The Canadian Society for the Prevention of Cruelty to Animals (Serving the Province of Quebec)

Financial Statements
December 31, 2023

Raymond Chabot
Grant Thornton

Independent Auditor's Report

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To the Directors of
The Canadian Society for the Prevention
of Cruelty to Animals
(Serving the Province of Quebec)

Opinion

We have audited the financial statements of The Canadian Society for the Prevention of Cruelty to Animals (Serving the Province of Quebec) (hereafter "the Organization"), which comprise the statement of financial position as at December 31, 2023, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2023, 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 opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Organization 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 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's 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 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 Organization’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 Organization'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 Organization 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.

Raymond Chabot Grant Thornton LLP[1]

Montréal
May 9, 2024

[1] CPA auditor, public accountancy permit no. A117472

The Canadian Society for the Prevention of Cruelty to Animals
(Serving the Province of Quebec)
Operations
Year ended December 31, 2023

	2023	2022
	$	$
Revenues		
Contributions		
Donations and other contributions (Note 3)	**3,558,362**	3,482,223
Fundraising campaigns (Note 3)	**875,089**	939,863
Legacies	**3,292,242**	2,508,959
Revenue from operations	**3,360,617**	2,999,854
Unrestricted net investment income	**205,195**	50,921
	11,291,505	9,981,820
Expenses		
Salaries and employee benefits	**6,458,003**	5,901,569
Operating expenses	**1,834,491**	1,495,988
Publications, promotions and special event	**311,315**	168,112
Fundraising campaign costs and legacy fees	**638,837**	654,418
Professional fees	**131,870**	177,463
Bank and credit card charges	**130,567**	128,506
Interest on long-term debt	**4,316**	13,362
Amortization of tangible capital assets	**129,067**	125,859
Amortization of transaction costs related to long-term debt	**7,460**	5,486
	9,645,926	8,670,763
Excess of revenues over expenses	**1,645,579**	1,311,057

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

The Canadian Society for the Prevention of Cruelty to Animals
(Serving the Province of Quebec)
Changes in Net Assets
Year ended December 31, 2023

	2023	2022
	$	$
Balance, beginning of year	**9,182,953**	7,871,896
Excess of revenues over expenses	**1,645,579**	1,311,057
Balance, end of year	**10,828,532**	9,182,953

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

The Canadian Society for the Prevention of Cruelty to Animals
(Serving the Province of Quebec)
Cash Flows
Year ended December 31, 2023

	2023	2022
	$	$
OPERATING ACTIVITIES		
Excess of revenues over expenses	**1,645,579**	1,311,057
Non-cash items		
Net change in fair value of investments	**(35,288)**	(1,254)
Donations in shares	**(31,967)**	(24,186)
Amortization of tangible capital assets	**129,067**	125,859
Amortization of transaction costs relating to long-term debt	**7,460**	5,486
Amortization of deferred contribution related to tangible capital assets	**(1,394)**	(1,392)
	1,713,457	1,415,570
Net change in working capital items (Note 4)	**428,364**	(573,911)
Cash flows from operating activities	**2,141,821**	841,659
INVESTING ACTIVITIES		
Acquisition of tangible capital assets	**(171,031)**	(137,898)
Receipt of term deposits	**500,000**	
Cash flows from investing activities	**328,969**	(137,898)
FINANCING ACTIVITIES		
Repayment of long-term debt and cash flows from financing activities	**(165,500)**	(198,000)
Net increase in cash	**2,305,290**	505,761
Cash, beginning of year	**4,535,181**	4,029,420
Cash, end of year	**6,840,471**	4,535,181

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

The Canadian Society for the Prevention of Cruelty to Animals
(Serving the Province of Quebec)
Financial Position
December 31, 2023

	2023	2022
	$	$
ASSETS		
Current		
Cash	**6,840,471**	4,535,181
Term deposits		500,000
Trade, legacies and other receivables (Note 5)	**657,672**	1,089,741
Inventories	**26,639**	32,690
Prepaid expenses	**146,695**	146,336
Vehicle held for resale		6,000
	7,671,477	6,309,948
Long-term		
Tangible capital assets (Note 6)	**3,229,543**	3,187,579
Investments (Note 7)	**857,913**	790,658
Restricted investments (Note 8)	**922,644**	875,269
	12,681,577	11,163,454
LIABILITIES		
Current		
Trade payables and other operating liabilities (Note 10)	**909,456**	918,853
Deferred contribution related to the vehicle held for resale		6,000
Current portion of long-term debt (Note 11)		158,040
	909,456	1,082,893
Long-term		
Deferred contributions related to restricted investments (Note 8)	**922,644**	875,269
Deferred contribution related to tangible capital assets (Note 12)	**20,945**	22,339
	1,853,045	1,980,501
NET ASSETS		
Unrestricted	**10,828,532**	9,182,953
	12,681,577	11,163,454

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

On behalf of the Board,

Director

Director

The Canadian Organization for the Prevention of Cruelty to Animals
(Serving the Province of Quebec)
Notes to Financial Statements
December 31, 2023

1 - GOVERNING STATUTES AND PURPOSE OF THE ORGANIZATION

The Organization was incorporated on April 5, 1869 under the Act 32 Victoria, Chapter 81, which was amended on June 6, 1962 by the Act 10-11 Elizabeth II, Chapter 97, and is a registered charity under the *Income Tax Act.* The Organization is engaged in the prevention of cruelty to animals.

2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The Organization's financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Controlled entity

The Organization has chosen not to consolidate the controlled entity. The summary financial information of this entity is presented in Note 13 to the financial statements.

Accounting estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. These estimates are based on management's knowledge of current events and actions that the Organization may undertake in the future. Actual results may differ from these estimates.

Revenue recognition

Contributions

The Organization follows the deferral method of accounting for contributions. Under this method, contributions restricted for future period expenses are recognized as revenues in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenues when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Moreover, the Organization has chosen not to recognize contributed supplies and services.

Volunteers contribute an important number of hours to assist the Organization in carrying out its services.

Companies that produce and sell pet food and various other pet products supplied the Organization with free pet food and supplies. During the year, the Organization received a contribution of supplies with a fair value of $153 940 ($57,268 in 2022).

The Canadian Organization for the Prevention of Cruelty to Animals (Serving the Province of Quebec)
Notes to Financial Statements
December 31, 2023

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from operations

Revenue from operations is recognized when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the price is fixed or determinable and collection is reasonably assured.

Net investment income

Investment transactions are recorded on the transaction date and resulting revenues are recognized using the accrual method of accounting.

Net investment income includes interest income, dividend income and changes in fair value.

Interest income is recognized on a time apportionment basis. Dividend income is recorded when dividends are acquired by the Organization. Changes in fair value are recognized when they occur.

With respect to investments measured at fair value, the Organization has elected to include investment income in the net change in fair value.

Net investment income that is not subject to externally imposed restrictions is recognized in the statement of operations under Unrestricted net investment income.

Net investment income subject to externally imposed restrictions is recognized as deferred contributions.

During the year, the Organization received donations of shares with a fair value of $31,967 ($24,186 in 2022).

Financial assets and liabilities

Initial measurement

Upon initial measurement, the Organization’s financial assets and liabilities from transactions not concluded with related parties and those from transactions with parties whose sole relationship with the entity is in the capacity of management (and members of the immediate family) are measured at fair value, which, in the case of financial assets or financial liabilities that will be measured subsequently at amortized cost, is increased or decreased by the amount of the related financing fees and transaction costs. The Organization’s financial assets and liabilities from related party transactions are measured at cost.

Transactions costs relating to financial assets and liabilities that will be measured subsequently at fair value and those relating to financial assets and liabilities from related party transactions are recognized in operations in the year they are incurred.

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent measurement

At each reporting date, the Organization measures its financial assets and liabilities from transactions not concluded with related parties at amortized cost (including any impairment in the case of financial assets), except for investments and restricted investments which are measured at fair value. With respect to the financial assets and liabilities from related party transactions, the Organization measures them using the cost method (including any impairment in the case of financial assets).

Transaction costs relating to financial assets and liabilities that are measured at amortized cost and any difference resulting from their initial measurement at fair value are amortized on a straight-line basis over the term of the related financial instrument. Amortization of transaction costs related to long-term debt is recognized in the statement of operations under a separate item.

With respect to financial assets measured at amortized cost or using the cost method, the Organization assesses whether there are any indications of impairment. When there is an indication of impairment, and if the Organization determines that, during the year, there was a significant adverse change in the expected timing or amount of future cash flows from a financial asset, it will then recognize a reduction as an impairment loss in operations. The reversal of a previously recognized impairment loss on a financial asset measured at amortized cost or using the cost method is recognized in operations in the year the reversal occurs.

Inventory valuation

Inventories are valued at the lower of cost and net realizable value.

Cost is determined using the first in, first out method.

Vehicle held for resale

The vehicle held for resale is valued at the lower of cost and net realizable value.

The cost corresponds to the fair value as at the date of receipt.

Tangible capital assets

Tangible capital assets acquired are recorded at cost. When the Organization receives contributions of tangible capital assets, their cost is equal to their fair value at the contribution date plus all costs directly attributable to the acquisition of the tangible capital assets, or at a nominal value if fair value cannot be reasonably determined.

The Canadian Organization for the Prevention of Cruelty to Animals (Serving the Province of Quebec)
Notes to Financial Statements
December 31, 2023

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Amortization

Tangible capital assets are amortized on a diminishing balance basis over their estimated useful lives at the following annual rates:

	Rates
Building	5%
Furniture and equipment	20%
Automobile	30%

Write-down

When conditions indicate that a tangible capital asset is impaired, the net carrying amount of the tangible capital asset is written down to the tangible capital asset's fair value or replacement cost. The write-down is accounted for in the statement of operations and cannot be reversed.

3 - CONTRIBUTIONS

	2023	2022
	$	$
Donations and other contributions		
Individuals	**3,033,946**	3,087,306
Businesses	**309,195**	180,352
Other not-for-profit organizations	**215,221**	214,565
	3,558,362	3,482,223
Fundraising campaigns		
Individuals	**872,719**	931,268
Businesses	**2,370**	8,545
Other not-for-profit organizations		50
	875,089	939,863

4 - INFORMATION INCLUDED IN CASH FLOWS

The net change in working capital items is detailed as follows:

	2023	2022
	$	$
Trade, legacies and other receivables	**432,069**	(581,942)
Inventories	**6,051**	24,989
Prepaid expenses	**(359)**	(77,317)
Trade payables and other operating liabilities	**(9,397)**	60,359
	428,364	(573,911)

The Canadian Organization for the Prevention of Cruelty to Animals
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Notes to Financial Statements
December 31, 2023

5 - TRADE, LEGACIES AND OTHER RECEIVABLES

	2023	2022
	$	$
Trade accounts receivable	**621,583**	422,504
Sales taxes receivable	**36,089**	34,834
Legacies receivable		632,403
	657,672	1,089,741

6 - TANGIBLE CAPITAL ASSETS

			2023	2022
	Cost	**Accumulated amortization**	**Net carrying amount**	Net carrying amount
	$	**$**	**$**	$
Land	**1,510,000**		**1,510,000**	1,510,000
Building (a)	**2,189,822**	**782,717**	**1,407,105**	1,412,230
Furniture and equipment	**1,369,523**	**1,121,149**	**248,374**	255,841
Automobile	**75,992**	**11,928**	**64,064**	9,508
	5,145,337	**1,915,794**	**3,229,543**	3,187,579

(a) During a previous year, renovations were conducted to improve the Organization's reception area and store. The fair value of the renovations was $42,351; however, the Organization only disbursed $14,500. The difference of $27,851 between the fair value of the renovations and the amount disbursed was paid by a company selling various animal products. The unamortized portion was presented as a deferred contribution related to tangible capital assets (Note 12).

7 - INVESTMENTS

	2023	2022
	$	$
Cash	**28,133**	19,059
Term deposits	**500,072**	500,072
Listed shares		
Canadian companies	**261,752**	224,144
American companies	**67,956**	47,383
	857,913	790,658

The Canadian Organization for the Prevention of Cruelty to Animals
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Notes to Financial Statements
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8 - RESTRICTED INVESTMENTS AND DEFERRED CONTRIBUTIONS RELATED TO RESTRICTED INVESTMENTS

	2023	2022
	$	$
Balance, beginning of year	**875,269**	937,321
Net change in fair value of restricted investments	**47,375**	(62,052)
Balance, end of year	**922,644**	875,269

Cash	**56,680**	82,845
Mutual funds		
Bonds	**323,250**	280,181
Canadian shares	**193,399**	183,270
American shares	**146,599**	123,658
International shares	**202,716**	205,315
	922,644	875,269

In 1991, the Organization received a legacy that cannot be used before 99 years. Throughout this period, the legacy will be invested by a broker in funds of reputable managers. The Organization accounts for these restricted investments at fair value and the consideration as a deferred contribution.

The investment income, net of changes in fair value, management fees and income taxes that are generated by these restricted investments, is paid quarterly to the Organization and recognized in the legacy contributions. During the year, legacy contributions from this legacy totalled $20,400 ($12,550 in 2022).

In 2090, these investments will have no restriction and the deferred contribution will be recognized in the legacy contributions of that year.

9 - BANK LOAN

The Organization has a line of credit, for a maximum authorized amount of $250,000, which bears interest at the financial institution's prime rate plus 1.75% (8.95%; 8.2% as at December 31, 2022) and which is subject to renewal in June 2024. However, the maximum authorized borrowing amount is limited to 75% of eligible Canadian accounts receivable less the amount of preferential creditors to this line of credit, including payroll deductions and sales taxes payable. As at December 31, 2023, no amount is used (none as at December 31, 2022).

The Canadian Organization for the Prevention of Cruelty to Animals (Serving the Province of Quebec)
Notes to Financial Statements
December 31, 2023

10 - TRADE PAYABLES AND OTHER OPERATING LIABILITIES

	2023	2022
	$	$
Trade payables and accrued liabilities	**206,738**	221,278
Salaries and vacations payable	**555,968**	564,596
Benefits payable	**124,948**	118,183
Other	**21,802**	14,796
	909,456	918,853

Government remittances total $92,023 as at December 31, 2023 ($99,798 as at December 31, 2022).

11 - LONG-TERM DEBT

	2023	2022
	$	$
Term loan, 4.95%		71,500
Term loan, 4.95%		91,000
Term loan, 4.48%		3,000
Transaction costs		(7,460)
	–	158,040
Current portion		158,040
	–	–

12 - DEFERRED CONTRIBUTION RELATED TO TANGIBLE CAPITAL ASSETS

	2023	2022
	$	$
Building (Note 6 (a))	**27,851**	27,851
Accumulated amortization	**(6,906)**	(5,512)
	20,945	22,339

The Canadian Organization for the Prevention of Cruelty to Animals (Serving the Province of Quebec)
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13 - RELATED PARTY TRANSACTIONS

The Organization exercises control over Montréal SPCA Foundation which is incorporated under Part III of the *Companies Act (Quebec)* and is a registered charity under the *Income Tax Act.*

Its objective is to solicit and receive donations.

The members of the Board of Directors of Montréal SPCA Foundation are also members of the Board of directors of the Organization.

	2023	2022
	$	$
Financial position		
Total assets	**724,766**	591,800
Total net assets – unrestricted	**724,766**	591,800
Operations		
Total revenues	**141,803**	110,520
Total expenses	**8,837**	6,561
Excess of revenues over expenses	**132,966**	103,959
Cash flows from operating activities	**138,848**	96,850

14 - FINANCIAL RISKS

Credit risk

The Organization is exposed to credit risk regarding the financial assets recognized in the statement of financial position, other than investments. The Organization has determined that the financial assets with more credit risk exposure are trade, legacies and other receivables (excluding sales taxes receivable) since failure of any of these parties to fulfil their obligations could result in significant financial losses for the Organization.

Market risk

The Organization's financial instruments expose it to market risk, in particular, to interest rate risk and other price risk, resulting from both its investing and financing activities.

14 - FINANCIAL RISKS (Continued)

Interest rate risk

The Organization is exposed to interest rate risk with respect to financial assets and liabilities bearing fixed interest rates.

The term deposits, investments and long-term debt bear interest at a fixed rate and the Organization is, therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuations.

Other price risk

The Organization is exposed to other price risk due to investments since changes in market prices could result in changes in fair value of these instruments.

Liquidity risk

The Organization's liquidity risk represents the risk that the Organization could encounter difficulty in meeting obligations associated with its financial liabilities. The Organization is, therefore, exposed to the liquidity risk with respect to all of the financial liabilities recognized in the statement of financial position.

15 - COMMITMENTS

The Organization has entered into long-term lease agreements expiring in 2028 which call for lease payments of $306,895 for the rental of vehicles, equipment, telecommunication services, cleaning services and maintenance. Minimum lease payments for the next five years are as follows:

	$
2024	231,458
2025	32,400
2026	21,249
2027	18,862
2028	2,926