

Ottawa Humane Society
Financial Statements
For the year ended March 31, 2022

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Independent Auditor's Report

To the members of the Ottawa Humane Society

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, 2022, 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, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at March 31, 2022, 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 Opinion

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 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 12, 2022

Ottawa Humane Society Statement of Financial Position

	2022	2021
Assets		
Current		
Cash	\$ 2,123,722	\$ 1,180,377
Accounts receivable	257,397	152,835
Inventory	10,010	11,694
Short-term investments (Note 2)	2,602,349	3,964,281
Prepaid expenses	241,247	147,265
	5,234,725	5,456,452
Long-term investments (Note 3)	8,866,765	5,602,576
Tangible capital assets (Note 4)	11,717,682	12,160,993
Intangible assets (Note 5)	38,810	38,810
	\$ 25,857,982	\$ 23,258,831
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities	\$ 358,526	\$ 556,057
Deferred revenue	59,633	65,893
	418,159	621,950
Contractual obligations (Note 7)		
Contingency (Note 11)		
Net Assets		
Unrestricted operating fund	12,840,261	9,671,268
Property and equipment fund	11,756,492	12,199,803
Externally restricted		
Capital replacement fund	843,070	765,810
	25,439,823	22,636,881
	\$ 25,857,982	\$ 23,258,831

On behalf of the Board:

Signature on file _____ Chair
Travis Webb

Signature on file _____ Treasurer
Liz Tymon

**Ottawa Humane Society
Statement of Changes in Net Assets**

	Unrestricted Operating Fund	Internally Restricted	Externally Restricted	Total Restricted Funds	Total Funds
		Property and Equipment Fund	Capital Replacement Fund		
For the year ended March 31, 2022					
Balance, beginning of the year	\$ 9,671,268	\$ 12,199,803	\$ 765,810	\$ 12,965,613	\$ 22,636,881
Excess (deficiency) of revenues over expenses	3,206,169	(480,487)	77,260	(403,227)	2,802,942
Interfund transfers (Note 8)	(37,176)	37,176	-	37,176	-
Balance, end of the year	\$ 12,840,261	\$ 11,756,492	\$ 843,070	\$ 12,599,562	\$ 25,439,823

	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, 2021						
Balance, beginning of the year	\$ 1,963,865	\$ 4,441,986	\$ 12,721,439	\$ 683,801	\$ 17,847,226	\$ 19,811,091
Excess (deficiency) of revenues over expenses	2,145,083	1,202,742	(604,044)	82,009	680,707	2,825,790
Interfund transfers (Note 8)	5,562,320	(5,644,728)	82,408	-	(5,562,320)	-
Balance, end of the year	\$ 9,671,268	\$ -	\$ 12,199,803	\$ 765,810	\$ 12,965,613	\$ 22,636,881

The notes are an integral part of these financial statements.

Ottawa Humane Society Statement of Operations

For the year ended March 31, 2022	Unrestricted Operating Fund	Property and Equipment Fund	Capital Replacement Fund	Total Funds
Revenues (Note 10)				
Animal shelter	\$ 1,423,516	\$ -	\$ -	\$ 1,423,516
Bequests	2,851,721	-	-	2,851,721
Clinic and mobile clinic	1,795	-	-	1,795
Community programs	1,100	-	-	1,100
Development	7,250,430	-	-	7,250,430
Investment income	835,995	-	6,973	842,968
Other income	39,627	-	-	39,627
Volunteer and outreach	34,496	-	-	34,496
Government and other funding for building	-	-	70,287	70,287
	12,438,680	-	77,260	12,515,940
Expenses (Notes 9,10)				
Animal shelter	3,061,220	-	-	3,061,220
Central services	1,054,952	-	-	1,054,952
Clinic and mobile clinic	874,468	-	-	874,468
Community programs	287,040	-	-	287,040
Contingencies	7,402	-	-	7,402
Development	2,469,497	-	-	2,469,497
Foster	80,590	-	-	80,590
Other	61,430	-	-	61,430
Premises	508,325	-	-	508,325
Volunteer and outreach	827,587	-	-	827,587
Amortization of tangible capital and intangible assets	-	480,487	-	480,487
	9,232,511	480,487	-	9,712,998
Excess (deficiency) of revenues over expenses	\$ 3,206,169	\$ (480,487)	\$ 77,260	\$ 2,802,942

The notes are an integral part of these financial statements.

**Ottawa Humane Society
Statement of Operations (continued)**

For the year ended March 31, 2021	Unrestricted Operating Fund	Trust Fund	Property and Equipment Fund	Capital Replacement Fund	Total Funds
Revenues (Note 10)					
Animal shelter	\$ 1,359,081	\$ -	\$ -	\$ -	\$ 1,359,081
Bequests	-	1,724,746	-	-	1,724,746
Building donations	-	1,463	-	-	1,463
Canada Emergency Wage Subsidy	427,278	-	-	-	427,278
Development	7,244,086	-	-	-	7,244,086
Investment income	157,082	747,967	-	12,025	917,074
Other income	36,628	15	-	-	36,643
Volunteer and outreach	3,810	-	-	-	3,810
Government and other funding for building	-	-	-	69,984	69,984
	<u>9,227,965</u>	<u>2,474,191</u>	<u>-</u>	<u>82,009</u>	<u>11,784,165</u>
Expenses (Notes 9,10)					
Animal shelter	2,597,653	-	-	-	2,597,653
Central services	822,316	-	-	-	822,316
Clinic and mobile clinic	875,694	-	-	-	875,694
Community programs	118,049	-	-	-	118,049
Development	1,496,504	-	-	-	1,496,504
Non-capital trust	-	1,271,449	-	-	1,271,449
Premises	448,229	-	-	-	448,229
Volunteer and outreach	724,437	-	-	-	724,437
Amortization of tangible capital and intangible assets	-	-	604,044	-	604,044
	<u>7,082,882</u>	<u>1,271,449</u>	<u>604,044</u>	<u>-</u>	<u>8,958,375</u>
Excess (deficiency) of revenues over expenses	<u>\$ 2,145,083</u>	<u>\$ 1,202,742</u>	<u>\$ (604,044)</u>	<u>\$ 82,009</u>	<u>\$ 2,825,790</u>

The notes are an integral part of these financial statements.

Ottawa Humane Society Statement of Cash Flows

For the year ended March 31, 2022	2022	2021
Cash flows from operating activities		
Excess of revenues over expenses	\$ 2,802,942	\$ 2,825,790
Items not affecting cash:		
Change in unrealized gains on investments	(402,585)	(813,713)
Realized gains on investments	(177,694)	(3,079)
Contributed shares	(439,496)	-
Amortization of tangible and intangible capital assets	480,487	604,044
Unrealized foreign exchange gain	-	(349,228)
	2,263,654	2,263,814
Changes in non-cash working capital:		
Accounts receivable	(104,562)	(57,854)
Inventory	1,684	3,982
Prepaid expenses	(93,982)	48,652
Accounts payable and accrued liabilities	(197,530)	3,734
Deferred revenue	(6,260)	(59,203)
	1,863,004	2,203,125
Cash flows from investing activities		
Purchase of investments	(4,819,190)	(9,845,237)
Proceeds from disposal of investments	3,936,707	7,414,980
Acquisition of tangible capital assets	(37,176)	(82,408)
	(919,659)	(2,512,665)
Other activity		
Foreign exchange gain on cash held in foreign currency	-	481
	943,345	(309,059)
Net increase (decrease) in cash	943,345	(309,059)
Cash, beginning of the year	1,180,377	1,489,436
Cash, end of the year	\$ 2,123,722	\$ 1,180,377

Ottawa Humane Society

Notes to Financial Statements

March 31, 2022

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 are recognized as revenues in the Operating Fund. Restricted contributions with no corresponding fund are recognized in the Operating Fund under the deferral method.

Operating Fund

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

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.

Ottawa Humane Society

Notes to Financial Statements

March 31, 2022

1. Accounting Policies (continued)

Revenue Recognition (continued)

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.

Translation of Foreign Currency Transactions and Items

The Society uses the temporal method to translate its foreign currency transactions. Monetary assets and liabilities are translated at the exchange rate in effect at the statement of financial position date. Other assets and liabilities are translated at the exchange rate in effect at the transaction date. Revenues and expenses are translated at the average rate for the year. Exchange gains and losses are included in the statement of operations.

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 bonds and 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.

Ottawa Humane Society

Notes to Financial Statements

March 31, 2022

1. Accounting Policies (continued)

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 and building improvements	20 - 40 years
Computer equipment	4 years
Furniture and fixtures	10 years
Machinery and equipment	10 years
Vehicles	5 years

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
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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.

Ottawa Humane Society Notes to Financial Statements

March 31, 2022

1. Accounting Policies (continued)

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. Short-term Investments

	2022	2021
Measured at fair value		
Bonds, 2.09% to 2.36% (2021 - 3.39%), maturing between April 2022 and December 2022 (2021 - November 2021).	\$ 404,325	\$ 155,264
Measured at amortized cost		
High-interest savings account	892,126	2,372,657
Guaranteed investment certificates, 2.21% to 3.36% (2021 - 2.50% to 3.10%), maturing between June 2022 and January 2023 (2021 - April 2021 and August 2021).	770,115	712,369
Restricted high-interest savings account	535,783	503,961
Restricted guaranteed investment certificates, 2.35% to 2.51%, matured during the year	-	220,030
	2,198,024	3,809,017
	\$ 2,602,349	\$ 3,964,281

**Ottawa Humane Society
Notes to Financial Statements**

March 31, 2022

3. Long-term Investments

	2022	2021
Measured at fair value		
Bonds, 2.00% to 3.25% (2021 - 2.00% - 3.25%), maturing between May 2023 and June 2030 (2021 - September 2023 and June 2027).	\$ 2,526,082	\$ 599,575
Canadian equities	3,449,071	2,307,705
US and international equities	2,891,612	1,925,181
	8,866,765	4,832,461
Measured at amortized cost		
Guaranteed investment certificates, 2.21% to 2.36%, maturing between June 2022 and June 2023	-	770,115
	-	770,115
	\$ 8,866,765	\$ 5,602,576

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, 2022

4. Tangible Capital Assets

	2022		2021	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 1,744,284	\$ -	\$ 1,744,284	\$ -
Buildings and building improvements	13,125,476	3,460,934	13,116,575	3,141,061
Computer equipment	181,617	140,016	181,617	113,822
Furniture and fixtures	431,329	399,177	431,329	381,205
Machinery and equipment	1,312,948	1,121,212	1,284,675	1,049,515
Vehicles	378,334	334,967	378,334	290,218
	\$ 17,173,988	\$ 5,456,306	\$ 17,136,814	\$ 4,975,821
Net carrying amount		\$ 11,717,682		\$ 12,160,993

Ottawa Humane Society Notes to Financial Statements

March 31, 2022

5. Intangible Assets

	2022		2021	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Software	\$ 165,623	\$ 165,623	\$ 165,623	\$ 165,623
Time share vacation property	38,810	-	38,810	-
	\$ 204,433	\$ 165,623	\$ 204,433	\$ 165,623
Net carrying amount		\$ 38,810		\$ 38,810

6. 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, 2022 and March 31, 2021, this line of credit was unused.

7. Contractual Obligations

The Society regularly enters into agreements for the purchase of various supplies and services including the rental of premises and equipment. The total obligation related to these contracts is \$669,322 including the following payments over the next five years:

2023	\$ 259,398
2024	\$ 126,573
2025	\$ 129,017
2026	\$ 132,210
2027	\$ 22,124

8. Interfund Transfers

Amounts of \$nil (2021 - \$5,562,320) were transferred from the trust fund to the operating fund upon its closure in 2021. Amounts of \$37,176 (2021 - \$82,408) were transferred from the unrestricted operating fund (2021 - 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, 2022

9. Allocation of Expenses

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

	<u>2022</u>	<u>2021</u>
<u>Premises costs</u>		
Animal shelter	\$ 307,147	\$ 268,625
<u>Central services costs</u>		
Animal shelter	\$ 91,488	\$ 109,584
<u>Fleet costs</u>		
Animal shelter	\$ 5,782	\$ 4,555
Clinic and mobile clinic	5,240	5,123
Development	910	839
Volunteer and outreach	6,823	6,293
	<u>\$ 18,755</u>	<u>\$ 16,810</u>

Ottawa Humane Society Notes to Financial Statements

March 31, 2022

10. Fundraising Activities

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

	<u>2022</u>	<u>2021</u>
Operating fund - Development revenue		
Individual support	\$ 6,449,726	\$ 6,465,372
Group support	226,860	343,936
Special events	573,844	434,778
	<u>7,250,430</u>	<u>7,244,086</u>
Trust fund		
Bequests	2,851,721	1,724,746
Building donations	-	1,463
	<u>2,851,721</u>	<u>1,726,209</u>
Total fundraising revenue	<u>\$ 10,102,151</u>	<u>\$ 8,970,295</u>

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

	<u>2022</u>	<u>2021</u>
Operating Fund - Development	\$ 2,469,497	\$ 1,496,504
Trust Fund - Non-capital	-	923,693
	<u>\$ 2,469,497</u>	<u>\$ 2,420,197</u>

11. Contingency

The Society has been named as a defendant in a damages claim received on March 18, 2018. The claim is covered by the Society's insurance policy and is being handled by the insurer. As at March 31, 2022, they have determined that it is unlikely to create any additional liability for the Society. Consequently, no provision for this claim has been reflected in the financial statements.

Ottawa Humane Society Notes to Financial Statements

March 31, 2022

12. Uncertainty due to COVID-19

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic which also created a high degree of global economic uncertainty. As the impacts of COVID-19 continue to cause disruptions, there could be further impact on the Society, its funders and donors. Management is actively monitoring the effect on its financial condition, liquidity, operations, suppliers, industry, and workforce.

The Society's primary cultural value is safety, and has made every effort during the pandemic to ensure the safety of its employees, volunteers and clients. As an essential service, the Society provided the required care to the animals in need, either at the shelter or in foster homes with volunteers. As restrictions lessened, the Society was able to offer more services and activities during the year.

Given the unprecedented nature of COVID-19 and the global response to curb the spread, the Society is not able to fully estimate the effects of COVID-19 on its results of operations, financial condition, or liquidity at this time.

13. Financial Instruments

Currency risk

Approximately 25% of the Society's investments are denominated in US dollars and have been translated into Canadian dollars at year end. Consequently, these investments are exposed to foreign exchange fluctuations.

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 adhering to its established investment policy

There have been no changes in the above financial instrument risk from the prior year. There could be potential fluctuations in the future due to the uncertainty caused by COVID-19.