

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

Financial Statements  
For the period ended March 31, 2018

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

**Independent Auditors' Report**

**Report on the Financial Statements**

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, 2018 and the statements of operations, changes in net assets and cash flows for the fifteen month period then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility 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.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

**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 by the Society and we were not able to determine whether any adjustments might be necessary to revenue and deficiency of revenues over expenses, for the period ended March 31, 2018.

**Qualified Opinion**

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 Society as at March 31, 2018 and the results of its operations and its cash flows for the period then ended in accordance with Canadian accounting standards for not-for-profit organizations.

August 14, 2018  
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, 2018**

	Operating Fund	Reserve Fund (Note 5)	Directed Bequest Fund (Note 6)	Period Ended March 31, 2018	Year Ended December 31, 2016
<b>Current assets</b>					
Cash and bank	\$ 522,963	\$ 200,573	\$ -	\$ 723,536	\$ 723,742
Accounts receivable	46,310	-	-	46,310	62,249
Prepays and deposits	28,772	-	-	28,772	34,975
Interfund loan	30,167	-	(30,167)	-	-
	628,212	200,573	(30,167)	798,618	820,966
<b>Investments</b>	-	4,751,877	460,773	5,212,650	5,260,165
<b>Capital assets (Note 3)</b>	1,685,470	-	-	1,685,470	1,703,380
	\$ 2,313,682	\$ 4,952,450	\$ 430,606	\$ 7,696,738	\$ 7,784,511
<b>Current liabilities</b>					
Accounts payable and accrued liabilities	\$ 144,440	\$ -	\$ -	\$ 144,440	\$ 145,807
Deferred revenue	81,877	-	-	81,877	-
Current portion of deferred government assistance (Note 4)	37,966	-	-	37,966	37,966
	264,283	-	-	264,283	183,773
<b>Deferred government assistance (Note 4)</b>	601,185	-	-	601,185	648,642
	865,468	-	-	865,468	832,415
<b>Net Assets</b>					
Internally restricted (Note 5)	-	4,952,450	430,606	5,383,056	5,390,514
Unrestricted	1,448,214	-	-	1,448,214	1,561,582
	1,448,214	4,952,450	430,606	6,831,270	6,952,096
	\$ 2,313,682	\$ 4,952,450	\$ 430,606	\$ 7,696,738	\$ 7,784,511

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**  
**Period Ended March 31, 2018**

	Operating Fund	Reserve Fund	Directed Bequest Fund	Period Ended March 31, 2018	Year Ended December 31, 2016
<b>Fund balances, beginning of year</b>	\$ 1,561,582	\$ 4,897,889	\$ 492,625	\$ 6,952,096	\$ 6,320,014
Excess (deficiency) of revenues over expenses	(449,003)	301,427	26,750	(120,826)	632,082
Annual Reserve Transfer (Note 7)	246,866	(246,866)	-	-	-
Transfer from Restricted Bequest Fund to Operating Fund	88,769	-	(88,769)	-	-
<b>Fund balances, end of year</b>	\$ 1,448,214	\$ 4,952,450	\$ 430,606	\$ 6,831,270	\$ 6,952,096

*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**  
**Period Ended March 31, 2018**

	Operating		Directed	Fifteen Month	Year Ended
Revenue	Fund	Reserve Fund	Bequest Fund	Period Ended	December 31, 2016
	March 31, 2018	March 31, 2018	March 31, 2018	March 31, 2018	December 31, 2016
Appeals	\$ 39,544	\$ -	\$ -	\$ 39,544	\$ 28,759
Bequests	-	170,012	26,750	196,762	154,190
Donations	724,411	-	-	724,411	573,913
Events	156,130	-	-	156,130	117,792
Grants	248,295	-	-	248,295	191,561
Investment and other	14,697	127,136	-	141,833	108,348
Lotteries	282,081	-	-	282,081	286,141
Membership and merchandise sales	95,568	-	-	95,568	69,162
Program fees	828,852	-	-	828,852	673,056
	<b>2,389,578</b>	<b>297,148</b>	<b>26,750</b>	<b>2,713,476</b>	<b>2,202,922</b>
<b>Expenses</b>					
Advertising and promotion	57,938	-	-	57,938	56,752
Animal care fees	299,589	-	-	299,589	216,177
Building repairs and maintenance	97,389	-	-	97,389	69,111
Communications	32,603	-	-	32,603	22,947
Computer maintenance and supplies	29,375	-	-	29,375	28,826
Employee benefits	181,822	-	-	181,822	126,752
Equipment repairs and maintenance	9,864	-	-	9,864	14,446
Insurance	25,321	-	-	25,321	16,384
Interest, bank charges, and investment fees	39,818	70,823	-	110,641	92,607
Memberships and dues	7,106	-	-	7,106	7,291
Office and postage	38,318	-	-	38,318	28,189
Other operating expenses	31,936	-	-	31,936	19,595
Professional fees	301,379	-	-	301,379	206,317
Program awards and supplies	233,873	-	-	233,873	197,471
Salaries and wages	1,229,688	-	-	1,229,688	928,908
Travel and hospitality	5,563	-	-	5,563	7,187
Utilities	104,872	-	-	104,872	78,915
Vehicle	18,559	-	-	18,559	13,162
	<b>2,745,013</b>	<b>70,823</b>	<b>-</b>	<b>2,815,836</b>	<b>2,131,037</b>
<b>Excess (deficiency) of revenues over expenses before other items</b>	<b>(355,435)</b>	<b>226,325</b>	<b>26,750</b>	<b>(102,360)</b>	<b>71,885</b>
Amortization of capital assets	(141,025)	-	-	(141,025)	(114,709)
Amortization of government assistance	47,457	-	-	47,457	37,966
Gain on sale of capital assets	-	-	-	-	57,522
Unrealized gain on investments	-	75,102	-	75,102	579,418
<b>Excess (deficiency) of revenues over expenses</b>	<b>\$ (449,003)</b>	<b>\$ 301,427</b>	<b>\$ 26,750</b>	<b>\$ (120,826)</b>	<b>\$ 632,082</b>

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**  
**Period Ended March 31, 2018**

	Operating Fund	Reserve Fund	Directed Bequest Fund	Fifteen Month Period Ended March 31, 2018	Year Ended December 31, 2016
<b>Cash flows from operating activities</b>					
Excess (deficiency) of revenues over expenses	\$ (449,003)	\$ 301,427	\$ 26,750	\$ (120,826)	\$ 632,082
Amortization of capital assets	141,025	-	-	141,025	114,709
Amortization of deferred government assistance	(47,457)	-	-	(47,457)	(37,966)
Transfers	335,635	(246,866)	(88,769)	-	-
Unrealized gain on investments	-	(75,102)	-	(75,102)	(579,418)
Gain on sale of capital assets	-	-	-	-	(57,522)
	(19,800)	(20,541)	(62,019)	(102,360)	71,885
Net change in accounts receivable	(9,061)	25,000	-	15,939	(33,648)
Net change in accounts payable and accrued liabilities	(1,367)	-	-	(1,367)	(2,840)
Net change in interfund loans	(30,167)	-	30,167	-	-
Net change in other operating working capital balances	88,080	-	-	88,080	(76,989)
Cash flows from (used in) operating activities	27,685	4,459	(31,852)	292	(41,592)
<b>Cash flows from investing activities</b>					
Sale (purchase) of investments, net of proceeds	-	90,765	31,852	122,617	(144,406)
Purchase of capital assets	(123,115)	-	-	(123,115)	(98,665)
Proceeds on disposal of capital assets	-	-	-	-	57,522
Cash flows used in investing activities	(123,115)	90,765	31,852	(498)	(185,549)
<b>Net decrease in cash and cash equivalents</b>	<b>(95,430)</b>	<b>95,224</b>	<b>-</b>	<b>(206)</b>	<b>(227,141)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>618,393</b>	<b>105,349</b>	<b>-</b>	<b>723,742</b>	<b>950,883</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 522,963</b>	<b>\$ 200,573</b>	<b>\$ -</b>	<b>\$ 723,536</b>	<b>\$ 723,742</b>

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

Period Ended March 31, 2018

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### 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.

#### Change in year end

In the current year, the Society changed its fiscal year end to March 31. Comparative figures have been presented for the 12 month year ended December 31, 2016. The current year figures have been presented for a 15 month period ended March 31, 2018.

#### 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 equal 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.



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

## Notes to Financial Statements

Period Ended March 31, 2018

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### 2. Significant accounting policies (cont'd.)

#### Financial instruments

The Society's financial instruments consist of cash and bank, accounts receivable, portfolio investments in publicly traded shares of domestic and foreign exchanges and government bonds, accounts payable and accrued liabilities. The Society's investment in 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.

#### 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.



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

## Notes to Financial Statements

Period Ended March 31, 2018

### 3. Capital assets

	Cost	Accumulated Amortization	March 31, 2018 Net book value	December 31, 2016 Net book value
Land	\$ 221,191	\$ -	\$ 221,191	\$ 221,191
Building and leasehold improvements	2,321,214	1,136,118	1,185,096	1,249,608
Computer equipment	86,234	66,639	19,595	32,509
Computer software	23,098	23,098	-	3,392
Office equipment	149,962	119,250	30,712	25,092
Shelter equipment	289,920	235,503	54,417	65,647
Animal hospital equipment	185,015	72,434	112,581	81,304
Fence	28,818	7,782	21,036	24,637
Vehicles	88,438	84,844	3,594	-
Leasehold improvements in process	37,248	-	37,248	-
	<b>\$ 3,431,138</b>	<b>\$ 1,745,668</b>	<b>\$ 1,685,470</b>	<b>\$ 1,703,380</b>

### 4. Deferred government assistance

	March 31, 2018	December 31, 2016
Deferred government assistance - shelter	\$ 1,172,796	\$ 1,172,796
Deferred government assistance - animal hospital	175,160	175,160
Accumulated amortization	(708,805)	(661,348)
	<b>\$ 639,151</b>	<b>\$ 686,608</b>
Less: current portion	\$ (37,966)	\$ (37,966)
	<b>\$ 601,185</b>	<b>\$ 648,642</b>

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.

### 5. 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.

### 6. Internally restricted - Directed bequest fund



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

## Notes to Financial Statements

Period Ended March 31, 2018

The directed bequest fund honours funds bequeathed to the HBSPCA for specific purposes. The McGinley bequest (2013) is used for free spay neuter for pets in low income households; the HBSPCA has partnered with a community partner to provide spay neuter services to their clients in Hamilton. The Cichra bequest (2014) is used for the veterinarian care for homeless animals. The Forever Home Fund is used for veterinary care to keep cats in their own home and to mitigate the surrenders to the shelter. The Festing Fund is used for the care of cats at the shelter.

	Opening Balance	Additions	Spending	Ending Balance
Festing Fund	\$ -	\$ 18,750	\$ -	\$ 18,750
McGinley	145,814	-	(15,183)	130,631
Cichra	341,811	-	(63,099)	278,712
Forever Home Fund	5,000	8,000	(10,487)	2,513
	\$ 492,625	\$ 26,750	\$ (88,769)	\$ 430,606

### 7. 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 \$246,866.

### 8. Financial instruments

The Society's financial instruments consist of cash and bank, accounts receivable, portfolio investments in publicly traded shares of domestic and foreign exchanges and government bonds, 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

Period Ended March 31, 2018

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### 8. 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, 2018:

	<b>Period Ended March 31, 2018</b>	<b>Year Ended December 31, 2016</b>
Fixed income/Principal protected notes	\$ 1,923,183	\$ 2,045,046
Equities	\$ 3,289,467	\$ 3,215,120
	<b>\$ 5,212,650</b>	<b>\$ 5,260,166</b>

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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.

