

# **Oakville & Milton Humane Society**

## **Financial Statements**

**For the Year Ended December 31, 2021**



## 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, 2021 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, 2021, 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 years ended December 31, 2021 and 2020, current assets and net assets as at December 31, 2021 and January 1, 2021. Our opinion on the financial statements for the year ended December 31, 2020 was qualified 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.

*RSM Canada LLP*

Chartered Professional Accountants  
Licensed Public Accountants  
May 30, 2022  
Toronto, Ontario

**Oakville & Milton Humane Society**  
**Statement of Financial Position**  
**As at December 31, 2021**

	2021	2020
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 669,054	\$ 739,244
Accounts receivable	80,074	121,122
Prepaid expenses	11,718	10,383
Short-term investments (Note 4)	2,411,498	2,211,930
	<b>3,172,344</b>	3,082,679
Long-term investments (Note 4)	107,901	150,000
Tangible capital assets (Note 5)	471,552	509,926
	<b>\$ 3,751,797</b>	<b>\$ 3,742,605</b>

**Liabilities**

<b>Current</b>		
Accounts payable and accrued liabilities	\$ 231,771	\$ 197,097
Current portion of long-term debt (Note 6)	-	26,500
Deferred contributions (Note 7)	69,315	115,869
	<b>301,086</b>	339,466
Long-term debt (Note 6)	-	22,755
Deferred capital contributions (Note 8)	325,910	336,157
	<b>626,996</b>	698,378

**Net Assets**

Invested in tangible capital assets	344,168	322,724
Externally restricted net assets (Charlie Fund)	290,837	335,462
Internally restricted net assets	1,773,563	1,571,174
Unrestricted net assets	716,233	814,867
	<b>3,124,801</b>	3,044,227
	<b>\$ 3,751,797</b>	<b>\$ 3,742,605</b>

*Lease commitments (Note 11)*

<b>Approved by</b>	DocuSigned by: <i>Clayton Shold</i>	DocuSigned by: <i>Michael Spinelli</i>
	60690866DE26403... Board Chair	27A13D94B84C454 Treasurer

**Oakville & Milton Humane Society**  
**Statement of Changes in Net Assets**  
**Year Ended December 31, 2021**

	Invested in tangible capital assets	Externally restricted net assets (Charlie Fund)	Internally restricted net assets	Unrestricted net assets	Total 2021	Total 2020
<b>Net assets, beginning of year</b> \$	<b>322,724</b>	<b>\$ 335,462</b>	<b>\$ 1,571,174</b>	<b>\$ 814,867</b>	<b>\$ 3,044,227</b>	<b>\$ 2,674,823</b>
Excess (deficiency) of revenue over expenses	(38,205)	(44,625)	12,868	150,536	80,574	369,404
Investment in tangible capital assets	10,394	-	-	(10,394)	-	-
Repayment of long-term debt	49,255	-	-	(49,255)	-	-
Interfund transfer (Note 10)	-	-	189,521	(189,521)	-	-
<b>Net assets, end of the year</b> \$	<b>344,168</b>	<b>\$ 290,837</b>	<b>\$ 1,773,563</b>	<b>\$ 716,233</b>	<b>\$ 3,124,801</b>	<b>\$ 3,044,227</b>

# Oakville & Milton Humane Society

## Statement of Operations

Year Ended December 31, 2021

	2021	2020
<b>Revenue</b>		
Fundraising	\$ 1,836,236	\$ 1,594,574
Animal protective services	1,055,492	1,000,312
Community engagement	243,278	193,186
Thrift Store	57,020	42,280
Other income (Note 9)	230,643	553,773
	<b>3,422,669</b>	<b>3,384,125</b>
<b>Expenses</b>		
Salaries and benefits	2,283,403	2,162,185
Administrative	335,111	332,888
Animal care	196,480	146,749
Fundraising	173,143	72,532
Animal protective services	122,071	66,627
Other	80,333	94,914
Amortization	48,768	59,957
Community engagement	37,163	25,855
Marketing and communications	20,998	26,180
	<b>3,297,470</b>	<b>2,987,887</b>
<b>Excess of revenue over expenses before the undernoted items</b>	<b>125,199</b>	<b>396,238</b>
<b>Other revenue (expenses)</b>		
Charlie Fund revenue	31,802	28,496
Charlie Fund expenses	(76,427)	(55,330)
	<b>(44,625)</b>	<b>(26,834)</b>
<b>Excess of revenue over expenses</b>	<b>\$ 80,574</b>	<b>\$ 369,404</b>

# Oakville & Milton Humane Society

## Statement of Cash Flows

Year Ended December 31, 2021

	2021	2020
<b>Cash provided by (used in)</b>		
<b>Operations</b>		
Excess of revenue over expenses	\$ 80,574	\$ 369,404
Items not affecting cash		
Amortization	48,768	59,957
Amortization of deferred capital contributions to revenue	(10,563)	(14,500)
Non-cash contributions	(156,453)	(20,287)
	(37,674)	394,574
Net changes in non-cash working capital		
Accounts receivable	41,048	(35,456)
Accounts payable and accrued liabilities	34,674	83,007
Deferred contributions	(46,554)	41,808
Prepaid expenses	(1,335)	(527)
	(9,841)	483,406
<b>Investing</b>		
Purchase of tangible capital assets	(10,394)	(1,990)
Investments, net	(1,016)	(14,604)
Disposal of tangible capital assets	-	17,642
Income received on deferred building campaign contributions	316	1,087
	(11,094)	2,135
<b>Financing</b>		
Repayment of long-term debt	(49,255)	(24,251)
<b>Net change in cash</b>	<b>(70,190)</b>	<b>461,290</b>
<b>Cash, beginning of year</b>	<b>739,244</b>	<b>277,954</b>
<b>Cash, end of year</b>	<b>\$ 669,054</b>	<b>\$ 739,244</b>

# Oakville & Milton Humane Society

## Notes to Financial Statements

December 31, 2021

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### 1. NATURE OF BUSINESS

Oakville & Milton Humane Society (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 for future projects 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 for which there is a corresponding restricted fund are recognized as revenue of that fund in the current year. Restricted contributions for which no corresponding restricted fund is presented and recognized in accordance with the deferral method of accounting for contributions. Amounts restricted for the purchase of tangible capital 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, and revenue from services performed are recognized when the services has been performed.



**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 \$156,453 relating to equipment and investments (2020 - \$20,287).

Government assistance is recognized when the Society qualifies for it.

**Contributed Assets and Services**

Contributed assets 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 mutual funds. It is the general intent of the Society to continue to reinvest the GICs upon maturity.

**Tangible Capital 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:

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

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 will not be reversed.

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

**Financial Instruments**

Financial instruments are recorded at fair value when acquired or issued. Subsequently, all financial instruments, excluding marketable securities and mutual funds, 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 assets measured at cost or amortized cost are tested for impairment when there are indicators of impairment. The amount of the write-down, if any, is recognized in the excess of revenues over expenses. Reversals of impairment are recorded to the extent that the value has increased, up to the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the excess of revenues over expenses.

**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 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 a collateral mortgage for \$250,000 on the lands and improvements located at 445 Cornwall Road, Oakville, Ontario.

**Oakville & Milton Humane Society**  
**Notes to Financial Statements**  
**December 31, 2021**

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**4. INVESTMENTS**

Investments include the following with maturities ranging from March 2022 to March 2024 bearing interest from 2.50% to 2.75%.

	<b>2021</b>	<b>2020</b>
Guaranteed investment certificates	\$ 161,480	\$ 1,370,608
Investment savings	1,344,928	991,322
Mutual funds	1,012,991	-
	<b>2,519,399</b>	<b>2,361,930</b>
Less: current portion	<b>(2,411,498)</b>	<b>(2,211,930)</b>
Long-term portion	<b>\$ 107,901</b>	<b>\$ 150,000</b>

**5. TANGIBLE CAPITAL ASSETS**

	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net 2021</b>	<b>Net 2020</b>
Land	\$ 3,772	\$ -	\$ 3,772	\$ 3,772
Building	835,547	477,537	358,010	376,852
Computer equipment	131,423	126,832	4,591	6,225
Computer software	42,990	41,145	1,845	2,635
Furniture and fixtures	400,664	348,280	52,384	65,480
Paving	20,561	18,105	2,456	2,670
Trailers	94,565	77,256	17,309	20,363
Vehicles	165,326	134,141	31,185	31,929
	<b>\$ 1,694,848</b>	<b>\$ 1,223,296</b>	<b>\$ 471,552</b>	<b>\$ 509,926</b>

## Oakville & Milton Humane Society

### Notes to Financial Statements

December 31, 2021

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#### 6. LONG-TERM DEBT

	2021	2020
Two automobile loans bearing interest at 4.24%, each repayable in monthly blended payments of \$459. The loans had a maturity date of September 1, 2022.	\$ -	\$ 21,377
RBC vehicle loan bearing interest at 4.75% per annum, repayable in monthly blended payments of \$688. The loan had a maturity date of July 4, 2022. The security of the loan is outlined in Note 3.	-	12,559
RBC vehicle loan bearing interest at 4.75% per annum, repayable in monthly blended payments of \$688. The loan had a maturity date of December 6, 2022. The security of the loan is outlined in Note 3.	-	15,319
	-	49,255
<u>Less: current portion</u>	<u>-</u>	<u>(26,500)</u>
<u>Long-term portion</u>	<u>\$ -</u>	<u>\$ 22,755</u>

The Society repaid all three loans in full during the year.

#### 7. DEFERRED CONTRIBUTIONS

	2021	2020
Balance, beginning of year	\$ 115,869	\$ 74,061
Amounts received in the year	368,764	45,528
Amounts recognized	(415,318)	(3,720)
<u>Balance, end of year</u>	<u>\$ 69,315</u>	<u>115,869</u>

**Oakville & Milton Humane Society**  
**Notes to Financial Statements**  
**December 31, 2021**

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**8. 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 <sup>(a)</sup>	\$ 197,123	\$ 197,123	\$ 198,210	\$ 316	\$ -	\$ 198,526
Deferred Education Room Contributions	39,000	-	21,623	-	1,081	20,542
Deferred IT Project Contributions	150,002	-	3,880	-	1,525	2,355
Deferred Roof Contributions	73,721	-	50,573	-	2,642	47,931
Deferred Vehicle Contributions	49,699	-	220	-	220	-
Deferred Dog Kitchen Contributions	58,700	-	46,607	-	2,330	44,277
Deferred ISO Lab and Wildlife Room Contributions	10,509	-	8,125	-	461	7,664
Deferred Cat Colony Contributions	16,000	-	6,919	-	2,304	4,615
	<b>\$ 594,754</b>	<b>\$ 197,123</b>	<b>\$ 336,157</b>	<b>\$ 316</b>	<b>\$ 10,563</b>	<b>\$ 325,910</b>

(a) In fiscal 2006, the Society began to receive externally restricted funds to be used specifically towards new premises. Included in the amount of original contribution are the initial contributions plus accumulated restricted investment income. During the year, \$316 (2020 - \$1,087) of investment revenue was restricted for the Building Campaign purposes.

**9. GOVERNMENT GRANTS**

During the year, the Society applied for and received \$179,262 (2020 - \$454,369) from the Federal Government in relation to the Canada Emergency Wage Subsidy (CEWS). The full support received is included in other income.

**10. INTER-FUND TRANSFERS**

During the year, \$189,521 was transferred from the unrestricted net assets to the internally-restricted funds. In 2020, \$100,000 was transferred from the internally-restricted fund to the unrestricted net assets.

# Oakville & Milton Humane Society

## Notes to Financial Statements

December 31, 2021

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### 11. COMMITMENTS

The Society has operating lease commitments for a postage machine and commitments for the fundraising platform subscription service. Future minimum payments as at year end are as follows:

2022	\$	10,537
2023		8,681
		<hr/>
	\$	<b>19,218</b>

### 12. 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, 2021. There have been no significant changes to the Society's risk profile since December 31, 2020.

#### 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 cash flow interest rate risk through its floating interest rate bank term deposits.

### 13. 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