

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

Financial Statements  
For the year ended March 31, 2019

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

### **Independent Auditors' Report**

#### **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, 2019, 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.

#### **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 Hamilton/Burlington Society for the Prevention of Cruelty to Animals as at March 31, 2019 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, 2019.

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.

August 13, 2019  
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, 2019**

	Operating Fund	Reserve Fund (Note 7)	Directed Bequest Fund (Note 8)	Year Ended 2019	Period Ended 2018
<b>Current assets</b>					
Cash	\$ 378,037	\$ 308,389	\$ -	\$ 686,426	\$ 723,536
Restricted funds (Note 3)	28,500	-	-	28,500	-
Accounts receivable, trade and other	51,628	-	-	51,628	46,310
Prepaid expenses and other assets	26,191	-	-	26,191	28,772
Interfund loan	289,987	(280,961)	(9,026)	-	-
	<b>774,343</b>	<b>27,428</b>	<b>(9,026)</b>	<b>792,745</b>	<b>798,618</b>
<b>Long-term investments</b>	-	5,175,079	370,420	5,545,499	5,212,650
<b>Property, plant and equipment (Note 4)</b>	1,697,460	-	-	1,697,460	1,685,470
	<b>\$ 2,471,803</b>	<b>\$ 5,202,507</b>	<b>\$ 361,394</b>	<b>\$ 8,035,704</b>	<b>\$ 7,696,738</b>
<b>Current liabilities</b>					
Accounts payable and accrued liabilities	\$ 141,771	\$ -	\$ -	\$ 141,771	\$ 144,440
Deferred revenue	118,567	-	-	118,567	81,877
Current portion of deferred government assistance (Note 6)	38,887	-	-	38,887	37,966
	<b>299,225</b>	<b>-</b>	<b>-</b>	<b>299,225</b>	<b>264,283</b>
<b>Deferred capital contributions (Note 5)</b>	13,812	-	-	13,812	-
<b>Deferred government assistance (Note 6)</b>	563,219	-	-	563,219	601,185
	<b>876,256</b>	<b>-</b>	<b>-</b>	<b>876,256</b>	<b>865,468</b>
<b>Net Assets</b>					
Internally restricted (Note 7)	-	5,202,507	361,394	5,563,901	5,383,056
Unrestricted	1,595,547	-	-	1,595,547	1,448,214
	<b>1,595,547</b>	<b>5,202,507</b>	<b>361,394</b>	<b>7,159,448</b>	<b>6,831,270</b>
	<b>\$ 2,471,803</b>	<b>\$ 5,202,507</b>	<b>\$ 361,394</b>	<b>\$ 8,035,704</b>	<b>\$ 7,696,738</b>

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, 2019**

	Operating Fund	Reserve Fund	Directed Bequest Fund	Year Ended March 31, 2019	Period Ended March 31, 2018
<b>Fund balances, beginning of year</b>	\$ 1,448,214	\$ 4,952,450	\$ 430,606	\$ 6,831,270	\$ 6,952,096
Excess (deficiency) of revenues over expenses	(202,840)	531,018	-	328,178	(120,826)
Annual Reserve Transfer (Note 9)	280,961	(280,961)	-	-	-
Transfer from Restricted Bequest Fund to Operating Fund	69,212	-	(69,212)	-	-
<b>Fund balances, end of year</b>	\$ 1,595,547	\$ 5,202,507	\$ 361,394	\$ 7,159,448	\$ 6,831,270

*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, 2019**

				Year Ended	Fifteen Month Period
Revenue	Operating Fund	Reserve Fund	Directed Bequest Fund	March 31, 2019	Ended March 31, 2018
Appeals	\$ 48,566	\$ -	\$ -	\$ 48,566	\$ 39,544
Bequests	-	265,949	-	265,949	196,762
Donations	614,413	-	-	614,413	724,411
Events	160,679	-	-	160,679	156,130
Grants	341,009	-	-	341,009	248,295
Investment and other	12,245	90,628	-	102,873	141,833
Lotteries	264,730	-	-	264,730	282,081
Membership and merchandise sales	105,866	-	-	105,866	95,568
Program fees	597,758	-	-	597,758	828,852
	<b>2,145,266</b>	<b>356,577</b>	<b>-</b>	<b>2,501,843</b>	<b>2,713,476</b>
<b>Expenses</b>					
Advertising and promotion	39,664	-	-	39,664	57,938
Animal care fees	224,365	-	-	224,365	299,589
Building repairs and maintenance	76,375	-	-	76,375	97,389
Communications	27,229	-	-	27,229	32,603
Computer maintenance and supplies	38,701	-	-	38,701	29,375
Employee benefits	151,118	-	-	151,118	181,822
Equipment repairs and maintenance	12,041	-	-	12,041	9,864
Insurance	25,105	-	-	25,105	25,321
Interest, bank charges, and investment fees	38,996	46,836	-	85,832	110,641
Memberships and dues	3,219	-	-	3,219	7,106
Office and postage	37,174	-	-	37,174	38,318
Other operating expenses	21,176	-	-	21,176	31,936
Professional fees	219,477	-	-	219,477	301,379
Program awards and supplies	215,005	-	-	215,005	233,873
Salaries and wages	1,018,320	-	-	1,018,320	1,229,688
Travel and hospitality	4,150	-	-	4,150	5,563
Utilities	85,422	-	-	85,422	104,872
Vehicle	18,072	-	-	18,072	18,559
	<b>2,255,609</b>	<b>46,836</b>	<b>-</b>	<b>2,302,445</b>	<b>2,815,836</b>
<b>Excess (deficiency) of revenues over expenses before other items</b>	<b>(110,343)</b>	<b>309,741</b>	<b>-</b>	<b>199,398</b>	<b>(102,360)</b>
Amortization of capital assets	(131,384)	-	-	(131,384)	(141,025)
Amortization of government assistance	37,966	-	-	37,966	47,457
Amortization of deferred capital contributions	921	-	-	921	-
Unrealized gain on investments	-	221,277	-	221,277	75,102
<b>Excess (deficiency) of revenues over expenses</b>	<b>\$ (202,840)</b>	<b>\$ 531,018</b>	<b>\$ -</b>	<b>\$ 328,178</b>	<b>\$ (120,826)</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**  
**Year Ended March 31, 2019**

	Operating Fund	Reserve Fund	Directed Bequest Fund	Year Ended March 31, 2019	Fifteen Month Period Ended March 31, 2018
<b>Cash flows from operating activities</b>					
Excess (deficiency) of revenues over expenses	\$ (202,840)	\$ 531,018	\$ -	\$ 328,178	\$ (120,826)
Amortization of capital assets	131,384	-	-	131,384	141,025
Amortization of deferred government assistance	(37,966)	-	-	(37,966)	(47,457)
Transfers	350,173	(280,961)	(69,212)	-	-
Amortization of deferred capital contributions	(921)	-	-	(921)	-
Unrealized gain on investments	-	(221,277)	-	(221,277)	(75,102)
	239,830	28,780	(69,212)	199,398	(102,360)
Net change in accounts receivable, trade and other	(5,318)	-	-	(5,318)	15,939
Net change in accounts payable and accrued liabilities	(2,669)	-	-	(2,669)	(1,367)
Net change in interfund loans	(259,820)	280,961	(21,141)	-	-
Net change in other operating working capital balances	39,271	-	-	39,271	88,080
Cash flows from operating activities	11,294	309,741	(90,353)	230,682	292
<b>Cash flows from financing activities</b>					
Increase in deferred capital contributions	15,654	-	-	15,654	-
Cash flows from financing activities	15,654	-	-	15,654	-
<b>Cash flows from investing activities</b>					
Sale (purchase) of long-term investments, net of proceeds	-	(201,925)	90,353	(111,572)	122,617
Purchase of short-term investments	(28,500)	-	-	(28,500)	-
Purchase of capital assets	(143,374)	-	-	(143,374)	(123,115)
Cash flows used in investing activities	(171,874)	(201,925)	90,353	(283,446)	(498)
Net decrease in cash and cash equivalents	(144,926)	107,816	-	(37,110)	(206)
Cash and cash equivalents, beginning of period	522,963	200,573	-	723,536	723,742
Cash and cash equivalents, end of period	\$ 378,037	\$ 308,389	\$ -	\$ 686,426	\$ 723,536

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, 2019

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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.

#### 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.

#### 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.



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

## Notes to Financial Statements

Year Ended March 31, 2019

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### 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.

### 3. Restricted funds

Short-term investment is comprised of a Guaranteed Income Certificate earning interest at a rate of 1.95%, with a maturity date of March 5, 2020. The investment is restricted in that it is held as collateral on the letter of guarantee as disclosed in Note 11.



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

## Notes to Financial Statements

Year Ended March 31, 2019

### 4. Property, plant and equipment

	Cost	Accumulated Amortization	2019 Net book value	2018 Net book value
Land	\$ 221,191	\$ -	\$ 221,191	\$ 221,191
Building and leasehold improvements	2,400,375	1,204,237	1,196,138	1,185,096
Computer equipment	86,234	82,743	3,491	19,595
Computer software	23,098	23,098	-	-
Office equipment	149,962	124,083	25,879	30,712
Shelter equipment	294,174	245,882	48,292	54,417
Animal hospital equipment	181,188	82,418	98,770	112,581
Fence	28,818	10,664	18,154	21,036
Vehicles	142,386	97,359	45,027	3,594
Leasehold improvements in process	40,518	-	40,518	37,248
	<b>\$ 3,567,944</b>	<b>\$ 1,870,484</b>	<b>\$ 1,697,460</b>	<b>\$ 1,685,470</b>

### 5. Deferred capital contributions

	2019	2018
Deferred contributions - construction	\$ 14,733	\$ -
Accumulated amortization	(921)	-
	<b>\$ 13,812</b>	<b>\$ -</b>

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.

### 6. Deferred government assistance

	2019	2018
Deferred government assistance - shelter	\$ 1,172,796	\$ 1,172,796
Deferred government assistance - animal hospital	175,160	175,160
Accumulated amortization	(745,850)	(708,805)
	<b>\$ 602,106</b>	<b>\$ 639,151</b>
Less: current portion	\$ (38,887)	\$ (37,966)
	<b>\$ 563,219</b>	<b>\$ 601,185</b>



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

## Notes to Financial Statements

Year Ended March 31, 2019

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### 6. Deferred government assistance (cont'd.)

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 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	130,631	-	(5,319)	<b>125,312</b>
Cichra	278,712	-	(42,630)	<b>236,082</b>
Forever Home Fund	2,513	-	(2,513)	-
	<b>\$ 430,606</b>	<b>\$ -</b>	<b>\$ (69,212)</b>	<b>\$ 361,394</b>

### 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 \$280,961.



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

## Notes to Financial Statements

Year Ended March 31, 2019

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### 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:

	<b>2020</b>	\$	8,559
	<b>2021</b>		8,559
	<b>2022</b>		4,531
	<b>2023</b>		1,455
	<b>2024</b>		364
		<hr/>	
		\$	23,468

### 11. Commitments

The Society has a letter of guarantee in favour of the City of Hamilton in the amount of \$28,500 expiring February 7, 2020.

### 12. Non-monetary transactions

During the year the Society received two donations of publicly traded shares for total proceeds of \$25,950. 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.

### 13. 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

Year Ended March 31, 2019

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### 13. 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, 2019:

	2019	2018
Fixed income/Principal protected notes	\$ 3,197,014	\$ 1,923,183
Equities	\$ 2,348,485	\$ 3,289,467
	<u>\$ 5,545,499</u>	<u>\$ 5,212,650</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.

