

Ottawa Humane Society
Financial Statements
For the year ended March 31, 2020

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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, 2020, 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, 2020, 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, 2020 and 2019, current assets as at March 31, 2020 and 2019, and net assets as at April 1 and March 31 for both the 2020 and 2019 years. Our audit opinion on the financial statements for the year ended March 31, 2019 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Ontario
August 12, 2020

Ottawa Humane Society Statement of Financial Position

	2020	2019
Assets		
Current		
Cash	\$1,489,436	\$ 390,132
Accounts receivable (Note 2)	94,981	210,398
Inventory	15,676	8,645
Short-term investments (Note 3)	628,064	1,001,186
Prepaid expenses	195,917	197,303
	2,424,074	1,807,664
Long-term investments (Note 4)	5,342,998	5,068,991
Tangible capital assets (Note 5)	12,682,629	13,182,348
Intangible assets (Note 6)	38,810	39,274
	\$ 20,488,511	\$ 20,098,277
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities	\$ 552,324	\$ 567,507
Deferred revenue	125,096	168,701
	677,420	736,208
Contractual obligations (Note 8)		
Subsequent event (Note 12)		
Net Assets		
Unrestricted operating fund	1,963,865	912,423
Internally restricted		
Trust fund	4,441,986	4,628,695
Property and equipment fund	12,721,439	13,221,622
Externally restricted		
Capital replacement fund	683,801	599,329
	19,811,091	19,362,069
	\$ 20,488,511	\$ 20,098,277

On behalf of the Board:

On file

Christine Tausig Ford Chair

On file

Brittany Ward Treasurer

**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, 2020						
Balance, beginning of the year	\$ 912,423	\$ 4,628,695	\$ 13,221,622	\$ 599,329	\$ 18,449,646	\$ 19,362,069
Excess (deficiency) of revenues over expenses	1,051,442	181,858	(868,750)	84,472	(602,420)	449,022
Interfund transfers (Note 9)	-	(368,567)	368,567	-	-	-
Balance, end of the year	\$ 1,963,865	\$ 4,441,986	\$ 12,721,439	\$ 683,801	\$ 17,847,226	\$ 19,811,091

	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 9)	(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

The notes are an integral part of these financial statements.

Ottawa Humane Society Statement of Operations

For the year ended March 31, 2020	Unrestricted Operating Fund	Trust Fund	Property and Equipment Fund	Capital Replacement Fund	Total Funds
Revenues (Note 11)					
Animal shelter	\$ 2,099,473	\$ -	\$ -	\$ -	\$ 2,099,473
Clinic and mobile clinic	56,275	-	-	-	56,275
Development	6,239,799	-	-	-	6,239,799
Volunteer and outreach	256,753	-	-	-	256,753
Community programs	13,925	-	-	-	13,925
Bequests	-	2,035,284	-	-	2,035,284
Investment income (loss)	163,320	(307,613)	-	14,488	(129,805)
Gain (loss) on disposal of capital assets	-	-	(275,750)	-	(275,750)
Other income	31,450	162	-	-	31,612
Building donations	-	1,259	-	-	1,259
Government and other funding for building	-	-	-	69,984	69,984
	8,860,995	1,729,092	(275,750)	84,472	10,398,809
Expenses (Notes 10,11)					
Animal shelter	3,274,823	-	-	-	3,274,823
Clinic and mobile clinic	1,084,209	-	-	-	1,084,209
Development	1,211,400	-	-	-	1,211,400
Volunteer and outreach	915,166	-	-	-	915,166
Premises	414,163	-	-	-	414,163
Central services	803,199	-	-	-	803,199
Community programs	106,593	-	-	-	106,593
Non-capital trust	-	1,547,234	-	-	1,547,234
Amortization of tangible capital and intangible assets	-	-	593,000	-	593,000
	7,809,553	1,547,234	593,000	-	9,949,787
Excess (deficiency) of revenues over expenses	\$ 1,051,442	\$ 181,858	\$ (868,750)	\$ 84,472	\$ 449,022

The notes are an integral part of these financial statements.

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

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 10,11)					
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 Cash Flows

For the year ended March 31, 2020	2020	2019
Cash flows from operating activities		
Excess of revenues over expenses	\$ 449,022	\$ 404,036
Items not affecting cash:		
Changes in unrealized (gains) and losses on investments	262,713	(29,004)
Realized (gains) losses on investments	44,900	7,813
Loss on disposal of tangible capital assets	275,750	-
Amortization of tangible and intangible capital assets	593,000	585,717
	1,625,385	968,562
Changes in non-cash working capital:		
Accounts receivable	115,417	(127,479)
Inventory	(7,031)	6,893
Prepaid expenses	1,386	(48,766)
Accounts payable and accrued liabilities	(15,183)	37,791
Deferred revenue	(43,605)	24,443
	1,676,369	861,444
Cash flows from investing activities		
Purchase of investments	(7,337,183)	(4,447,597)
Proceeds from disposal of investments	7,128,685	2,921,259
Acquisition of tangible capital assets	(382,567)	(134,720)
Proceeds from disposal of tangible capital assets	14,000	-
	(577,065)	(1,661,058)
Net increase (decrease) in cash	1,099,304	(799,614)
Cash, beginning of the year	390,132	1,189,746
Cash, end of the year	\$ 1,489,436	\$ 390,132

Ottawa Humane Society

Notes to Financial Statements

March 31, 2020

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, 2020

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 and building improvements	20 - 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, 2020

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, 2020

2. Accounts Receivable

	2020	2019
Trade accounts receivable	\$ 95,389	\$ 56,079
GST/HST receivable (payable)	(408)	154,319
	\$ 94,981	\$ 210,398

3. Short-term Investments

	2020	2019
Measured at amortized cost		
Guaranteed investment certificates, 2.15% to 2.65%, maturing between October and November 2020.	404,206	-
Restricted guaranteed investment certificates, 2.85% to 2.96%, maturing in March 2021.	223,858	-
Guaranteed investment certificates, 1.5% to 2.42%, matured in the year.	-	707,675
Restricted guaranteed investment certificates, 1.6% to 2.05%, matured in the year.	-	293,511
	\$ 628,064	\$ 1,001,186

**Ottawa Humane Society
Notes to Financial Statements**

March 31, 2020

4. Long-term Investments

	2020	2019
Measured at fair value		
Equities	\$ 3,357,718	\$ 2,319,472
Mutual funds	201,928	710,651
Restricted mutual funds	80,723	75,316
	3,640,369	3,105,439
 Measured at amortized cost		
Restricted guaranteed investment certificates, 2.35% to 2.51% (2019 - 2.35% to 2.96%), maturing in March 2022.	220,030	443,822
Guaranteed investment certificates, 2.21% to 3.36% (2019 - 2.15% to 3.36%), maturing between April 2021 and January 2023.	1,482,599	1,519,730
	1,702,629	1,963,552
	\$ 5,342,998	\$ 5,068,991

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, 2020

5. Tangible Capital Assets

	2020		2019	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 1,744,284	\$ -	\$ 1,744,284	\$ -
Buildings and building improvements	13,116,575	2,797,659	13,228,371	2,550,854
Computer equipment	132,509	91,161	210,566	166,645
Furniture and fixtures	431,329	338,038	427,260	294,871
Machinery and equipment	1,265,761	942,105	1,246,851	824,234
Vehicles	378,334	217,200	374,011	212,391
	\$ 17,068,792	\$ 4,386,163	\$ 17,231,343	\$ 4,048,995
Net carrying amount		\$ 12,682,629		\$ 13,182,348

6. Intangible Assets

	2020		2019	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Software	\$ 165,623	\$ 165,623	\$ 165,623	\$ 165,159
Time share vacation property	38,810	-	38,810	-
	\$ 204,433	\$ 165,623	\$ 204,433	\$ 165,159
Net carrying amount		\$ 38,810		\$ 39,274

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, 2020 and March 31, 2019, this line of credit was unused.

Ottawa Humane Society Notes to Financial Statements

March 31, 2020

8. 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 \$222,196 including the following payments over the next three years:

2021	\$	192,206
2022	\$	27,356
2023	\$	2,634

9. Interfund Transfers

Amounts of \$nil (2019 - \$500,000) were transferred from the operating fund to the trust fund. Amounts of \$368,567 (2019 - \$134,720) were transferred from the trust fund to the property and equipment fund for the purchase of tangible capital assets during the year.

10. Allocation of Expenses

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

	2020	2019
<u>Premises costs</u>		
Animal shelter	\$ 256,709	\$ 243,759
<u>Central services costs</u>		
Animal shelter	\$ 103,980	\$ 101,004
<u>Fleet costs</u>		
Animal shelter	\$ 8,178	\$ 6,140
Clinic and mobile clinic	12,666	12,765
Development	944	931
Volunteer and outreach	7,077	6,986
	\$ 28,865	\$ 26,822

Ottawa Humane Society Notes to Financial Statements

March 31, 2020

11. Fundraising Activities

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

	2020	2019
Operating fund - Development revenue		
Individual support	\$ 5,391,212	\$ 4,761,042
Group support	310,269	195,383
Special events	538,318	518,733
	6,239,799	5,475,158
 Trust fund		
Bequests	2,035,284	1,482,075
Building donations	1,259	3,286
	2,036,543	1,485,361
 Total fundraising revenue	\$ 8,276,342	\$ 6,960,519

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

	2020	2019
Operating Fund - Development	\$ 1,211,400	\$ 1,068,345
Trust Fund - Non-capital	1,302,925	1,199,137
	\$ 2,514,325	\$ 2,267,482

During the year, the Society was in the fourth 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, 2020

12. Subsequent Event - 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, 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.

As a result of the pandemic, all programming events were suspended, a number of fundraisers and events were postponed or cancelled, and the Shirley Kearns Memorial Adoption Centre was closed to the public. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Society is not able to fully estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity at this time.

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.

There have not been any changes in the interest rate risk from the prior year except for the potential impact of COVID-19.

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. Due to the impact of COVID-19, the price risk related to investments could increase.