

**Calgary Humane Society for Prevention of Cruelty to Animals
Financial Statements**

December 31, 2018



KPMG LLP
205 5th Avenue SW
Suite 3100
Calgary AB
T2P 4B9
Telephone (403) 691-8000
Fax (403) 691-8008
www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Members of Calgary Humane Society for Prevention of Cruelty to Animals

Qualified Opinion

We have audited the financial statements of Calgary Humane Society for Prevention of Cruelty to Animals (“the Entity”), which comprise:

- the statement of financial position as at December 31, 2018
- the statement of revenues and expenses and changes in fund balances for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, except for the possible effects of the matter described in the “**Basis for Qualified Opinion**” section of our auditors’ report, the accompanying financial statements, present fairly, in all material respects, the financial position of Calgary Humane Society for Prevention of Cruelty to Animals as at December 31, 2018, and its results of 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 Entity derives revenue from donations and fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Entity.



Therefore, we were not able to determine whether any adjustments might be necessary to:

- the current assets reported in the statements of financial position as at December 31, 2018 and December 31, 2017
- the donations and fundraising revenues and excess (deficiency) of revenues over expenses reported in the statements of revenues and expenses and changes in fund balances for the years ended December 31, 2018 and December 31, 2017
- the fund balances, at the beginning and end of the year, reported in the statements of revenues and expenses and changes in fund balances for the years ended December 31, 2018 and December 31, 2017
- the excess (deficiency) of revenues over expenses reported in the statements of cash flows for the years ended December 31, 2018 and December 31, 2017.

Our opinion on the financial statements for the year ended December 31, 2017 was qualified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “**Auditors’ Responsibilities for the Audit of the Financial Statements**” section of our auditors’ report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity’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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity’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 auditors' 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 the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.
- 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.

KPMG LLP

Chartered Professional Accountants

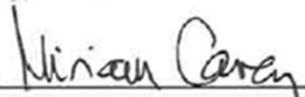
Calgary, Canada

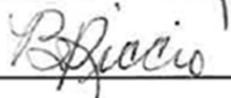
March 27, 2019

Calgary Humane Society for Prevention of Cruelty to Animals
Statement of Financial Position
As at December 31, 2018, with comparative information for 2017

	General Operating Fund		Restricted Fund		Capital Fund		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Assets								
Current assets								
Cash and cash equivalents	\$ 1,296,260	\$ 978,755	\$ 66,728	\$ 66,551	\$ -	\$ -	\$ 1,362,988	\$ 1,045,306
Accounts receivable (note 3)	211,431	198,233	-	-	-	-	211,431	198,233
Inventory (note 4)	77,745	66,486	-	-	-	-	77,745	66,486
Prepaid expenses	141,501	148,968	-	-	-	-	141,501	148,968
Due from (to) other funds	(8,402,150)	(8,752,018)	254,267	323,215	8,147,883	8,428,803	-	-
	<u>(6,675,213)</u>	<u>(7,359,576)</u>	<u>320,995</u>	<u>389,766</u>	<u>8,147,883</u>	<u>8,428,803</u>	<u>1,793,665</u>	<u>1,458,993</u>
Marketable securities (note 5)	17,213,781	18,938,334	-	-	-	-	17,213,781	18,938,334
Capital assets (note 6)	-	-	-	-	6,352,938	6,537,183	6,352,938	6,537,183
	<u>\$ 10,538,568</u>	<u>\$ 11,578,758</u>	<u>\$ 320,995</u>	<u>\$ 389,766</u>	<u>\$ 14,500,821</u>	<u>\$ 14,965,986</u>	<u>\$ 25,360,384</u>	<u>\$ 26,934,510</u>
Liabilities								
Current liabilities								
Accounts payable and accrued liabilities (note 3)	\$ 505,501	\$ 461,527	\$ -	\$ -	\$ -	\$ -	\$ 505,501	\$ 461,527
Deferred revenue (note 7)	31,933	31,137	-	-	-	-	31,933	31,137
	<u>537,434</u>	<u>492,664</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>537,434</u>	<u>492,664</u>
Fund Balances								
Unrestricted (note 8)	1,368,561	2,360,210	-	-	-	-	1,368,561	2,360,210
Restricted for endowment purposes (note 9)	-	-	45,000	45,000	-	-	45,000	45,000
Externally restricted (note 10a)	1,407	2,763	75,995	238,480	-	-	77,402	241,243
Internally restricted (note 10b)	8,631,166	8,723,121	200,000	106,286	8,147,883	8,428,803	16,979,049	17,258,210
Invested in capital assets (note 10b)	-	-	-	-	6,352,938	6,537,183	6,352,938	6,537,183
	<u>10,001,134</u>	<u>11,086,094</u>	<u>320,995</u>	<u>389,766</u>	<u>14,500,821</u>	<u>14,965,986</u>	<u>24,822,950</u>	<u>26,441,846</u>
	<u>\$ 10,538,568</u>	<u>\$ 11,578,758</u>	<u>\$ 320,995</u>	<u>\$ 389,766</u>	<u>\$ 14,500,821</u>	<u>\$ 14,965,986</u>	<u>\$ 25,360,384</u>	<u>\$ 26,934,510</u>

Approved by the Board


 _____ Director


 _____ Director

Calgary Humane Society for Prevention of Cruelty to Animals
Statement of Revenues and Expenses and Changes in Fund Balances
Year ended December 31, 2018, with comparative information for 2017

	General Operating Fund		Restricted Fund		Capital Fund		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Revenues								
Donations and fundraising	\$ 2,723,142	\$ 2,535,867	\$ 48,761	\$ 63,069	\$ 300,734	\$ 191,882	\$ 3,072,637	\$ 2,790,818
Programs and services	1,775,293	2,048,286	-	102,846	-	-	1,775,293	2,151,132
Bequests	1,391,092	2,968,689	-	-	-	-	1,391,092	2,968,689
Investment income	1,330,178	1,265,125	-	-	-	-	1,330,178	1,265,125
City of Calgary grant	-	246,000	-	-	-	-	-	246,000
Unrealized (loss) gain on marketable securities	(1,198,781)	648,017	-	-	-	-	(1,198,781)	648,017
	6,020,924	9,711,984	48,761	165,915	300,734	191,882	6,370,419	10,069,781
Expenses								
Wages and benefits	4,586,233	4,584,637	386	4,054	-	-	4,586,619	4,588,691
Operating	1,269,932	1,192,234	206,947	402,165	-	679	1,476,879	1,595,078
General & administrative	711,170	677,720	528	5,456	-	-	711,698	683,176
Fundraising (note 11)	414,887	397,163	-	-	14,548	4,021	429,435	401,184
Amortization	-	-	-	-	784,684	743,793	784,684	743,793
	6,982,222	6,851,754	207,861	411,675	799,232	748,493	7,989,315	8,011,922
(Deficiency) excess of revenues over expenses	(961,298)	2,860,230	(159,100)	(245,760)	(498,498)	(556,611)	(1,618,896)	2,057,859
Fund balances, beginning of year	11,086,094	9,637,105	389,766	247,768	14,965,986	14,499,114	26,441,846	24,383,987
Interfund transfers (note 10a & 10b)	(123,662)	(1,411,241)	90,329	387,758	33,333	1,023,483	-	-
Fund balances, end of year	\$ 10,001,134	\$ 11,086,094	\$ 320,995	\$ 389,766	\$ 14,500,821	\$ 14,965,986	\$ 24,822,950	\$ 26,441,846

Calgary Humane Society for Prevention of Cruelty to Animals
Statement of Cash Flows
Year ended December 31, 2018, with comparative information for 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
(Deficiency) excess of revenues over expenses	\$ (1,618,896)	\$ 2,057,859
Items not involving cash		
Gain on sale of marketable securities	(68,237)	(44,614)
Unrealized loss (gain) on marketable securities	1,198,781	(648,017)
Amortization	784,684	743,793
	<u>296,332</u>	<u>2,109,021</u>
 Changes in non-cash working capital		
Accounts receivable	(13,198)	7,646
Inventory	(11,259)	2,058
Prepaid expenses	7,467	6,903
Accounts payable and accrued liabilities	43,974	(18,849)
Deferred revenue	796	(4,598)
	<u>324,112</u>	<u>2,102,181</u>
 Cash flows from investing activities		
Purchase of capital assets	(600,439)	(187,052)
Purchase of marketable securities	(1,339,506)	(2,272,583)
Proceeds on sale of marketable securities	1,933,515	615,909
	<u>(6,430)</u>	<u>(1,843,726)</u>
 Increase in cash and cash equivalents	317,682	258,455
 Cash and cash equivalents, beginning of year	<u>1,045,306</u>	<u>786,851</u>
 Cash and cash equivalents, end of year	<u><u>\$ 1,362,988</u></u>	<u><u>\$ 1,045,306</u></u>

Calgary Humane Society for Prevention of Cruelty to Animals

Notes to the Financial Statements

December 31, 2018, with comparative information for 2017

1. Nature of operations

Calgary Humane Society for Prevention of Cruelty to Animals (the "Society") is a not-for-profit organization that was incorporated under the Alberta Societies Act in 1922. The Society is a registered charity as defined under paragraph 149(1)(f) of the Income Tax Act, and therefore, is not subject to income tax. The mandate of the Society is to improve the welfare of animals through programs and services in sheltering, education, protection and advocacy.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNFPO") and include the following significant accounting policies:

a) *Fund accounting*

The Society follows the restricted fund method of accounting. Activities of the Society are segregated in the following funds:

- i) The General Operating Fund accounts for the Society's program delivery and administrative activities. This fund reports unrestricted resources, restricted operating grants and other internally restricted amounts.
- ii) The Restricted Fund accounts for the assets, liabilities, revenue and expenses of the Society's endowment funds, and its internally and externally restricted funds.
- iii) The Capital Fund accounts for the assets, liabilities, revenues and expenses related to the Society's capital assets. This fund reports both internally and externally restricted funds.

b) *Cash and cash equivalents*

Cash and cash equivalents includes cash on hand and balances with banks. Cash and cash equivalents that are subject to restrictions, thereby preventing its use for current purposes, is included in restricted cash and cash equivalents.

c) *Pledges receivable*

Pledges receivable are not recorded in the Society's financial statements as there is no assurance that they will ultimately be collected. Pledges are recorded in the financial statements when they are received.

d) *Inventory*

Goods for resale are recorded as inventory and are recorded at the lower of cost and net realizable value. Cost is determined using the average cost method, and net realizable value is determined using the current estimated selling price less the selling cost. The estimated selling price takes into account management's best estimate of the most probable set of economic conditions.

Calgary Humane Society for Prevention of Cruelty to Animals

Notes to the Financial Statements

December 31, 2018, with comparative information for 2017

2. Significant accounting policies (continued)

e) Due from (to) other funds

Due from (to) other funds represents amounts owed between certain funds. These interfund balances are non-interest bearing and have no fixed terms of repayment.

f) Financial instruments

The Society recognizes its financial instruments when the Society becomes party to the contractual provisions of the financial instrument. Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market (i.e. marketable securities) are subsequently recorded at fair value. All other financial instruments are recorded at cost or amortized cost, unless management has elected to record at fair value. The Society has not elected to carry any such financial instruments at fair value.

Transaction costs related to financial instruments measured at fair value are expensed as incurred. For all other financial instruments, the transaction costs are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the straight-line method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the straight-line method and recognized in the statement of revenue and expenses and changes in fund balances.

With respect to financial assets measured at cost or amortized cost, the Society recognizes in the statement of revenue and expenses and changes in fund balances an impairment loss, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of the impairment of a previously written down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed in the statement of revenue and expenses and changes in fund balances in the period the reversal occurs.

g) Capital assets

Capital assets are recorded at cost. Donated capital assets are recorded at fair market value at the date of contribution. Amortization is reported in the Capital Fund and is recorded using the straight-line method at the following annual rates, intended to recognize the cost of the assets over their expected useful lives. In the year of acquisition, amortization is taken at one half the standard rates:

Buildings and landscaping	-	5% - 10%
Equipment and furniture	-	20%
Automotive equipment	-	15%

Calgary Humane Society for Prevention of Cruelty to Animals

Notes to the Financial Statements

December 31, 2018, with comparative information for 2017

2. Significant accounting policies (continued)

g) Capital assets (continued)

Impairment

Capital assets are tested for impairment whenever events or changes in circumstances indicate that an asset can no longer be used as originally expected and its carrying amount may not be fully recoverable. An impairment loss is recognized when and to the extent that management assesses the future useful life or future cash flows of the asset to be less than originally estimated.

h) Revenue recognition

Restricted contributions related to general operations are recognized as revenue of the General Operating Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund, or if no restricted fund exists, they are recognized in the General Operating Fund using the deferral method of accounting.

Unrestricted contributions are recognized as revenue of the General Operating Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Programs and services and fee for service revenue are recognized when the related service is provided.

Investment income includes dividends and interest income, and realized investment gains and losses, which is recognized as revenue of the General Operating Fund when earned.

i) Donated services and materials

Donated services and materials are recorded in the financial statements at fair market value when fair market value can be reasonably estimated and when these items would have otherwise been purchased. The Society's programs benefit from substantial services in the form of volunteer time, which is not recorded in the Society's financial instruments because of the difficulty in determining fair value.

j) Foreign exchange

Transaction amounts denominated in foreign currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction dates. Carrying values of monetary assets and liabilities reflect the exchange rates at the balance sheet date. Gains and losses on translation or settlement are included in the determination of excess of revenues over expenses in the statement of revenue and expenses and changes in fund balances for the current period.

k) Income taxes

The Society is registered as a charitable organization 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 within the Act. In the opinion of management, these requirements have been met.

Calgary Humane Society for Prevention of Cruelty to Animals

Notes to the Financial Statements

December 31, 2018, with comparative information for 2017

2. Significant accounting policies (continued)

l) Use of estimates

The preparation of financial statements in conformity with ASNFPO 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 revenue and expenses during the reporting period. The most significant of these estimates are related to the recoverable amount of the Society's accounts receivable, the amortization period for and potential impairment of capital assets, accrued liabilities and potential contingencies. Actual results could differ significantly from the estimates. Management reviews these estimates on a periodic basis and, if required, makes adjustments prospectively.

3. Government remittances

At December 31, 2018, the Society had government remittances recoverable of \$18,252 (2017 - \$19,933) and government remittances payable of \$43,233 (2017 - \$nil).

4. Inventory

The cost of inventory recognized as an operating expense for the year ended December 31, 2018 amounted to \$159,334 (2017 - \$146,999).

5. Marketable securities

Marketable securities are recorded at fair market value. Market values are obtained from fund managers. Marketable securities comprise investments in Canadian and foreign equities and mutual funds. At December 31, 2018 the cost of the investments was \$18,166,991 (2017 - \$18,692,763).

6. Capital assets

			2018
	Cost	Accumulated Amortization	Net Book Value
Buildings and landscaping	\$ 9,770,955	\$ 5,959,868	\$ 3,811,087
Land	1,550,000	-	1,550,000
Equipment and furniture	1,797,394	1,079,769	717,625
Automotive equipment	413,773	139,547	274,226
	\$ 13,532,122	\$ 7,179,184	\$ 6,352,938

Calgary Humane Society for Prevention of Cruelty to Animals

Notes to the Financial Statements

December 31, 2018, with comparative information for 2017

6. Capital assets (continued)

		2017	
	Cost	Accumulated Amortization	Net Book Value
Buildings and landscaping	\$ 9,757,652	\$ 5,461,960	\$ 4,295,692
Land	1,550,000	-	1,550,000
Equipment and furniture	1,409,738	840,097	569,641
Automotive equipment	214,292	92,442	121,850
	\$ 12,931,682	\$ 6,394,499	\$ 6,537,183

7. Deferred revenue

	2018	2017
Behaviour classes and seminars	\$ 12,922	11,334
Humane Education programs	11,120	12,208
Gift cards	7,891	7,595
	\$ 31,933	\$ 31,137

8. Unrestricted fund balances

	2018	2017
Balance, beginning of year	\$ 2,360,210	\$ 1,054,183
(Deficiency) excess of revenues over expenses	(961,298)	2,860,230
Transfer from (to) Restricted Fund	12,693	(91,083)
Transfer from (to) Emergency Fund	91,955	(143,290)
Transfer to internally restricted fund	(136,355)	(300,000)
Transfer to Capital Fund	-	(1,020,157)
Transfer from externally restricted fund	1,356	327
Balance, end of year	\$ 1,368,561	\$ 2,360,210

9. Restricted for endowment purposes

The amount restricted for endowment purposes is a bequest from Gordon Wright, which has externally imposed restrictions that the resources be maintained in perpetuity.

Calgary Humane Society for Prevention of Cruelty to Animals

Notes to the Financial Statements

December 31, 2018, with comparative information for 2017

10. Restricted funds

a) Externally restricted funds

Expenses from the restricted funds are restricted by the terms of the respective donations and are required to be used as follows:

Joan & Phoebe Snyder Fund - Restricted for the Humane Education department to subsidize fees for field trips and presentations for schools.

Animal Health Fund - Restricted in use for the Animal Health department.

Protections Fund – Restricted in use for the Protections department.

Humane Education Fund - Restricted in use to fund Humane Education presentation expenses.

Benny's Fund - Restricted in use to subsidize the cost of fostering and training for animals requiring long-term care and socialization.

Read to Animals Fund – Restricted in use for the annual “Read to Your Pet” Day.

Tour Subsidy Fund - Restricted in use to subsidize fees for children to attend Humane Education tours and presentations.

Alberta Liquor and Gaming funds - Restricted in use as per gaming licenses.

Keep Animals Home Fund - Restricted for use in subsidizing veterinary costs in medical neglect cases.

Camp Subsidies Fund - Restricted in use to subsidize fees for children to attend Humane Education summer and winter day camps and clubs.

Phoenix Fund – Restricted in use by the Animal Health department for clinic fees for animals.

Shaw Family Fund - Restricted for capital upgrades and developing youth education programs.

Calgary Humane Society for Prevention of Cruelty to Animals

Notes to the Financial Statements

December 31, 2018, with comparative information for 2017

10. Restricted funds (continued)

a) *Externally restricted funds (continued)*

	2018	2017
Joan & Phoebe Snyder Education Fund	\$ 31,319	\$ 39,234
Animal Health Fund	20,213	18,713
Protections Fund	10,000	-
Humane Education Fund	4,545	6,050
Benny's Fund	3,250	-
Read to Animals Fund	2,286	-
Tour Subsidy Fund	2,025	3,675
Alberta Liquor & Gaming	1,407	2,763
Keep Animals Home Fund	1,301	2,500
Camp Subsidies Fund	1,056	1,642
Phoenix Fund	-	100,000
Shaw Family Fund	-	66,666
	\$ 77,402	\$ 241,243

During the year, \$12,693 (2017 - \$17,961) was transferred from restricted funds to unrestricted funds and \$1,356 (2017 - \$327) was transferred from restricted funds to unrestricted funds within the General Operating Fund. Additionally, \$136,355 (2017 - \$409,044) was transferred from unrestricted to restricted funds.

b) *Internally restricted funds*

These amounts are internally restricted by the Board to be held for the following purposes:

	2018	2017
Estate of Dr. Robert Lundberg	\$ 6,909,466	\$ 6,909,466
Emergency Fund	1,721,700	1,813,655
Phoenix Fund	100,000	-
Protections Fund	100,000	106,286
Capital Fund	8,147,883	8,428,803
	\$ 16,979,049	\$ 17,258,210

Calgary Humane Society for Prevention of Cruelty to Animals

Notes to the Financial Statements

December 31, 2018, with comparative information for 2017

10. Restricted funds (continued)

b) *Internally restricted funds (continued)*

In 2018, the Board of Directors transferred \$91,955 in the General Operating Fund from the internally restricted Emergency Fund to unrestricted funds (2017 - transferred \$143,290 from unrestricted funds to the Emergency Fund). The Emergency Fund is intended to finance the Society for three months of operations.

In 2018, the Board of Directors transferred \$90,173 (2017 - \$109,044) from unrestricted funds to the Phoenix Fund, to be used for clinic fees for animals requiring extensive medical work. In 2018, the Board of Directors transferred \$46,182 (2017 - \$300,000) from unrestricted funds to the Protections Fund, to be used for medical costs and supplies for the intake of animals brought into the shelter from seizure cases.

In 2018, the Board of Directors transferred \$nil (2017 - \$1,016,635) from the General Operating Fund to the Capital Fund to be used for future capital projects. An architectural assessment has been performed on the current facility and the Society intends to use the Capital Fund for a building enhancement project to improve the overall sheltering and wellbeing of animals in our care. Construction is expected to commence in 2019 with completion in 2022. In addition to the above transfer, \$nil (2017 - \$3,522) was transferred from the General Operating Fund to the Capital Fund after completion of capital projects.

In March 2008, the Board of Directors approved a motion to internally restrict all funds received and expected to be received from the Estate of Dr. Robert Lundberg for the purpose of achieving the strategic goals of the Society.

11. Fundraising expenses

As required under the Charitable Fund-raising Act of Alberta, the Society reports that \$362,111 was paid as remuneration to employees primarily responsible for fundraising in the year ended December 31, 2018 (2017 - \$334,487).

12. Financial instruments

The Society, as part of its operations, carries a number of financial instruments. It is management's opinion that the Society is not exposed to significant liquidity risk, interest rate risk, currency risk, market risk, or credit risks arising from these financial instruments except as otherwise disclosed.

Liquidity risk

Liquidity risk is the risk that the Society will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Society manages liquidity risk by monitoring its operating requirements. The Society prepares budgets and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to risk exposure from 2017.

Calgary Humane Society for Prevention of Cruelty to Animals

Notes to the Financial Statements

December 31, 2018, with comparative information for 2017

12. Financial instruments (continued)

Interest rate risk

Interest rate risk is the risk that the fair value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with certain financial assets, known as cash flow risk, and on the fair value of certain financial assets, known as price risk.

Credit risk

Credit risk is the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Society is exposed to credit risk with respect to its cash and investments, which are deposited with Canadian commercial banks and investment managers. The Society had \$nil (2017 - \$nil) balance in allowance for doubtful accounts at December 31, 2018.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. In seeking to manage the risks for foreign exchange rate fluctuations, the Society closely follows exchange rates and management monitors investment performance monthly.

The Society enters into investment transactions denominated in foreign currencies for which the related revenue, expenses, cash and marketable securities balances are subject to exchange rate fluctuations.

Market risk

The Society's equity investments are subject to market risk, which includes price risk arising from market volatility and the risk of loss of capital associated with those investments.