

Oakville & Milton Humane Society

Financial Statements

For the Year Ended December 31, 2019



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Oakville & Milton Humane Society

Qualified Opinion

We have audited the financial statements of Oakville & Milton Humane Society, (the "Society"), which comprise the statement of financial position as at December 31, 2019 and 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 December 31, 2019, and results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with 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 year ended December 31, 2019, current assets and net assets as at December 31, 2019 and January 1, 2019.

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.

Other Matter

The financial statements of the Society for the year ended December 31, 2018, were audited by another auditor who expressed a qualified opinion on those statements on May 27, 2019.

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.

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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.

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
May 27, 2020
Toronto, Ontario

Oakville & Milton Humane Society
Statement of Financial Position
As at December 31, 2019

	2019	2018
Assets		
Current		
Cash	\$ 277,954	\$ 422,513
Accounts receivable	85,666	159,720
Prepaid expenses	9,856	11,876
Short-term investments (Note 4)	1,723,365	208,361
	2,096,841	802,470
Long-term investments (Note 4)	603,674	2,050,035
Tangible capital assets (Note 5)	585,535	651,520
	\$ 3,286,050	\$ 3,504,025

Liabilities

Current		
Accounts payable and accrued liabilities	\$ 114,090	\$ 252,027
Current portion of long-term debt (Note 6)	25,783	23,642
Deferred contributions	74,061	185,063
	213,934	460,732
Long-term debt (Note 6)	47,723	73,293
Deferred capital contributions (Note 7)	349,570	362,035
	611,227	896,060

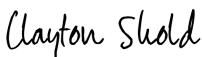
Net Assets


Invested in tangible capital assets	359,582	386,054
Externally restricted net assets (Charlie Fund)	362,376	355,981
Internally restricted net assets	1,643,008	1,692,403
Unrestricted net assets	309,857	173,527
	2,674,823	2,607,965
	\$ 3,286,050	\$ 3,504,025

Lease commitments (Note 8)

Subsequent event (Note 11)

Approved by the Board

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 Director

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 Director

Oakville & Milton Humane Society
Statement of Changes in Net Assets
Year Ended December 31, 2019

	Invested in tangible capital assets	Externally restricted net assets (Charlie Fund)	Internally restricted net assets	Unrestricted net assets	Total 2019	Total 2018
Net assets, beginning of year	\$ 386,054	\$ 355,981	\$ 1,692,403	\$ 173,527	\$ 2,607,965	\$ 2,297,154
Excess of revenue over expenses	(60,972)	6,395	47,605	73,830	66,858	310,811
Investment in tangible capital assets	11,071	-	-	(11,071)	-	-
Repayment of long-term debt	23,429	-	-	(23,429)	-	-
Internal transfers	-	-	(97,000)	97,000	-	-
Net assets, end of the year	\$ 359,582	\$ 362,376	\$ 1,643,008	\$ 309,857	\$ 2,674,823	\$ 2,607,965

Oakville & Milton Humane Society
Statement of Operations
Year Ended December 31, 2019

	2019	2018
Revenue		
Fundraising	\$ 1,753,590	\$ 1,730,637
Animal protective services	1,161,722	1,090,634
Community engagement	236,089	252,934
Thrift Store	72,923	61,984
Other income	66,694	56,361
	3,291,018	3,192,550
Expenses		
Salaries and benefits	2,212,728	2,010,273
Administrative	353,074	392,374
Animal care	194,008	173,176
Animal protective services	162,979	95,768
Fundraising	101,077	38,596
Other	98,563	87,088
Amortization	77,056	83,901
Marketing and communications	16,628	9,583
Community engagement	14,442	21,962
	3,230,555	2,912,721
Excess of revenue over expenses before the undernoted items	60,463	279,829
Other revenue (expenses)		
Charlie Fund revenue	38,538	110,234
Charlie Fund expenses	(32,143)	(79,252)
	6,395	30,982
Excess of revenue over expenses	\$ 66,858	\$ 310,811

Oakville & Milton Humane Society
Statement of Cash Flows
Year Ended December 31, 2019

	2019	2018
Cash provided by (used in)		
Operations		
Excess of revenue over expenses	\$ 66,858	\$ 310,811
Items not affecting cash		
Amortization	77,056	83,901
Amortization of deferred capital contributions to revenue	(16,084)	(22,339)
	127,830	372,373
Net changes in non-cash working capital		
Accounts receivable	74,054	(31,370)
Accounts payable and accrued liabilities	(137,937)	44,415
Deferred contributions	(111,002)	142,337
Prepaid expenses	2,020	10,403
	(45,035)	538,158
Investing		
Purchase of tangible capital assets	(11,071)	(70,327)
Investments, net	(68,643)	(216,950)
Income received on building campaign contributions	3,619	2,165
	(76,095)	(285,112)
Financing		
Proceeds from long-term debt	-	60,000
Repayment of long-term debt	(23,429)	(12,556)
	(23,429)	47,444
Net change in cash	(144,559)	300,490
Cash, beginning of year	422,513	122,023
Cash, end of year	\$ 277,954	\$ 422,513

1. NATURE OF BUSINESS

Oakville & Milton Humane Society (the "Society"), registered its current name on February 2, 2010, changing from the Oakville & District Humane Society in order to better reflect the communities that it serves. The Society is a registered charity incorporated under the laws of the Province of Ontario as a corporation without share capital. The Society provides shelter for lost, injured or abandoned animals, adoption of unclaimed animals, investigation of cruelty complaints, animal control and humane education.

In accordance with section 149 (1) of the Income Tax Act, the Society is exempt from income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Handbook (ASNPO).

Fund Accounting

The Society maintains its accounts in accordance with the principles of fund accounting. Resources are classified for accounting and reporting purposes into funds according to the activity or objective specified by determinations made by the Board of Directors.

Net assets invested in tangible capital assets represent the Society's investment in tangible capital assets net of related liabilities and deferred contributions.

Amounts restricted by external sources are reported as externally restricted net assets. Included in these net assets is the Charlie Fund, which was created to cover the cost of medical emergencies for lost or abandoned animals.

The amounts restricted by the Board are reported as internally restricted net assets. Any general activities, excluding the items above, are reported as unrestricted net assets.

Revenue Recognition

The Society follows the restricted fund method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Amounts restricted for the purchase of tangible capital assets and intangible assets are deferred and recognized in revenue on the same basis as the amortization expense related to the acquired tangible capital assets.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Animal protective services revenue are recognized over the term of the underlying service contracts.

Community engagement, which includes customer care, adoption and general shelter, revenue from services performed are recognized when earned.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Revenue Recognition (Cont'd)

Revenue from the Thrift Store sales is recognized when title to the goods is transferred to customers, the selling price is fixed and determinable and collectibility is reasonably assured.

The Society recognizes non cash contributions when received. Included in contributions are non cash contributions of \$15,349 relating to equipment and shares (2018 - \$Nil).

Contributed Goods and Services

Contributed goods and services are recognized in the statement of financial position or included in revenue and expenses when the values can be reasonably estimated and it is likely that the Society would have had to otherwise pay for these goods and services. Volunteers also contribute a considerable amount of time to the Society. Because of the difficulty in determining the fair value of the volunteer time, these contributed services are not recognized in the financial statements.

Cash

Cash consists of cash on hand and bank deposits.

Investments

Investments are comprised of guaranteed investment certificates ("GICs") and money market mutual funds. It is the general intent of the Society to continue to reinvest the GICs upon maturity.

Tangible Capital Assets and Intangible Assets

Tangible capital assets and intangible capital assets are stated at cost or deemed cost less accumulated amortization. Tangible capital assets and intangible assets are amortized over their estimated useful life on a declining balance basis at the following rates:

Buildings	-	5%
Computer equipment	-	30%
Furniture and fixtures	-	20%
Paving	-	8%
Trailers	-	15%
Vehicles	-	30%
Computer software	-	30%

On January 1, 2019 the Society adopted the new accounting standards ASNPO 4433 – Tangible capital assets held by not-for-profit organizations and ASNPO 4434 – Intangible assets held by not-for-profit organizations. These standards are applied on a prospective basis. As a result of the implementation of this new standard, the Society has updated their policy as it relates to the impairment of tangible capital and intangible assets as follows:

When conditions indicate a tangible capital or intangible asset is impaired, the carrying value of the asset is written down to the asset's fair value or replacement cost. The write down is recorded as an expense in the statement of statement of revenue and expenses. A write-down shall not be reversed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost.

Financial assets measured at amortized cost include cash, accounts receivable and certain investments. Financial assets measured at fair value include marketable securities and mutual fund investments.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and long-term debt. There are no financial liabilities measured at fair value.

Financial instruments are tested for impairment at each reporting date and when an event occurs which may have caused impairment. When a test for impairment indicates that the carrying amount exceeds the fair value, an impairment loss is recognized to the extent the carrying value exceeds its fair value. When the test indicates that the fair value exceeds the carrying amount, a reversal of the impairment loss previously recorded is recognized to the extent of the original cost.

Use of Estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Significant estimates are used for, but not limited to the estimation of useful lives and amortization of tangible capital assets. Actual results could differ from these estimates.

3. BANK FACILITY

The Society has a revolving demand credit facility of \$250,000. The facility bears interest at the prime rate plus 1% and is secured by a general security agreement constituting a first ranking security interest in all property of the Society; security agreement (chattel mortgage) constituting first ranking and specific interest in vehicles; and secured by a collateral mortgage for \$250,000 on the lands and improvements located at 445 Cornwall Road, Oakville, Ontario. As at December 31, 2019, the outstanding balance on this debt is \$Nil (2018 - \$Nil).

Oakville & Milton Humane Society
Notes to Financial Statements
December 31, 2019

4. INVESTMENTS

Investments include the following with maturities ranging from February 2020 to March 2024 bearing interest from 1.60% to 2.75%.

	2019	2018
Guaranteed Investment Certificates	\$ 2,064,149	\$ 2,050,035
Investment Savings	262,890	208,361
	2,327,039	2,258,396
Less: current portion	(1,723,365)	(208,361)
Long-term portion	\$ 603,674	\$ 2,050,035

5. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2019	Net 2018
Land	\$ 3,772	\$ -	\$ 3,772	\$ 3,772
Building	835,547	438,862	396,685	417,568
Computer equipment	129,433	123,196	6,237	8,793
Computer software	42,990	39,226	3,764	5,372
Furniture and fixtures	400,664	318,814	81,850	89,851
Paving	20,561	17,659	2,902	3,154
Trailers	94,565	70,609	23,956	28,189
Vehicles	189,814	123,445	66,369	94,821
	\$ 1,717,346	\$ 1,131,811	\$ 585,535	\$ 651,520

6. LONG-TERM DEBT

	2019	2018
Two automobile loans bearing interest at 4.24%, each repayable in monthly blended payments of \$459. The loans mature on September 1, 2022.	\$ 31,074	\$ 40,373
RBC vehicle loan bearing interest at 4.75% per annum, repayable in monthly blended payments of \$688. The loan matures on July 4, 2022. The security of the loan is outlined in Note 3.	20,019	27,131
RBC vehicle loan bearing interest at 4.75% per annum, repayable in monthly blended payments of \$688. The loan matures on December 6, 2022. The security of the loan is outlined in Note 3.	22,413	29,431
	73,506	96,935
Less: current portion	(25,783)	(23,642)
Long-term portion	\$ 47,723	\$ 73,293

Oakville & Milton Humane Society
Notes to Financial Statements
December 31, 2019

6. LONG TERM DEBT (Cont'd)

Principal repayments are as follows:

2020	\$	25,783
2021		26,500
2022		21,223
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		\$ 73,506
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7. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized amounts of donations received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations.

The changes in deferred capital contributions are as follows:

	Amount of original contribution	Amount of contribution to be expended	Balance, beginning of year	Investment revenue restricted for deferred contributions	Amortization	Balance, end of year
Deferred Building Campaign Contributions ^(a)	\$ 197,123	\$ 197,123	\$ 193,504	\$ 3,619	\$ -	\$ 197,123
Deferred Education Room Contributions	39,000	-	23,961	-	1,200	22,761
Deferred IT Project Contributions	150,002	-	7,298	-	1,571	5,727
Deferred Roof Contributions	73,721	-	56,282	-	2,928	53,354
Deferred Vehicle Contributions	49,699	-	8,704	-	4,992	3,712
Deferred Dog Kitchen Contributions	58,700	-	51,651	-	2,591	49,060
Deferred ISO Lab and Wildlife Room Contributions	10,509	-	9,115	-	505	8,610
Deferred Cat Colony Contributions	16,000	-	11,520	-	2,297	9,223
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	\$ 594,754	\$ 197,123	\$ 362,035	\$ 3,619	\$ 16,084	\$ 349,570
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(a) During the year, \$3,619 (2018 - \$2,165) of investment revenue was restricted for the Building Campaign purposes.

8. LEASE COMMITMENTS

The Society has operating lease commitments for vehicles and a postage machine. Future minimum lease payments as at year end are as follows:

2020	\$	6,238
2021		6,126
2022		1,856
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		\$ 14,220
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9. FINANCIAL INSTRUMENTS

The Society is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Society's risk exposure and concentration as of December 31, 2019. There have been no significant changes to the Society's risk profile since December 31, 2018.

Credit Risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Society is exposed to credit risk through accounts receivable. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends, and other information.

Liquidity Risk

Liquidity risk is the risk that the Society cannot repay its obligations when they become due. This risk is mitigated by maintaining sufficient net assets and ensuring alternate financing is available (Note 3).

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk. The Society is mainly exposed to interest rate risk.

Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Society manages exposure through its normal operating and financing activities. The Society is exposed to interest rate risk primarily through its floating interest rate bank term deposits and credit facilities.

10. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation. Excess of revenue over expenses has not been affected by these reclassifications

11. SUBSEQUENT EVENT

On March 11, 2020, the World Health Organization assessed the coronavirus outbreak (COVID-19) as a pandemic. The outbreak has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. The extent to which COVID-19 impacts the Society's results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19 and actions taken to contain the virus or its impact, among others.