

Ottawa Humane Society
Financial Statements
For the year ended March 31, 2018

Contents

Independent Auditor's Report	2 - 3
Financial Statements	
Statement of Financial Position	4
Statement of Changes in Net Assets	5
Statement of Operations	6 - 7
Statement of Cash Flows	8
Notes to Financial Statements	9 - 16

Independent Auditor's Report

To the members of the Ottawa Humane Society

We have audited the accompanying financial statements of the Ottawa Humane Society, which comprise the statement of financial position as at March 31, 2018, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.



Basis for Qualified Opinion

In common with many charitable organizations, the Ottawa Humane Society derives revenues from donations and fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Society. We were not able to determine whether any adjustments might be necessary to these revenues from donations and fundraising activities, excess of revenues over expense and cash flows from operations for the years ended March 31, 2018 and 2017, current assets at March 31, 2018 and 2017 and net assets as at April 1, 2017 and 2016, and March 31, 2018 and 2017.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis of Qualified Opinion paragraph, the financial statements presented fairly, in all material respects, the financial position of the Ottawa Humane Society as at March 31, 2018, 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.

Other Matter

The financial statements of the Ottawa Humane Society for the year ended March 31, 2017 were audited by another auditor who expressed a qualified opinion on those statements on August 8, 2017.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Ontario
August 8, 2018

Ottawa Humane Society Statement of Financial Position

	2018	2017
Assets		
Current		
Cash	\$ 1,189,746	\$ 1,024,368
Accounts receivable (Note 2)	82,919	78,184
Inventory	15,538	16,041
Short-term investments (Note 3)	813,095	781,066
Prepaid expenses	148,537	99,143
	2,249,835	1,998,802
Long-term investments (Note 4)	3,709,554	3,048,035
Tangible capital assets (Note 5)	13,631,357	14,166,274
Intangible assets (Note 6)	41,262	52,156
	\$19,632,008	\$ 19,265,267
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities (Note 8)	\$ 529,717	\$ 487,034
Deferred revenue	144,258	63,535
	673,975	550,569
Contractual obligations (Note 9)		
Net Assets		
Unrestricted operating fund	611,365	587,339
Internally restricted		
Trust fund	4,156,716	3,469,943
Property and equipment fund	13,672,619	14,218,430
Externally restricted		
Capital replacement fund	517,333	438,986
	18,958,033	18,714,698
	\$19,632,008	\$ 19,265,267

On behalf of the Board:

On File _____ Chair
 Margo Craig Garrison

On File _____ Treasurer
 Brittany Ward

**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, 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

	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, 2017						
Balance, beginning of the year	\$ 723,464	\$ 2,869,375	\$ 14,689,717	\$ 361,503	\$ 17,920,595	\$ 18,644,059
Excess (deficiency) of revenues over expenses	(244,866)	811,260	(573,238)	77,483	315,505	70,639
Interfund transfers (Note 10)	108,741	(210,692)	101,951	-	(108,741)	-
Balance, end of the year	\$ 587,339	\$ 3,469,943	\$ 14,218,430	\$ 438,986	\$ 18,127,359	\$ 18,714,698

The notes are an integral part of these financial statements.

Ottawa Humane Society Statement of Operations

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
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
	7,112,191	1,979,198	-	78,347	9,169,736
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
Non-capital trust	-	1,245,851	-	-	1,245,851
Amortization of tangible capital and intangible assets	-	-	592,385	-	592,385
	7,088,165	1,245,851	592,385	-	8,926,401
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 Operations (continued)**

For the year ended March 31, 2017	Unrestricted Operating Fund	Trust Fund	Property and Equipment Fund	Capital Replacement Fund	Total Funds
Revenues (Note 11)					
Animal shelter	\$ 1,888,042	\$ -	\$ -	\$ -	\$ 1,888,042
Clinic and mobile clinic	20,758	-	-	-	20,758
Rescue and investigation services	16,407	-	-	-	16,407
Development	4,680,811	-	-	-	4,680,811
Volunteer and outreach	240,861	-	-	-	240,861
Bequests	-	1,428,034	-	-	1,428,034
Investment income	95,821	263,987	-	7,499	367,307
Other	50,112	41	-	-	50,153
Building donations	-	12,603	-	-	12,603
Government and other funding for building	-	-	-	69,984	69,984
	<u>6,992,812</u>	<u>1,704,665</u>	<u>-</u>	<u>77,483</u>	<u>8,774,960</u>
Expenses (Notes 11,12)					
Animal shelter	2,940,094	-	-	-	2,940,094
Clinic and mobile clinic	748,436	-	-	-	748,436
Rescue and investigation services	403,806	-	-	-	403,806
Development	1,303,097	-	-	-	1,303,097
Volunteer and outreach	832,181	-	-	-	832,181
Premises	327,873	-	-	-	327,873
Central services	682,191	-	-	-	682,191
Non-capital trust	-	893,405	-	-	893,405
Amortization of tangible capital and intangible assets	-	-	573,238	-	573,238
	<u>7,237,678</u>	<u>893,405</u>	<u>573,238</u>	<u>-</u>	<u>8,704,321</u>
Excess (deficiency) of revenues over expenses	\$ (244,866)	\$ 811,260	\$ (573,238)	\$ 77,483	\$ 70,639

The notes are an integral part of these financial statements.

Ottawa Humane Society Statement of Cash Flows

For the year ended March 31, 2018	2018	2017
Cash flows from operating activities		
Excess of revenues over expenses	\$ 243,335	\$ 70,639
Items not affecting cash:		
Changes in unrealized (gains) and losses on investments	64,204	(293,013)
Realized (gains) losses on investments	(25,816)	29,026
Gain on disposal of tangible capital assets	(300)	-
Amortization of tangible and intangible capital assets	592,385	573,238
	873,808	379,890
Changes in non-cash working capital:		
Accounts receivable	(4,735)	(18,342)
Inventory	503	(6,582)
Prepaid expenses	(49,394)	123,063
Accounts payable and accrued liabilities	42,682	(76,431)
Deferred revenue	80,723	(192,321)
	943,587	209,277
Cash flows from investing activities		
Purchase of investments	(5,900,486)	(2,051,060)
Proceeds from disposal of investments	5,168,551	1,902,344
Acquisition of tangible capital assets	(46,574)	(338,138)
Proceeds from disposal of tangible capital assets	300	-
	(778,209)	(486,854)
Net increase (decrease) in cash	165,378	(277,577)
Cash, beginning of the year	1,024,368	1,301,945
Cash, end of the year	\$ 1,189,746	\$ 1,024,368

Ottawa Humane Society

Notes to Financial Statements

March 31, 2018

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, 2018

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, 2018

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 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.

2. Accounts Receivable

	2018	2017
Trade accounts receivable	\$ 18,135	\$ 28,341
GST/HST receivable	64,784	49,843
	\$ 82,919	\$ 78,184

**Ottawa Humane Society
Notes to Financial Statements**

March 31, 2018

3. Short-term Investments

	2018	2017
Measured at fair value		
Mutual funds	\$ 500,037	\$ -
Measured at amortized cost		
Guaranteed investment certificates, 1.85% to 2.23% (2017 - 1.60% to 2.25%), maturing in May 2018.	313,058	781,066
	\$ 813,095	\$ 781,066

4. Long-term Investments

	2018	2017
Measured at fair value		
Equities	\$ 1,549,688	\$ 1,830,995
Mutual funds	460,685	464,963
Restricted mutual funds	70,050	-
	2,080,423	2,295,958
Measured at amortized cost		
Restricted guaranteed investment certificates, 1.60% to 2.96% (2017 - 1.60% to 2.15%), maturing between April 2018 and March 2021.	517,333	438,986
Guaranteed investment certificates, 1.50% to 2.65% (2017 - 1.85% to 2.23%), maturing between June 2019 and November 2020.	1,111,798	313,091
	1,629,131	752,077
	\$ 3,709,554	\$ 3,048,035

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, 2018

5. Tangible Capital Assets

	2018		2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 1,744,284	\$ -	\$ 1,744,284	\$ -
Buildings	13,165,309	2,220,933	13,165,309	1,891,800
Computer equipment	190,872	140,799	184,024	138,100
Furniture and fixtures	427,260	252,111	421,804	209,983
Machinery and equipment	1,219,967	708,549	1,230,429	616,431
Vehicles	394,740	188,683	452,813	176,075
	\$17,142,432	\$ 3,511,075	\$ 17,198,663	\$ 3,032,389
Net carrying amount		\$13,631,357		\$ 14,166,274

6. Intangible Assets

	2018		2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Software	\$ 165,623	\$ 163,171	\$ 165,623	\$ 152,277
Time share vacation property	38,810	-	38,810	-
	\$ 204,433	\$ 163,171	\$ 204,433	\$ 152,277
Net carrying amount		\$ 41,262		\$ 52,156

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, 2018 and March 31, 2017, this line of credit was unused.

Ottawa Humane Society Notes to Financial Statements

March 31, 2018

8. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities are government remittances payable of \$57,761 (2017 - \$54,237).

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 \$973,101 includes the following payments over the next five years:

2019	\$	718,283
2020	\$	122,071
2021	\$	118,026
2022	\$	14,550
2023	\$	171

10. Interfund Transfers

Amounts of \$nil (2017 - \$108,741) were transferred from the trust fund to the operating fund. Amounts of \$46,574 (2017 - \$101,951) 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, 2018

11. Fundraising Activities

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

	2018	2017
Operating fund - Development revenue		
Individual support	\$ 3,968,195	\$ 3,825,740
Group support	212,551	345,990
Special Events	502,060	509,081
	4,682,806	4,680,811
 Trust fund		
Bequests	2,015,186	1,428,034
Building donations	1,534	12,603
	2,016,720	1,440,637
 Total fundraising revenue	\$ 6,699,526	\$ 6,121,448

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

	2018	2017
Operating Fund - Development	\$ 911,972	\$ 1,303,097
Trust Fund - Non-capital	987,840	565,874
	\$ 1,899,812	\$ 1,868,971

During the year, the Society was in the second 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, 2018

12. Allocation of Expenses

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

	<u>2018</u>	<u>2017</u>
<u>Premises costs</u>		
Animal shelter	\$ 234,970	\$ 222,258
Rescue and investigations	27,360	35,093
	<u>\$ 262,330</u>	<u>\$ 257,351</u>
<u>Central services costs</u>		
Animal shelter	\$ 97,740	\$ 97,740
Rescue and investigations	49,919	68,813
	<u>\$ 147,659</u>	<u>\$ 166,553</u>
<u>Fleet costs</u>		
Animal shelter	\$ 6,538	\$ 6,227
Clinic and mobile clinic	12,285	6,086
Rescue and investigations	9,415	11,209
Development	3,259	1,245
Volunteer and outreach	7,466	6,227
	<u>\$ 38,963</u>	<u>\$ 30,994</u>

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.

14. Comparative Figures

Certain figures for the previous year have been reclassified to conform to the presentation adopted in the current year.