

The Hamilton/Burlington Society for the Prevention of Cruelty to Animals

Financial Statements
For the year ended March 31, 2021

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To the Directors of
The Hamilton/Burlington Society for the Prevention of Cruelty to Animals

Independent Auditors' Report

Qualified Opinion

We have audited the accompanying financial statements of The Hamilton/Burlington Society for the Prevention of Cruelty to Animals (the Society), which comprise the statement of financial position as at March 31, 2021, and the statements of operations, changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of The Hamilton/Burlington Society for the Prevention of Cruelty to Animals as at March 31, 2021 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Society derives revenue from fundraising and donation activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to amounts recorded in the records of the Society. Therefore, we were not able to determine whether any adjustments might be necessary to revenue and excess of revenues over expenses, assets, and net assets for the year ended March 31, 2021 and March 31, 2020.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' 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 these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

Auditors' 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 Auditing Standards (CASs), 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.

June 23, 2021
Burlington, Ontario

SB Partners LLP

Chartered Professional Accountants
Licensed Public Accountants

The Hamilton/Burlington Society for the Prevention of Cruelty to Animals
 Statement of Financial Position
 March 31, 2021

	Operating Fund	Reserve Fund (Note 7)	Directed Bequest Fund (Note 8)	2021	2020
Current assets					
Cash	\$ 417,486	\$ 444,587	\$ -	\$ 862,073	\$ 765,816
Short term investments	300,000	-	-	300,000	-
Restricted funds (Note 3)	28,500	-	-	28,500	28,500
Accounts receivable, trade and other	102,065	-	-	102,065	89,982
Prepaid expenses and other assets	18,831	-	-	18,831	19,421
Interfund loan	581,548	(563,989)	(17,559)	-	-
	1,448,430	(119,402)	(17,559)	1,311,469	903,719
Long-term investments	-	5,893,903	294,508	6,188,411	5,671,120
Property, plant and equipment (Note 4)	2,308,528	-	-	2,308,528	1,890,919
	\$ 3,756,958	\$ 5,774,501	\$ 276,949	\$ 9,808,408	\$ 8,465,758
Current liabilities					
Accounts payable and accrued liabilities	\$ 123,726	\$ -	\$ -	\$ 123,726	\$ 110,673
Deferred revenue	188,334	-	-	188,334	122,936
Current portion of deferred government assistance (Note 6)	37,966	-	-	37,966	37,966
	350,026	-	-	350,026	271,575
Deferred capital contributions (Note 5)	11,049	-	-	11,049	12,891
Deferred government assistance (Note 6)	487,287	-	-	487,287	525,253
	848,362	-	-	848,362	809,719
Net Assets					
Internally restricted (Note 7)	-	5,774,501	276,949	6,051,450	5,608,474
Unrestricted	2,908,596	-	-	2,908,596	2,047,565
	2,908,596	5,774,501	276,949	8,960,046	7,656,039
	\$ 3,756,958	\$ 5,774,501	\$ 276,949	\$ 9,808,408	\$ 8,465,758

Approved on Behalf of the Board
 Directors

 Directors

The accompanying notes are an integral part of the financial statements.



The Hamilton/Burlington Society for the Prevention of Cruelty to Animals
 Statement of Changes in Net Assets
 Year Ended March 31, 2021

	Operating Fund	Reserve Fund	Directed Bequest Fund	2021	2020
Fund balances, beginning of year	\$ 2,047,565	\$ 5,272,730	\$ 335,744	\$ 7,656,039	\$ 7,159,448
Excess (deficiency) of revenues over expenses	222,958	1,081,049	-	1,304,007	496,591
Transfer from Restricted Bequest Fund to Operating Fund	58,795	-	(58,795)	-	-
Transfer from Reserve Fund to Operating Fund for construction costs	579,278	(579,278)	-	-	-
Fund balances, end of year	\$ 2,908,596	\$ 5,774,501	\$ 276,949	\$ 8,960,046	\$ 7,656,039

The accompanying notes are an integral part of the financial statements.



The Hamilton/Burlington Society for the Prevention of Cruelty to Animals
Statement of Operations
Year Ended March 31, 2021

	Operating Fund	Reserve Fund	Directed Bequest Fund	2021	2020
Revenue					
Appeals	\$ 214,777	\$ -	\$ -	\$ 214,777	\$ 43,672
Bequests	-	790,152	-	790,152	680,624
Donations	639,040	-	-	639,040	677,764
Events	70,705	-	-	70,705	162,794
Grants and subsidies (Note 12)	571,728	-	-	571,728	367,998
Investment and other	10,333	18,618	-	28,951	104,967
Lotteries	221,731	-	-	221,731	233,266
Membership and merchandise sales	87,971	-	-	87,971	120,864
Program fees	518,123	-	-	518,123	749,482
	2,334,408	808,770	-	3,143,178	3,141,431
Expenses					
Advertising and promotion	69,846	-	-	69,846	72,393
Animal care fees	184,427	-	-	184,427	232,098
Building repairs and maintenance	51,310	-	-	51,310	117,385
Communications	27,662	-	-	27,662	28,452
Computer maintenance and supplies	52,414	-	-	52,414	45,412
Employee benefits	108,677	-	-	108,677	149,629
Equipment repairs and maintenance	20,113	-	-	20,113	13,925
Insurance	30,865	-	-	30,865	28,233
Interest, bank charges, and investment fees	32,251	39,842	-	72,093	69,156
Memberships and dues	4,575	-	-	4,575	5,424
Office and postage	37,186	-	-	37,186	44,225
Other operating expenses	2,287	-	-	2,287	27,827
Professional fees	301,251	-	-	301,251	292,402
Program awards and supplies	149,870	-	-	149,870	179,550
Salaries and wages	815,691	-	-	815,691	1,064,738
Travel and hospitality	147	-	-	147	3,134
Utilities	83,856	-	-	83,856	82,868
Vehicle	6,945	-	-	6,945	19,121
	1,979,373	39,842	-	2,019,215	2,475,972
Excess of revenues over expenses before other items					
Amortization of capital assets	355,035	768,928	-	1,123,963	665,459
Amortization of government assistance	(171,885)	-	-	(171,885)	(138,981)
Amortization of deferred capital contributions	37,966	-	-	37,966	37,966
Unrealized gain (loss) on investments	1,842	-	-	1,842	1,842
	-	312,121	-	312,121	(69,695)
Excess of revenues over expenses	\$ 222,958	\$ 1,081,049	\$ -	\$ 1,304,007	\$ 496,591

The accompanying notes are an integral part of the financial statements.



The Hamilton/Burlington Society for the Prevention of Cruelty to Animals
Statement of Cash Flows
Year Ended March 31, 2021

	Operating Fund	Reserve Fund	Directed Bequest Fund	2021	2020
Cash flows from operating activities					
Excess of revenues over expenses	\$ 222,958	\$ 1,081,049	\$ -	\$ 1,304,007	\$ 496,591
Amortization of capital assets	171,885	-	-	171,885	138,981
Amortization of deferred government assistance	(37,966)	-	-	(37,966)	(37,966)
Transfers	638,073	(579,278)	(58,795)	-	-
Amortization of deferred capital contributions	(1,842)	-	-	(1,842)	(1,842)
Unrealized loss (gain) on investments	-	(312,121)	-	(312,121)	69,695
	993,108	189,650	(58,795)	1,123,963	665,459
Net change in accounts receivable, trade and other	(12,083)	-	-	(12,083)	(38,354)
Net change in accounts payable and accrued liabilities	13,053	-	-	13,053	(31,098)
Net change in interfund loans	(11,613)	-	11,613	-	-
Net change in other operating working capital balances	65,988	-	-	65,988	11,139
	1,048,453	189,650	(47,182)	1,190,921	607,146
Cash flows from operating activities					
Cash flows from financing activities					
Cash flows from financing activities	-	-	-	-	-
Cash flows from investing activities					
Cash flows from investing activities					
Sale (purchase) of long-term investments, net of proceeds	-	(252,352)	47,182	(205,170)	(195,316)
Purchase of short-term investments	(300,000)	-	-	(300,000)	-
Purchase of capital assets	(589,494)	-	-	(589,494)	(332,440)
	(889,494)	(252,352)	47,182	(1,094,664)	(527,756)
Cash flows used in investing activities					
Net increase in cash and cash equivalents	158,959	(62,702)	-	96,257	79,390
Cash and cash equivalents, beginning of year	258,527	507,289	-	765,816	686,426
Cash and cash equivalents, end of year	\$ 417,486	\$ 444,587	\$ -	\$ 862,073	\$ 765,816

The accompanying notes are an integral part of the financial statements.



The Hamilton/Burlington Society for the Prevention of Cruelty to Animals

Notes to Financial Statements

Year Ended March 31, 2021

1. Form of Organization

The Hamilton/Burlington Society for the Prevention of Cruelty to Animals (the "Society") was established in 1887 with the objective of providing an effective means for the prevention of cruelty to animals. The Society is incorporated under the Corporations Act of Ontario as a not-for-profit organization without share capital.

2. Significant accounting policies

Basis of presentation

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

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 the Board of Directors.

The internally restricted funds include both the Reserve Fund and the Directed Bequest Fund. The Reserve fund has been restricted by the Board of Directors to ensure the long-term stability of the Society whereas the Directed Bequest Fund has been restricted by the Board of Directors to honour funds bequeathed for a specific purpose. Certain donation revenue and investment income earned on internally restricted funds are recorded as revenue of the restricted funds. An annual reserve granting policy transfers to the Operating Fund an amount up to 5.5% of the average value of the invested reserve assets for the last four quarters. If the Board determines that an additional amount should be transferred from the Reserve Fund and made available for Operations of the Society, the additional amount will also be recorded as a transfer between the funds.

All other revenues and expenses of the Society are recorded in the Statement of Operations in the Operating Fund.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks.

Financial instruments

The Society's financial instruments consist of cash and bank, short-term investments, accounts receivable, long-term investments, and accounts payable and accrued liabilities. The Society's long-term investments, which consist of shares of publicly traded companies and government bonds, are initially recognized and subsequently measured at fair value without adjustment for transaction costs that would be incurred on disposal and exclude adjustment for premiums and discounts associated with government bonds. Changes in fair value are recognized in income in the period. All other financial instruments are initially recognized at fair value and subsequently measured at amortized cost. Transaction costs and financial fees associated with financial instruments carried at amortized cost are recorded as adjustments to the initial fair value recognized and amortized over the life of the financial instrument.



The Hamilton/Burlington Society for the Prevention of Cruelty to Animals

Notes to Financial Statements

Year Ended March 31, 2021

2. Significant accounting policies (cont'd.)

Capital assets

Capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is provided as follows:

Building and leasehold improvements	straight-line until the year 2036
Computer equipment	30% straight-line
Computer software	30% straight-line
Office equipment	10% straight-line
Shelter equipment	10% straight-line
Animal hospital equipment	10% straight-line
Fence	10 year straight-line
Vehicles	40% straight-line

One-half the normal rate of amortization is provided for in the year of acquisition.

Revenue recognition

The Society follows the deferral method of accounting for revenue generated through contributions, sponsorships, grants, fundraising events, memberships, program fees, and merchandise sales. These revenues are recognized when received or when the amount can be reasonably estimated and collection is reasonably assured. Amounts received for future services are deferred until the service is provided. Investment income is recognized as revenue is earned.

Contributed services

Volunteers contribute a significant number of hours per year. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

Income taxes

The Society is a not-for-profit organization registered under the Income Tax Act (the "Act") and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes. In order to maintain its status as a registered charity under the Act, the Society must meet certain requirements of the Act. In the opinion of management, these requirements have been met.

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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expense during the period. Actual results could differ from those estimates.

Government assistance

The Society recognizes government assistance when amounts are determinable and collection is reasonably assured. Government assistance received towards current expenses or revenues are included in the determination of net income for the period.



The Hamilton/Burlington Society for the Prevention of Cruelty to Animals

Notes to Financial Statements

Year Ended March 31, 2021

3. Restricted funds

Restricted fund investments are comprised of a Guaranteed Income Certificate earning interest at a rate of 0.25%, with a maturity date of March 4, 2022. The investment is restricted in that it is held as collateral on the letter of credit as disclosed in Note 11.

4. Property, plant and equipment

	Cost	Accumulated Amortization	2021 Net book value	2020 Net book value
Land	\$ 221,191	\$ -	\$ 221,191	\$ 221,191
Building and leasehold improvements	3,292,609	1,393,610	1,898,999	1,472,986
Computer equipment	111,392	75,562	35,830	2,284
Computer software	12,639	1,896	10,743	-
Office equipment	159,758	133,908	25,850	30,914
Shelter equipment	294,174	266,671	27,503	37,869
Animal hospital equipment	181,188	104,534	76,654	86,776
Fence	31,260	20,929	10,331	15,272
Vehicles	63,061	61,634	1,427	23,627
	<u>\$ 4,367,272</u>	<u>\$ 2,058,744</u>	<u>\$ 2,308,528</u>	<u>\$ 1,890,919</u>

5. Deferred capital contributions

	2021	2020
Deferred contributions - construction	\$ 12,891	\$ 14,733
Amortization of deferred capital contributions	(1,842)	(1,842)
	<u>\$ 11,049</u>	<u>\$ 12,891</u>

Contributions received for the renovations of the premises have been accounted for on a deferred basis. Amortization will be provided for using the same method and rate as the respective renovations.



The Hamilton/Burlington Society for the Prevention of Cruelty to Animals

Notes to Financial Statements

Year Ended March 31, 2021

6. Deferred government assistance

	Shelter	Animal Hospital	Fence	2021	2020
Opening balance	\$ 445,025	\$ 106,105	\$ 12,089	\$ 563,219	\$ 601,185
Additions	-	-	-	-	-
Amortization of deferred government assistance	(28,684)	(6,737)	(2,545)	(37,966)	(37,966)
	416,341	99,368	9,544	525,253	563,219
Less: Current portion	(28,684)	(6,737)	(2,545)	(37,966)	(37,966)
Ending balance	\$ 387,657	\$ 92,631	\$ 6,999	\$ 487,287	\$ 525,253

Government assistance received for the construction of the premises in 1996 and the Companion Animal Hospital in 2009 has been accounted for on a deferred basis. Amortization is provided for using the same method and rate as the respective building. Additional assistance was received in 2015 for the supply and installation of a fence for the leash free park. Amortization is provided for using the same method as the respective fence asset.

7. Internally restricted reserve fund

All bequests received are internally restricted by the Board of Directors for investment purposes. These internally restricted funds are not available for other purposes without prior approval of the Board of Directors.

8. Internally restricted - Directed bequest fund

The directed bequest fund honours funds bequeathed to the HBSPCA for specific purposes. The Free Spay/Neuter Fund was started in 2013 with the inaugural bequest from McGinley Estate (2013); the HBSPCA has partnered with a community partner to provide spay/neuter services to their clients with low income households in Hamilton. The Veterinary Care for Homeless Animals Fund received its inaugural contribution from the Cichra Estate (2014) and the Care for Cats Fund received its inaugural contribution from the Festing Estate (2017).

	Opening Balance	Additions	Spending	Ending Balance
Free Spay/Neuter	\$ 116,890	\$ -	\$ (3,317)	\$ 113,573
Veterinary Care for Homeless Animals	208,053	-	(44,677)	163,376
Care for Cats	10,801	-	(10,801)	-
	\$ 335,744	\$ -	\$ (58,795)	\$ 276,949



The Hamilton/Burlington Society for the Prevention of Cruelty to Animals

Notes to Financial Statements

Year Ended March 31, 2021

9. Fund transfers

Reserve Fund

Consistent with the annual reserve granting policy (Note 2), the Board of Directors approved the transfer of funds from the Reserve Fund to the Operating Fund of \$Nil (2020 - \$283,027).

10. Operating lease commitments

Future minimum payments for operating leases that have initial or remaining terms of one year or more consist of the following amounts:

	2022	\$	22,246
	2023		20,425
	2024		11,584
	2025		11,220
	2026		11,220
	Thereafter		2,805
		\$	79,500

11. Commitments

The Society has a letter of credit in favour of the City of Hamilton in the amount of \$28,500 expiring March 7, 2022.

12. Government assistance

Included in grants and subsidies in the period is government assistance in the form of Canada Emergency Wage Subsidy (CEWS) totalling \$340,074.

13. Non-monetary transactions

During the year the Society received no donations of publicly traded shares for total proceeds of \$Nil (2020 - \$31,353). The proceeds received for these shares have been determined based on the fair market value of the publicly traded shares on the date of receipt of the donations. There were no realized gains or losses on these non-monetary transactions.

14. Financial instruments

The Society's financial instruments consist of cash and bank, short-term investments, accounts receivable, long-term investments, and accounts payable and accrued liabilities.

Liquidity risk

The Society's exposure to liquidity risk is dependent on the donations, program fees as well as membership and merchandise volumes, the collection of accounts receivable, purchasing commitments and obligations or raising of funds to meet commitments and sustain operations. The Society controls liquidity risk by management of working capital, cash flows and the availability of borrowing facilities.



The Hamilton/Burlington Society for the Prevention of Cruelty to Animals

Notes to Financial Statements

Year Ended March 31, 2021

14. Financial instruments (cont'd.)

Market Risk

The Society's investments in publicly-traded securities exposes the Society to price risks as equity investments are subject to price changes in an open market. The Society does not use derivative financial instruments to alter the effects of this risk.

The Society has the following mix of investments as of March 31, 2021:

	2021	2020
Fixed income/Principal protected notes	\$ 3,073,083	\$ 3,337,678
Segregated funds and equities	\$ 3,415,328	\$ 2,333,442
	<u>\$ 6,488,411</u>	<u>\$ 5,671,120</u>

All financial investments are recorded at fair value with unrealized gains/losses included in statement of operations.

Unless otherwise noted, it is management's opinion that the Society is not exposed to significant credit, interest, or currency risks.

15. Impact of COVID-19 pandemic

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian federal and provincial governments, 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 and in Canada resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions, however the success of these interventions is not currently determinable. The current challenging economic climate may lead to adverse changes in cash flows, and future fundraising efforts, which may also have a direct impact on the Society's operating results and financial position in the future. The Provincial emergency order issued in March 2020 declared veterinary services (urgent care only) and other businesses that provide for the health and welfare of animals as essential services. In response to this order management assigned some staff to work from home, some staff to provide urgent care and placed other staff on layoff. The Society reviewed announced government support programs and successfully applied for the Canada Emergency Wage Subsidy (CEWS), to keep staff and mitigate expected financial loss. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Society is not known at this time.

