

**EDMONTON HUMANE SOCIETY FOR THE  
PREVENTION OF CRUELTY TO ANIMALS**

**Financial Statements**

**Year Ended December 31, 2018**

**EDMONTON HUMANE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS**  
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**Year Ended December 31, 2018**

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April 23, 2019  
Edmonton, Alberta

## **INDEPENDENT AUDITOR'S REPORT**

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

### **Qualified Opinion**

We have audited the financial statements of Edmonton Humane Society for the Prevention of Cruelty to Animals (the Society), which comprise the statement of financial position as at December 31, 2018, and the statements of revenues and expenditures, changes in net assets and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effect of the matter in the Basis of Qualified Opinion paragraph below, these financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2018, its financial performance and its cash flow 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 donations, 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 Society and we are not able to determine whether any adjustments might be necessary to contributions, excess of revenue over expenses, current asset and net assets.

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 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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit 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 Society's ability to continue as a going concern, disclosing, as applicable, matters relating 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.

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Independent Auditor's Report to the Members of Edmonton Humane Society for the Prevention of Cruelty to Animals *(continued)*

**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 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.

*Kingston Ross Parnak LLP*

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**Kingston Ross Parnak LLP**  
Chartered Professional Accountants

**EDMONTON HUMANE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS**  
**Statement of Revenues and Expenditures**  
**Year Ended December 31, 2018**

	2018	2017
<b>REVENUE</b>		
Fundraising and sponsorships (Note 11)	\$ 3,702,182	\$ 3,572,369
Shelter operations	2,406,698	2,551,158
Bequests	2,031,021	1,880,522
Amortization of deferred capital contributions (Note 9)	249,359	262,200
Investment income	93,784	87,644
Donated shares	35,877	101,402
	<b>8,518,921</b>	<b>8,455,295</b>
<b>EXPENSES</b>		
Shelter operations	4,623,960	4,015,063
Fundraising and sponsorship	1,427,387	1,312,841
Program and service delivery	1,370,132	1,204,776
Amortization of property and equipment	647,909	671,049
	<b>8,069,388</b>	<b>7,203,729</b>
<b>EXCESS OF REVENUE OVER EXPENSES FROM OPERATIONS</b>	<b>449,533</b>	<b>1,251,566</b>
<b>OTHER (EXPENSES) INCOME</b>		
Unrealized (loss) gain on investment	(165,797)	4,435
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<b>\$ 283,736</b>	<b>\$ 1,256,001</b>

**EDMONTON HUMANE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS**  
**Statement of Changes in Net Assets**  
**Year Ended December 31, 2018**

	Unrestricted	Invested in Property and Equipment	Internally Restricted	2018	2017
<b>NET ASSETS - BEGINNING OF YEAR</b>	\$ 5,913,625	\$ 8,635,882	\$ 2,514,176	\$ 17,063,683	\$ 15,807,682
Excess of revenue over expenses	682,286	(398,550)	-	283,736	1,256,001
Invested in property and equipment	(861,773)	861,773	-	-	-
<b>NET ASSETS - END OF YEAR</b>	\$ 5,734,138	\$ 9,099,105	\$ 2,514,176	\$ 17,347,419	\$ 17,063,683

**EDMONTON HUMANE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS**

**Statement of Financial Position**

**December 31, 2018**

	2018	2017 <i>Restated (Note 14)</i>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 2,009,673	\$ 2,914,305
Short-term investments (Note 3)	4,242,661	4,139,181
Accounts receivable	156,391	218,865
Inventory (Note 4)	67,160	113,771
Prepaid expenses (Note 5)	98,909	74,459
	<b>6,574,794</b>	<b>7,460,581</b>
LONG TERM INVESTMENTS (Note 6)	<b>3,723,240</b>	<b>2,865,953</b>
PROPERTY AND EQUIPMENT (Note 7)	<b>14,914,451</b>	<b>14,700,587</b>
	<b>\$ 25,212,485</b>	<b>\$ 25,027,121</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 481,846	\$ 311,670
Source deductions payable	31,601	21,226
Deferred contributions (Note 8)	1,536,273	1,565,837
Current portion of deferred capital contributions (Note 9)	237,446	249,359
	<b>2,287,166</b>	<b>2,148,092</b>
DEFERRED CAPITAL CONTRIBUTIONS (Note 9)	<b>5,577,900</b>	<b>5,815,346</b>
	<b>7,865,066</b>	<b>7,963,438</b>
<b>NET ASSETS</b>		
Invested in property and equipment	9,099,105	8,635,882
Internally restricted (Note 10)	2,514,176	2,514,176
Unrestricted	5,734,138	5,913,625
	<b>17,347,419</b>	<b>17,063,683</b>
	<b>\$ 25,212,485</b>	<b>\$ 25,027,121</b>

**APPROVED BY THE BOARD**

 Director

 Director

**EDMONTON HUMANE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS**

**Statement of Cash Flow**

**Year Ended December 31, 2018**

	2018	2017 <i>Restated (Note 14)</i>
<b>OPERATING ACTIVITIES</b>		
Cash receipts	\$ 8,206,286	\$ 7,897,849
Cash paid to suppliers and employees	(7,254,686)	(6,694,487)
Interest and dividends received	119,346	87,644
<b>Cash flow from operating activities</b>	<b>1,070,946</b>	<b>1,291,006</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(861,773)	(187,077)
Cash contributed to capital campaign	-	480,498
Purchase of investments	(4,737,513)	(5,936,844)
Proceeds on disposal of investments	3,623,708	4,506,474
<b>Cash flow used by investing activities</b>	<b>(1,975,578)</b>	<b>(1,136,949)</b>
<b>(DECREASE) INCREASE IN CASH</b>	<b>(904,632)</b>	<b>154,057</b>
<b>CASH - BEGINNING OF YEAR</b>	<b>2,914,305</b>	<b>2,760,248</b>
<b>CASH - END OF YEAR (Note 12)</b>	<b>\$ 2,009,673</b>	<b>\$ 2,914,305</b>

During the year, the Society incurred interest expenses of \$64,222 (2017 - \$60,906), which is included in Fundraising and sponsorship and Program and service delivery expenses on the Statement of Revenue and Expenses and in Cash paid to suppliers and employees on the Statement of Cash Flow.



## EDMONTON HUMANE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

### Notes to Financial Statements

Year Ended December 31, 2018

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#### 1. DESCRIPTION OF BUSINESS

Edmonton Humane Society for the Prevention of Cruelty to Animals (the "Society") is a humane society that provides temporary shelter and humane care to homeless and unwanted companion animals from Edmonton and surrounding communities, investigates reports of animal abuse and neglect within Edmonton city limits (discontinued in 2019), adopts animals to homes and operates related programs. The Society is incorporated under the Societies Act of Alberta as a not-for-profit organization and is a registered charity under the Income tax Act (Canada), and thereby is exempt from taxation.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations. Significant accounting policies observed in the preparation of the financial statements are summarized below.

##### Revenue recognition

Edmonton Humane Society for the Prevention of Cruelty to Animals follows the deferral method of accounting for contributions.

##### *Fundraising and Sponsorships*

Restricted contributions other than those restricted for the purchase of property and equipment are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

##### *Shelter Operations*

Revenue from shelter operations is recognized at the time the goods and services have been provided and collection is reasonably assured.

##### *Bequests*

Unrestricted bequests are recognized as contributions at the time the funds are received or receivable and collection is reasonably assured.

##### *Contributions Externally Restricted for the Purchase of Property and Equipment*

Contributions that are externally restricted for the purchase of property and equipment are deferred until the amounts are invested in property and equipment. Contributions invested in property and equipment, excluding land, are amortized to revenue on the same basis as the related assets.

##### *Investment Income*

Unrestricted and internally restricted investment income is recognized as revenue when earned.

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**EDMONTON HUMANE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS**

**Notes to Financial Statements**

**Year Ended December 31, 2018**

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit, less cheques issued and outstanding, plus cash in the investment portfolio.

Investments

Investments are recorded at fair value. The Society's investments consist of Guaranteed Investment Certificates and common shares. Transactions costs are recognized immediately in the Statement of Revenues and Expenditures.

Inventory

Inventory is measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Inventory includes all costs to purchase, convert, and bring the inventories to their present location and condition. Cost is determined principally on a first-in, first-out basis.

Contributed materials and services

Because of the difficulty and expense of determining the value of contributed materials and services, the Society chooses not to record contributed amounts in the financial statements, unless the item is classified as property and equipment or investment shares, in which case the property and equipment and investment recognition policy will apply.

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**EDMONTON HUMANE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS**  
**Notes to Financial Statements**  
**Year Ended December 31, 2018**

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property and equipment

Property and equipment is stated at cost or deemed cost less accumulated amortization. Contributed property and equipment is recorded at fair market value at the date of contribution; where an appraisal is required at a later date to establish fair market value, the asset is recorded at fair market value as of the date of appraisal. Where the fair market value of contributed property and equipment could not be reasonably determined or the cost to determine fair market value would be significant in relation to the fair market value of the asset, the asset is included at a nominal value of \$1 per item.

Property and equipment is amortized over its estimated useful life, using the declining balance method at the following annual rates:

Buildings	4%
Equipment	20%
Computers	30%
Telephones	20%
Vehicles	30%

Property and equipment acquired during the year but not available for use are not amortized until they are in the location and condition necessary to operate.

Translation of foreign currency transactions

Foreign currency transactions have been translated to the Canadian dollar equivalent at the average exchange rate for the fiscal year, with the exception of monetary assets and liabilities, being translated at the year-end current exchange rate. Any resulting gain or loss has been taken into income.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates. The significant estimates pertain to providing for amortization of property and equipment, collectibility of accounts receivable, absorption factor for estimating the liability related to gift cards payable and determination of the fair value of donated property and equipment and investments.

Financial instruments

All financial instruments are initially measured at fair value, and, unless otherwise noted, the Society subsequently measures its financial instruments at amortized cost.

**EDMONTON HUMANE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS**

**Notes to Financial Statements**

**Year Ended December 31, 2018**

**3. SHORT-TERM INVESTMENTS**

	<b>2018</b>	<b>2017</b>
Short-term investments	<b>\$ 3,741,181</b>	<b>\$ 3,627,852</b>
Marketable securities	<b>501,480</b>	<b>511,329</b>
	<b>\$ 4,242,661</b>	<b>\$ 4,139,181</b>

The short-term investments are comprised of GICs and are cashable on demand and bear interest at annual rates ranging from 2.20% to 2.36%.

**4. INVENTORY**

Included in the current year Statement of Revenues and Expenditures (Shelter Operations) is the sale or usage of inventory in the amount of \$446,594; (2017 - \$339,813), which has been recognized as an expense in the current year.

**5. MOBILE UNIT PURCHASE**

Included in prepaid expenses is a deposit of \$69,642 towards the purchase of a veterinary mobile unit. The total agreed upon cost of the asset is \$139,284 and the remainder of the payment is due upon the delivery of the unit, scheduled to take place subsequent to the year end.

**6. LONG-TERM INVESTMENTS**

The long-term investments consist of fixed income funds with no fixed redemption or rate of return. Long term investments bear annual interest at annual rates ranging from 2.45% to 2.83%. As the Society intends to hold these funds for longer than one year, they are classified as long term.

**7. PROPERTY AND EQUIPMENT**

	<b>Cost</b>	<b>Accumulated amortization</b>	<b>2018 Net book value</b>	<b>2017 Net book value</b>
Building	\$ 19,727,725	\$ 6,277,131	\$ 13,450,594	\$ 13,247,422
Land	1,014,285	-	1,014,285	1,014,285
Equipment	1,027,256	805,526	221,730	224,222
Computers	960,118	834,921	125,197	98,292
Telephones	343,044	260,981	82,063	89,599
Vehicles	193,942	173,360	20,582	26,767
	<b>\$ 23,266,370</b>	<b>\$ 8,351,919</b>	<b>\$ 14,914,451</b>	<b>\$ 14,700,587</b>

**EDMONTON HUMANE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS**

**Notes to Financial Statements**

**Year Ended December 31, 2018**

**8. DEFERRED CONTRIBUTIONS**

Deferred contributions represent unspent externally restricted grants and donations. Restrictions on contributions are that they be used only in specific programs. The programs are as follows: Injured Animals, Disaster Fund, PALS, CEC, Mobile Adoption Vehicle, Capital Contributions, APO and Equipment.

	<b>2018</b>	<b>2017</b>
Beginning balance	\$ 1,565,837	\$ 1,251,901
Add amount received in the current year	242,191	480,498
Less amount recognized as revenue in the year	(271,755)	(166,562)
	<b>\$ 1,536,273</b>	<b>\$ 1,565,837</b>

**9. DEFERRED CAPITAL CONTRIBUTIONS**

Deferred capital contributions include the unamortized portions of contributed property and equipment purchased with restricted contributions. The amortization of capital contributions is recorded as revenue in the Statement of Revenues or Expenditures in accordance with amortization rates of the related assets.

	<b>2018</b>	<b>2017</b>
Balance, beginning of year	\$ 6,064,705	\$ 6,326,905
Less amounts amortized to revenue	(249,359)	(262,200)
	<b>5,815,346</b>	<b>6,064,705</b>
Deferred capital contributions - current portion	(237,446)	(249,359)
	<b>\$ 5,577,900</b>	<b>\$ 5,815,346</b>

**10. INTERNALLY RESTRICTED NET ASSETS**

Internally restricted funds represent amounts restricted for program development and capital expenditures. These internally restricted and reinvested amounts are not available for other purposes without the approval of the Board of Directors.

**EDMONTON HUMANE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS**

**Notes to Financial Statements**

**Year Ended December 31, 2018**

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**11. CHARITABLE FUNDRAISING ACT (ALBERTA)**

The following supplementary information is disclosed in compliance with the Charitable Fund-raising Act (Alberta) and related Regulations:

	<b>2018</b>	<b>2017</b>
Fundraising and sponsorships	<b>\$ 3,702,182</b>	<b>\$ 3,572,369</b>
Total amount paid as remuneration to employees of the organization whose principal duties involved fundraising	<b>310,649</b>	<b>266,072</b>

**12. CASH FLOW SUPPLEMENTARY INFORMATION**

The following transactions have been excluded from the Statement of Cash Flow as they did not require the use of cash or cash equivalents.

	<b>2018</b>	<b>2017</b>
Shares donated to the Society	<b>\$ 35,877</b>	<b>\$ 101,402</b>
Unrealized (loss) gain on investment	<b>(165,797)</b>	<b>4,435</b>

**EDMONTON HUMANE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS**  
**Notes to Financial Statements**  
**Year Ended December 31, 2018**

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**13. FINANCIAL INSTRUMENTS**

The Society is exposed to various risks through its financial instruments. The following analysis provides information about the Society's risk exposure and concentration as of December 31, 2018. Unless otherwise noted, the Society's risk exposure has not changed from the prior year.

**Credit risk**

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Society is exposed to credit risk from contributors, and the maximum exposure to this risk is the carrying value of accounts receivable on the balance sheet. As at December 31, 2018, 80% of receivables are due from four entities, which represents a concentration of credit risk.

**Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk. The Society is mainly exposed to market risk through its investment portfolio.

**(a) Currency risk**

Currency risk is the risk to the Society's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Society is exposed to foreign currency exchange risk on cash held in US dollars. The Society does not use derivative instruments to reduce its exposure to foreign currency risk.

**(b) Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the market interest rates. In seeking to minimize the risks from interest rate fluctuations, the Society manages exposure through its normal operating and financing activities. The Society is exposed to interest rate risk primarily through its fixed interest rate on investments.

**(c) Other price risk**

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Society is exposed to other price risk through its investment in quoted shares.

**14. PRIOR PERIOD ADJUSTMENT**

In the current year, management identified an outstanding accounts receivable that was incorrectly classified as cash. The error was corrected retrospectively and resulted in a reduction of cash of \$125,882 and a corresponding increase in accounts receivable of the same amount. There was no impact on the excess of revenue over expenses or net assets as a result of this correction.