443	80,723
	<hr/>	<hr/>
	861,444	943,587
Cash flows from investing activities		
Purchase of investments	(4,447,597)	(5,900,486)
Proceeds from disposal of investments	2,921,259	5,168,551
Acquisition of tangible capital assets	(134,720)	(46,574)
Proceeds from disposal of tangible capital assets	-	300
	<hr/>	<hr/>
	(1,661,058)	(778,209)
Net (decrease) increase in cash	(799,614)	165,378
Cash, beginning of the year	<hr/>	<hr/>
	1,189,746	1,024,368
Cash, end of the year	<hr/>	<hr/>
	\$ 390,132	\$ 1,189,746

Ottawa Humane Society

Notes to Financial Statements

March 31, 2019

1. Accounting Policies

Status and Purpose of Organization The Ottawa Humane Society (the "Society") is a not-for-profit organization incorporated without share capital under the laws of Canada. The Society's mission is to lead Ottawa in building a humane and compassionate community for all animals. The Society is a registered charity under the Income Tax Act and, as such, is exempt from income taxes and may issue income tax receipts to donors.

Basis of Accounting The Society applies the Canadian accounting standards for not-for-profit organizations.

Use of Estimates The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses for the year covered. The main estimates relate to the amortization of tangible capital and intangible assets.

Revenue Recognition The Society follows the restricted fund method. Under this method, externally restricted contributions which consist of grants, donations and fundraising are recognized in the fund corresponding to the purpose for which they were contributed. Unrestricted contributions and restricted contributions with no corresponding fund are recognized as revenues in the Operating Fund.

Operating Fund

The Operating Fund is for the day-to-day operations of the Society. Animal shelter, clinic and mobile clinic, rescue and investigation services, development, volunteer and outreach and other revenues are recognized as revenue in the Operating Fund when these services are provided. Investment income earned from the Trust Fund is recognized as revenue in the Operating Fund.

Trust Fund

The Trust Fund includes funds received from bequests, unless otherwise specified by the donors, specified donations and unrealized gains and losses on investments. Interest and dividends earned on the Trust Fund investments are to be used for current operations and are recognized as revenue in the Operating Fund.

Pledges and bequests are not recorded as revenue until they are received.

All expenses recorded in the trust fund must be in accordance with the Society's Fund policy and require approval by the Board of Directors.

Ottawa Humane Society Notes to Financial Statements

March 31, 2019

1. Accounting Policies (continued)

Revenue Recognition (continued)

Property and Equipment Fund

The Property and Equipment Fund is used to account for all tangible capital and intangible assets owned by the Society. The expense recorded in this fund is the amortization of tangible and intangible capital assets.

Capital Replacement Fund

The Capital Replacement Fund is used to account for the City of Ottawa funding related to the amortization of tangible capital assets. In accordance with the agreement between the Society and the City of Ottawa, these funds are to be placed in an interest-bearing account and to be used for the construction of a new animal shelter or any major renovations to the existing shelter. All expenses require written approval from the City of Ottawa. Investment income earned is recorded in this fund and is reinvested until such expenses have been incurred.

Financial Instruments

Initial and subsequent measurement

The Society initially measures its financial assets and liabilities at fair value. The Society subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market which are measured at fair value. Changes in fair value of these financial instruments are recognized in the statement of operations in the year incurred.

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indications of possible impairment.

Transaction costs

Transaction costs related to financial instruments that will be subsequently measured at fair value are recognized in the statement of operations in the year incurred. Transaction costs related to financial instruments subsequently measured at amortized cost are included in the original cost of the asset or liability and recognized in the statement of operations over the life of the instrument using the straight-line method.

Inventory

Inventory is measured at the lower of cost and net realizable value. The cost is determined using the first-in, first-out method.

Tangible Capital Assets

Tangible capital assets are accounted for at cost and amortized on the basis of their useful life using the straight line method over the following durations:

Buildings	40 years
Computer equipment	4 years
Furniture and fixtures	10 years
Machinery and equipment	10 years
Vehicles	5 years

Ottawa Humane Society Notes to Financial Statements

March 31, 2019

1. Accounting Policies (continued)

Intangible Assets Intangible assets are recognized at cost and amortized on the basis of their useful life using the straight line method over the following duration:

Software 3 years

Intangible assets with an indefinite life are not amortized. They are tested for impairment when events or circumstances indicate that their carrying amount exceeds their fair value.

Impairment of Long-Lived Assets When a tangible capital asset or intangible asset no longer has any long-term service potential to the Society, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations.

Contributed Services Volunteers contribute many hours per year to assist the Society in carrying out its activities. Due to the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

Contributed Materials Contributed materials over \$1,000 which are used in the normal course of the Society's operations and would otherwise have been purchased are recorded at their fair value at the date of contribution.

Allocation of Expenses The Society records their expenses on a functional program basis. Premises, central services and fleet costs are applicable to more than one function and are allocated to these functions on the following basis:

- Premises costs: prorated to the floor area occupied by each function.
 - Central services costs: allocated to the Animal Shelter based on the allowed expenses under the Municipal Animal Shelter Service Agreement with the City of Ottawa and to all other functions based on estimated usage.
 - Fleet costs: prorated to the usage of the vehicles by each function.
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Ottawa Humane Society
Notes to Financial Statements

March 31, 2019

2. Accounts Receivable

	2019	2018
Trade accounts receivable	\$ 56,079	\$ 18,135
GST/HST receivable	154,319	64,784
	\$ 210,398	\$ 82,919

3. Short-term Investments

	2019	2018
Measured at fair value		
Mutual funds	\$ -	\$ 500,037
Measured at amortized cost		
Restricted guaranteed investment certificates, 1.6% to 2.05%, maturing between April 2019 and March 2020.	293,511	-
Guaranteed investment certificates, 1.5% to 2.42% (2018 - 1.85% to 2.23%), maturing between June and October 2019.	707,675	313,058
	\$ 1,001,186	\$ 813,095

Ottawa Humane Society
Notes to Financial Statements

March 31, 2019

4. Long-term Investments

	2019	2018
Measured at fair value		
Equities	\$ 2,319,472	\$ 1,549,688
Mutual funds	710,651	460,685
Restricted mutual funds	75,316	70,050
	3,105,439	2,080,423
 Measured at amortized cost		
Restricted guaranteed investment certificates, 2.35% to 2.96% (2018 - 1.60% to 2.96%), maturing between March 2021 and March 2022.	443,822	517,333
Guaranteed investment certificates, 2.15% to 3.36% (2018 - 1.50% to 2.65%), maturing between October 2020 and January 2023.	1,519,730	1,111,798
	1,963,552	1,629,131
	\$ 5,068,991	\$ 3,709,554

The restricted investments from above are restricted as a result of an agreement between the Society and the City of Ottawa. The Capital Replacement funds received are to be placed in an interest-bearing account and to be used for the construction of a new animal shelter or any major renovations to the existing shelter. All expenses require written approval from the City of Ottawa.

Ottawa Humane Society
Notes to Financial Statements

March 31, 2019

5. Tangible Capital Assets

	2019		2018	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 1,744,284	\$ -	\$ 1,744,284	\$ -
Buildings	13,228,370	2,550,854	13,165,309	2,220,933
Computer equipment	210,566	166,645	190,872	140,799
Furniture and fixtures	427,260	294,871	427,260	252,111
Machinery and equipment	1,246,851	824,234	1,219,967	708,549
Vehicles	374,011	212,391	394,740	188,683
	<u>\$17,231,342</u>	<u>\$ 4,048,995</u>	<u>\$ 17,142,432</u>	<u>\$ 3,511,075</u>
Net carrying amount		<u>\$13,182,347</u>		<u>\$ 13,631,357</u>

6. Intangible Assets

	2019		2018	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Software	\$ 165,623	\$ 165,159	\$ 165,623	\$ 163,171
Time share vacation property	38,810	-	38,810	-
	<u>\$ 204,433</u>	<u>\$ 165,159</u>	<u>\$ 204,433</u>	<u>\$ 163,171</u>
Net carrying amount		<u>\$ 39,274</u>		<u>\$ 41,262</u>

7. Bank Loan

The Society has an authorized operating line of credit of \$800,000 that is due on demand and bears interest at the bank's prime rate plus 0.75%, calculated and payable monthly. It is secured by a general security agreement covering all assets. At March 31, 2019 and March 31, 2018, this line of credit was unused.

Ottawa Humane Society
Notes to Financial Statements

March 31, 2019

8. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities are government remittances payable of \$71,225 (2018 - \$57,761).

9. Contractual Obligations

The Society regularly enters into agreements for the purchase of various supplies and services including the rental of equipment. The total obligation related to these contracts is \$692,360 including the following payments over the next four years:

2020	\$	558,245
2021	\$	118,710
2022	\$	15,234
2023	\$	171

10. Interfund Transfers

Amounts of \$500,000 (2018 - \$nil) were transferred from the operating fund to the trust fund. Amounts of \$134,720 (2018 - \$46,574) were transferred from the trust fund to the property and equipment fund for the purchase of tangible capital assets during the year.

Ottawa Humane Society Notes to Financial Statements

March 31, 2019

11. Fundraising Activities

Fundraising revenues are included in multiple financial statement categories. These are summarized below:

	2019	2018
Operating fund - Development revenue		
Individual support	\$ 4,761,042	\$ 3,968,195
Group support	195,383	212,551
Special Events	518,733	502,060
	5,475,158	4,682,806
Trust fund		
Bequests	1,482,075	2,015,186
Building donations	3,286	1,534
	1,485,361	2,016,720
Total fundraising revenue	\$ 6,960,519	\$ 6,699,526

Furthermore, there are fundraising expenses included in multiple statement of operations categories. These expenses are based on direct costs and are as follows:

	2019	2018
Operating Fund - Development	\$ 1,068,345	\$ 911,972
Trust Fund - Non-capital	1,199,137	987,840
	\$ 2,267,482	\$ 1,899,812

During the year, the Society was in the third year of its five-year strategic plan. One element of the plan is to increase revenue from monthly donations. Accordingly, the Society is investing in monthly donor acquisition, which is expected to result in higher revenues in subsequent years.

Ottawa Humane Society
Notes to Financial Statements

March 31, 2019

12. Allocation of Expenses

Premises, central services and fleet costs were allocated as follows:

	2019	2018
<u>Premises costs</u>		
Animal shelter	\$ 243,759	\$ 234,970
Rescue and investigations	-	27,360
	\$ 243,759	\$ 262,330
<u>Central services costs</u>		
Animal shelter	\$ 101,004	\$ 97,740
Rescue and investigations	-	49,919
	\$ 101,004	\$ 147,659
<u>Fleet costs</u>		
Animal shelter	\$ 6,140	\$ 6,538
Clinic and mobile clinic	12,765	12,285
Rescue and investigations	-	9,415
Development	931	3,259
Volunteer and outreach	6,986	7,466
	\$ 26,822	\$ 38,963

13. Financial Instruments

Interest rate risk

The Society is exposed to interest rate risk on its fixed interest rate financial instruments. Fixed interest instruments subject the Society to a fair value risk, since fair value fluctuates inversely to changes in market interest rates.

Other price risk

Other price risk associated with investments in equities is the risk that its fair value will fluctuate because of changes in market prices. This risk is reduced to a minimum since the Society mitigates the risk by regularly rebalancing its portfolio and investing in the Canadian financial sector.

There have not been any changes in the risks from the prior year.