

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

Financial Statements
For the year ended March 31, 2020

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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, 2020, 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, 2020 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, 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.

August 11, 2020
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, 2020

	Operating Fund	Reserve Fund (Note 7)	Directed Bequest Fund (Note 8)	2020	2019
Current assets					
Cash	\$ 258,527	\$ 507,289	\$ -	\$ 765,816	\$ 686,426
Restricted funds (Note 3)	28,500	-	-	28,500	28,500
Accounts receivable, trade and other	89,982	-	-	89,982	51,628
Prepaid expenses and other assets	19,421	-	-	19,421	26,191
Interfund loan	569,935	(563,988)	(5,947)	-	-
	966,365	(56,699)	(5,947)	903,719	792,745
Long-term investments	-	5,329,429	341,691	5,671,120	5,545,499
Property, plant and equipment (Note 4)	1,890,919	-	-	1,890,919	1,697,460
	\$ 2,857,284	\$ 5,272,730	\$ 335,744	\$ 8,465,758	\$ 8,035,704
Current liabilities					
Accounts payable and accrued liabilities	\$ 110,673	\$ -	\$ -	\$ 110,673	\$ 141,771
Deferred revenue	122,936	-	-	122,936	118,567
Current portion of deferred government assistance (Note 6)	37,966	-	-	37,966	37,966
	271,575	-	-	271,575	298,304
Deferred capital contributions (Note 5)	12,891	-	-	12,891	14,733
Deferred government assistance (Note 6)	525,253	-	-	525,253	563,219
	809,719	-	-	809,719	876,256
Net Assets					
Internally restricted (Note 7)	-	5,272,730	335,744	5,608,474	5,563,901
Unrestricted	2,047,565	-	-	2,047,565	1,595,547
	2,047,565	5,272,730	335,744	7,656,039	7,159,448
	\$ 2,857,284	\$ 5,272,730	\$ 335,744	\$ 8,465,758	\$ 8,035,704

Approved on Behalf of the Board

Directors

K. L. Lawrence

Directors

Maureen A. Moore

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, 2020

	Operating Fund	Reserve Fund	Directed Bequest Fund	2020	2019
Fund balances, beginning of year	\$ 1,595,547	\$ 5,202,507	\$ 361,394	\$ 7,159,448	\$ 6,831,270
Excess (deficiency) of revenues over expenses	(186,460)	666,250	16,801	496,591	328,178
Annual Reserve Transfer (Note 9)	283,027	(283,027)	-	-	-
Transfer from Restricted Bequest Fund to Operating Fund	42,451	-	(42,451)	-	-
Transfer from Reserve Fund to Operating Fund for construction costs	313,000	(313,000)	-	-	-
Fund balances, end of year	\$ 2,047,565	\$ 5,272,730	\$ 335,744	\$ 7,656,039	\$ 7,159,448

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, 2020

Revenue	Operating		Directed		2020	2019
	Fund	Reserve Fund	Bequest Fund			
Appeals	\$ 43,672	\$ -	\$ -	\$ 43,672	\$ 48,566	
Bequests	-	680,624	-	680,624	265,949	
Donations	660,963	-	16,801	677,764	614,413	
Events	162,794	-	-	162,794	160,679	
Grants	367,998	-	-	367,998	341,009	
Investment and other	12,674	92,293	-	104,967	102,873	
Lotteries	233,266	-	-	233,266	264,730	
Membership and merchandise sales	120,864	-	-	120,864	105,866	
Program fees	749,482	-	-	749,482	597,758	
	2,351,713	772,917	16,801	3,141,431	2,501,843	
Expenses						
Advertising and promotion	72,393	-	-	72,393	39,664	
Animal care fees	232,098	-	-	232,098	224,365	
Building repairs and maintenance	117,385	-	-	117,385	76,375	
Communications	28,452	-	-	28,452	27,229	
Computer maintenance and supplies	45,412	-	-	45,412	38,701	
Employee benefits	149,629	-	-	149,629	151,118	
Equipment repairs and maintenance	13,925	-	-	13,925	12,041	
Insurance	28,233	-	-	28,233	25,105	
Interest, bank charges, and investment fees	32,184	36,972	-	69,156	85,832	
Memberships and dues	5,424	-	-	5,424	3,219	
Office and postage	44,225	-	-	44,225	37,174	
Other operating expenses	27,827	-	-	27,827	21,176	
Professional fees	292,402	-	-	292,402	219,477	
Program awards and supplies	179,550	-	-	179,550	215,005	
Salaries and wages	1,064,738	-	-	1,064,738	1,018,320	
Travel and hospitality	3,134	-	-	3,134	4,150	
Utilities	82,868	-	-	82,868	85,422	
Vehicle	19,121	-	-	19,121	18,072	
	2,439,000	36,972	-	2,475,972	2,302,445	
Excess (deficiency) of revenues over expenses before other items	(87,287)	735,945	16,801	665,459	199,398	
Amortization of capital assets	(138,981)	-	-	(138,981)	(131,384)	
Amortization of government assistance	37,966	-	-	37,966	37,966	
Amortization of deferred capital contributions	1,842	-	-	1,842	921	
Unrealized gain (loss) on investments	-	(69,695)	-	(69,695)	221,277	
Excess (deficiency) of revenues over expenses	\$ (186,460)	\$ 666,250	\$ 16,801	\$ 496,591	\$ 328,178	

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, 2020

	Operating Fund	Reserve Fund	Directed Bequest Fund	2020	2019
Cash flows from operating activities					
Excess (deficiency) of revenues over expenses	\$ (186,460)	\$ 666,250	\$ 16,801	\$ 496,591	\$ 328,178
Amortization of capital assets	138,981	-	-	138,981	131,384
Amortization of deferred government assistance	(37,966)	-	-	(37,966)	(37,966)
Transfers	638,478	(596,027)	(42,451)	-	-
Amortization of deferred capital contributions	(1,842)	-	-	(1,842)	(921)
Unrealized loss (gain) on investments	-	69,695	-	69,695	(221,277)
	551,191	139,918	(25,650)	665,459	199,398
Net change in accounts receivable, trade and other	(38,354)	-	-	(38,354)	(5,318)
Net change in accounts payable and accrued liabilities	(31,098)	-	-	(31,098)	(2,669)
Net change in interfund loans	(279,948)	283,027	(3,079)	-	-
Net change in other operating working capital balances	11,139	-	-	11,139	39,271
Cash flows from operating activities	212,930	422,945	(28,729)	607,146	230,682
Cash flows from financing activities					
Increase in deferred capital contributions	-	-	-	-	15,654
Cash flows from financing activities	-	-	-	-	15,654
Cash flows from investing activities					
Sale (purchase) of long-term investments, net of proceeds	-	(224,045)	28,729	(195,316)	(111,572)
Purchase of short-term investments	-	-	-	-	(28,500)
Purchase of capital assets	(332,440)	-	-	(332,440)	(143,374)
Cash flows used in investing activities	(332,440)	(224,045)	28,729	(527,756)	(283,446)
Net increase (decrease) in cash and cash equivalents	(119,510)	198,900	-	79,390	(37,110)
Cash and cash equivalents, beginning of year	378,037	308,389	-	686,426	723,536
Cash and cash equivalents, end of year	\$ 258,527	\$ 507,289	\$ -	\$ 765,816	\$ 686,426

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, 2020

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, 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, 2020

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 1.10%, with a maturity date of March 4, 2021. The investment is restricted in that it is held as collateral on the letter of credit as disclosed in Note 11.



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

Notes to Financial Statements

Year Ended March 31, 2020

4. Property, plant and equipment

	Cost	Accumulated Amortization	2020 Net book value	2019 Net book value
Land	\$ 221,191	\$ -	\$ 221,191	\$ 221,191
Building and leasehold improvements	2,758,872	1,285,886	1,472,986	1,196,138
Computer equipment	88,518	86,234	2,284	3,491
Computer software	23,098	23,098	-	-
Office equipment	159,758	128,844	30,914	25,879
Shelter equipment	294,174	256,305	37,869	48,292
Animal hospital equipment	181,188	94,412	86,776	98,770
Fence	28,818	13,546	15,272	18,154
Vehicles	117,460	93,833	23,627	45,027
Leasehold improvements in process	-	-	-	40,518
	\$ 3,873,077	\$ 1,982,158	\$ 1,890,919	\$ 1,697,460

5. Deferred capital contributions

	2020	2019 (Note 14)
Deferred contributions - construction	\$ 14,733	\$ -
Additions	-	15,654
Amortization of deferred capital contributions	(1,842)	(921)
	\$ 12,891	\$ 14,733

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

	Shelter	Animal Hospital	Fence	2020	2019 (Note 14)
Opening balance	\$ 473,709	\$ 112,842	\$ 14,634	\$ 601,185	\$ 639,151
Additions	-	-	-	-	-
Amortization of deferred government assistance	(28,684)	(6,737)	(2,545)	(37,966)	(37,966)
	445,025	106,105	12,089	563,219	601,185
Less: Current portion	(28,684)	(6,737)	(2,545)	(37,966)	(37,966)
Ending balance	\$ 416,341	\$ 99,368	\$ 9,544	\$ 525,253	\$ 563,219



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

Notes to Financial Statements

Year Ended March 31, 2020

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 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	\$ 125,312	\$ 1,500	\$ (9,922)	\$ 116,890
Veterinary Care for Homeless Animals	236,082	-	(28,029)	208,053
Care for Cats	-	15,301	(4,500)	10,801
	<u>\$ 361,394</u>	<u>\$ 16,801</u>	<u>\$ (42,451)</u>	<u>\$ 335,744</u>

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 \$283,027.



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

Notes to Financial Statements

Year Ended March 31, 2020

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:

	2021	\$	18,219
	2022		14,191
	2023		9,505
	2024		364
			<hr/>
		\$	42,279

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, 2021.

12. Non-monetary transactions

During the year the Society received two donations of publicly traded shares for total proceeds of \$31,353 (2019 - \$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, 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, 2020

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, 2020:

	2020	2019
Fixed income/Principal protected notes	\$ 3,337,678	\$ 3,197,014
Segregated funds	\$ 2,333,442	\$ 2,348,485
	<hr/> \$ 5,671,120	<hr/> \$ 5,545,499

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.

14. Comparative information

The comparative figures for 2019 have been reclassified where necessary to conform with the 2020 financial statement presentation.

15. Subsequent event

With the outbreak of COVID-19 in late 2019 and its evolution across the globe during the first quarter of 2020, management has considered the potential financial effects of the COVID-19 outbreak when preparing the Society's Financial Statements for the year ended March 31, 2020. 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 is reviewing announced government support programs and will apply, as appropriate, to mitigate expected financial loss. Management continues to monitor and actively manage the developing impacts from COVID-19, and will continue to assess any impact to the Society's operations, and the value of assets and liabilities reported in the financial statements.

