

Financial Statements of

THE TORONTO HUMANE SOCIETY

And Independent Auditor's Report thereon

Year ended December 31, 2022



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INDEPENDENT AUDITOR'S REPORT

To the Members of The Toronto Humane Society

Qualified Opinion

We have audited the financial statements of The Toronto Humane Society (the Entity), which comprise:

- the statement of financial position as at December 31, 2022
- the statement of operations for the year then ended
- the statement of changes in net assets 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 auditor's report, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2022, 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 charitable organizations, the Entity derives revenue from fundraising, promotion and public education activities and legacies and bequests, 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.



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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, 2022 and December 31, 2021
- the fundraising, promotion, public education, legacies and bequests revenues and deficiency of revenue over expenses reported in the statements of operations for the years ended December 31, 2022 and December 31, 2021
- the net assets, at the beginning and end of the year, reported in the statements of changes in net assets for the years ended December 31, 2022 and December 31, 2021
- the deficiency of revenue over expenses reported in the statements of cash flows for the years ended December 31, 2022 and December 31, 2021.

Our opinion on the financial statements for the year ended December 31, 2021 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 **"Auditor's Responsibilities for the Audit of the Financial Statements"** section of our auditor's 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 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 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.



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 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 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 Entity to cease to continue as a going concern.



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- 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, Licensed Public Accountants

Vaughan, Canada

July 5, 2023

THE TORONTO HUMANE SOCIETY

Statement of Financial Position

December 31, 2022, with comparative information for 2021

	2022	2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,654,335	\$ 2,290,538
Accounts receivable	466,870	1,253,743
Prepaid expenses	149,441	70,240
	<u>2,270,646</u>	<u>3,614,521</u>
Investments and marketable securities (note 3)	3,394,506	4,299,552
Capital assets (note 4)	4,824,303	4,904,361
	<u>\$ 10,489,455</u>	<u>\$ 12,818,434</u>

Liabilities, Deferred Capital Contributions and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 944,202	\$ 1,032,452
Deferred contributions	75,000	156,875
	<u>1,019,202</u>	<u>1,189,327</u>
Deferred capital contributions (note 5)	226,058	263,203
Net assets:		
Invested in capital assets (note 6)	4,598,245	4,641,158
Restricted for endowment purposes (note 7)	435,405	370,000
Unrestricted	4,210,545	6,354,746
	<u>9,244,195</u>	<u>11,365,904</u>
Commitments (note 9)		
	<u>\$ 10,489,455</u>	<u>\$ 12,818,434</u>

See accompanying notes to financial statements.

On behalf of the Board:



Director

Charissa Lai

Director

THE TORONTO HUMANE SOCIETY

Statement of Operations

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Revenue:		
Fundraising, promotion and public education (note 8)	\$ 6,383,279	\$ 6,074,121
Legacies and bequests (note 8)	4,038,368	5,133,732
Other income (note 10)	15,149	729,027
Adoption of animal donations and related fees (note 8)	1,272,778	718,727
Public veterinary services	859,995	615,702
Unrealized gain on investments	—	103,689
Amortization of deferred capital contributions (notes 5 and 6)	37,145	146,975
Realized investment income (note 3)	119,871	254,923
	<u>12,726,585</u>	<u>13,776,896</u>
Expenses:		
Animal care and shelter services	9,354,540	8,997,114
Public veterinary services expense	1,556,895	1,472,862
General and administration	1,334,486	1,306,474
Fundraising, promotion and public education	1,489,560	1,239,716
Communication and education programs	587,998	755,148
Unrealized loss on investments	465,245	—
Referral care	89,495	76,052
Investment expense	35,480	37,587
	<u>14,913,699</u>	<u>13,884,953</u>
Deficiency of revenue over expenses	<u>\$ (2,187,114)</u>	<u>\$ (108,057)</u>

See accompanying notes to financial statements.

THE TORONTO HUMANE SOCIETY

Statement of Changes in Net Assets

Year ended December 31, 2022, with comparative information for 2021

				2022	2021
	Invested in capital assets (note 6)	Restricted for endowment purposes (note 7)	Unrestricted	Total	Total
Net assets, beginning of year	\$ 4,641,158	\$ 370,000	\$ 6,354,746	\$ 11,365,904	\$ 11,473,961
Deficiency of revenue over expenses	(396,855)	–	(1,790,259)	(2,187,114)	(108,057)
Endowment contributions	–	65,405	–	65,405	–
Investment in capital assets	353,942	–	(353,942)	–	–
Net assets, end of year	\$ 4,598,245	\$ 435,405	\$ 4,210,545	\$ 9,244,195	\$ 11,365,904

See accompanying notes to financial statements.

THE TORONTO HUMANE SOCIETY

Statement of Cash Flows

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operating activities:		
Deficiency of revenue over expenses	\$ (2,187,114)	\$ (108,057)
Items not involving cash:		
Amortization of capital assets	434,000	431,161
Amortization of deferred capital contributions	(37,145)	(146,975)
Donated investments	(60,703)	(774,938)
Realized loss (gain) on disposal of investments	12,820	(88,883)
Unrealized loss (gain) on investments	465,245	(103,689)
	(1,372,897)	(791,381)
Change in non-cash operating working capital:		
Accounts receivable	170,011	(19,952)
Prepaid expenses	(79,201)	30,418
Accounts payable and accrued liabilities	(88,250)	(204,998)
Deferred contributions realized	(256,875)	(50,000)
Receipt of deferred contributions	175,000	150,000
	(1,452,212)	(885,913)
Financing activities:		
Endowment contributions received	65,405	—
Investing activities:		
Purchase of capital assets net of disposal	(353,942)	(136,206)
Purchase of investments	(719,553)	(354,186)
Proceeds from disposal of investments	1,824,099	1,171,026
	750,604	680,634
Decrease in cash and cash equivalents	(636,203)	(205,279)
Cash and cash equivalents, beginning of year	2,290,538	2,495,817
Cash and cash equivalents, end of year	\$ 1,654,335	\$ 2,290,538
Non-cash transactions:		
Donated investment receivable (received)	\$ (616,862)	\$ 616,862

See accompanying notes to financial statements.

THE TORONTO HUMANE SOCIETY

Notes to Financial Statements

Year ended December 31, 2022

The Toronto Humane Society (the "Society") is incorporated under the laws of Ontario as a not-for-profit organization without share capital. The mission of the Society is to promote the humane care and protection of all animals and to prevent cruelty and suffering.

The Society is registered as a charitable organization and, as such, is exempt from income taxes provided certain requirements under the Income Tax Act (Canada) are met.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations applied in Part III of the Chartered Professional Accountants of Canada Handbook.

(a) Revenue recognition:

The Society follows the deferral method of accounting for contributions.

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.

Pledges are recognized as revenue when they are made if the amount to be received can be reasonably estimated and collection is reasonably assured.

Adoption and revenue from services performed is recorded when earned. Investment income, which is recorded on an accrual basis, includes interest income, distributions from mutual funds, unrealized gains and losses on investments and realized gains and losses on the sales of investments.

Externally restricted contributions other than endowment contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Endowment contributions are recognized as direct increases in endowment net assets.

Donations of capital assets, materials and services are recorded at fair values when fair values can reasonably be estimated.

THE TORONTO HUMANE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(b) Contributed materials and services:

Contributed materials are recognized at fair value, where determinable and when received. Product donations represent donations from members for dog food.

A substantial number of volunteers contribute services each year. Because of the difficulty in determining the fair value, contributed services are not recognized in the financial statements.

(c) Cash and cash equivalents:

The Society considers deposits in banks, certificates of deposit and short-term investments with original maturities of 90 days or less as cash and cash equivalents.

(d) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Society's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized on a straight-line basis using the following annual rates:

Building	2.5%
Building improvements	4%
Machinery and equipment	10%
Furniture and fixtures	10%
Computer	20%
Cat Sky House	3.7%
Vehicles	33.3%
Paving	10%
Software	33.3%

THE TORONTO HUMANE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(e) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Society has elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Society determines if there is a significant adverse change in the expected cash flows. The carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Society expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(f) Allocation of fundraising/general administration expenses:

The Society classifies expenses on the statement of operations by function. The Society does not allocate expenses between functions on the statement of operations.

(g) Government assistance:

The Society has applied for financial assistance under available government incentive programs. Government assistance related to current expenses and revenue is included in the determination of deficiency of revenue over expenses for the year.

THE TORONTO HUMANE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(h) Use of estimates:

The preparation of financial statements 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 year. Significant items subject to such estimates and assumptions include the rate of amortization of capital assets and deferred capital contributions. Actual results could differ from those estimates.

2. Bank facility:

The Society has a revolving demand credit facility of \$1,065,000 that bears interest at prime plus 1% per annum and is secured by a general security agreement over all personal property of the Society. As at December 31, 2022, the Society had drawn nil (2021 - nil) against the facility.

3. Investments and marketable securities:

	2022	2021
Cash and cash equivalents	\$ 306,178	\$ 502,025
Guaranteed investment certificates	45,108	43,108
Fixed income securities	1,842,505	2,049,412
Equity securities and pooled funds	1,200,715	1,705,007
	<u>\$ 3,394,506</u>	<u>\$ 4,299,552</u>

The 2022 and 2021 fixed income securities include pooled fixed income mutual funds.

Realized investment income consists of:

	2022	2021
Interest	\$ 83,574	\$ 66,126
Dividends	44,198	37,753
Pooled funds distributions	4,919	62,161
Realized gain (loss) on investments	(12,820)	88,883
	<u>\$ 119,871</u>	<u>\$ 254,923</u>

THE TORONTO HUMANE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2022

4. Capital assets:

			2022	2021
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 822,912	\$ –	\$ 822,912	\$ 822,912
Building	5,026,772	4,950,703	76,069	81,876
Building improvements	3,711,649	1,416,338	2,295,311	2,211,122
Machinery and equipment	380,781	336,129	44,652	51,435
Furniture and fixtures	4,171,736	3,670,914	500,822	600,748
Computer	1,259,670	1,211,413	48,257	67,787
Cat Sky House	2,363,732	1,385,465	978,267	1,065,813
Vehicles	187,858	145,286	42,572	–
Paving	30,038	30,038	–	–
Software	212,593	197,152	15,441	2,668
	\$ 18,167,741	\$ 13,343,438	\$ 4,824,303	\$ 4,904,361

5. Deferred capital contributions:

Deferred capital contributions represent the unamortized amount of donations received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations on the same basis as the amortization expense related to capital assets.

	2022	2021
Balance, beginning of year	\$ 263,203	\$ 410,178
Less amortization of deferred capital contributions	(37,145)	(146,975)
Balance, end of year	\$ 226,058	\$ 263,203

THE TORONTO HUMANE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2022

6. Net assets invested in capital assets:

(a) Net assets invested in capital assets is calculated as follows:

	2022	2021
Capital assets	\$ 4,824,303	\$ 4,904,361
Amounts financed by deferred capital contributions (note 5)	(226,058)	(263,203)
	<u>\$ 4,598,245</u>	<u>\$ 4,641,158</u>

(b) Change in net assets invested in capital assets is calculated as follows:

	2022	2021
Deficiency of revenue over expenses:		
Amortization of deferred capital contributions	\$ 37,145	\$ 146,975
Amortization of capital assets	(434,000)	(431,161)
	<u>\$ (396,855)</u>	<u>\$ (284,186)</u>
Net change in net assets invested in capital assets:		
Purchase of capital assets	\$ 353,942	\$ 136,206

7. Net assets restricted for endowment purposes:

Within the net assets restricted for endowment purposes, a balance of \$10,000 is subject to externally imposed restrictions stipulating that the income on the endowment be awarded to a person, group or organization that has contributed to the relief of suffering of animals or as a reward for apprehension of persons charged with cruelty to animals. A balance of \$360,000 is required to be held for a period of at least ten years with the income being used for the purposes of the Society expiring in 2023.

In 2022, an endowment of \$65,405 was received to exist in perpetuity with the distribution being made available to support Animal Sheltering Programs of the Society.

8. Donations in kind:

During the 2022 fiscal year, the Society received \$351,372 (2021 - \$127,663) of donated goods and \$60,703 (2021 - \$774,938) of donated investments and marketable securities.

THE TORONTO HUMANE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2022

9. Commitments:

The Society has long-term commitments under various office equipment leases as follows:

2023	\$ 41,671
2024	27,666
2025	15,900
2026	6,380
	<hr/>
	\$ 91,617

Letter of credit totaling \$45,000 (2021 - \$43,000) are outstanding at year end, that relate to the demand credit facility described in note 2.

10. Government assistance:

Included in other income is government assistance recorded by the Society under the Canada Emergency Wage Subsidy ("CEWS") program launched by the Canadian government in response to the COVID-19 pandemic. During the year, the Society received nil (2021 - \$729,027) under the CEWS program.

11. Financial risks and concentration of credit risk:

The following disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments. Unless otherwise noted, there has been no change in risk exposure from 2021.

(a) Interest rate risk:

Interest rate risk arises from the possibility that changes in interest rates will affect the value of fixed income securities held by the Society. The Society has formal policies and procedures that establish target asset mix and monitors the current interest rate to ensure rates do not vary from the market rate.

THE TORONTO HUMANE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2022

11. Financial risks and concentration of credit risk (continued):

(b) Market risk:

Market risk arises as a result of trading in equity securities, pooled funds and fixed income securities. Fluctuations in the market expose the Society to a risk of loss. The Society mitigates this risk through controls to monitor and limit concentration levels.

(c) Currency risk:

Currency risk arises from gains and losses due to fluctuations in foreign currency exchange rates on the Society's foreign securities. The Society mitigates this risk through controls to monitor and limit concentration levels.

(d) Liquidity risk:

Liquidity risk is defined as the risk that the Society may not be able to meet or settle its obligations as they become due. The Society has taken steps to ensure that it will have sufficient working capital to meet its obligations.

(e) Credit risk:

Credit risk refers to 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 the accounts receivable. The Society assesses, on a contribution basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts.

12. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.