

Financial Statements of

THE TORONTO HUMANE SOCIETY

Year ended December 31, 2016



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INDEPENDENT AUDITORS' REPORT

To the Members of The Toronto Humane Society

We have audited the accompanying financial statements of The Toronto Humane Society which comprise the statement of financial position as at December 31, 2016, the statements of operations, changes in net assets, and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



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

Basis for Qualified Opinion

In common with many not-for profit organizations, The Toronto Humane Society 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 Toronto Humane Society. Therefore, we were not able to determine whether, as at and for the years ended December 31, 2016 and December 31, 2015, any adjustments might be necessary to fundraising, promotion, public education, legacies and bequests revenues and excess of revenues over expenses reported in the statements of operations, excess of revenues over expenses reported in the statements of cash flows and current assets and unrestricted net assets reported in the statements of financial position. This caused us to qualify our audit opinion on the financial statements as at and for the year ended December 31, 2015.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of The Toronto Humane Society as at December 31, 2016, 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

April 26, 2017

Vaughan, Canada

THE TORONTO HUMANE SOCIETY

Statement of Financial Position

December 31, 2016, with comparative information for 2015

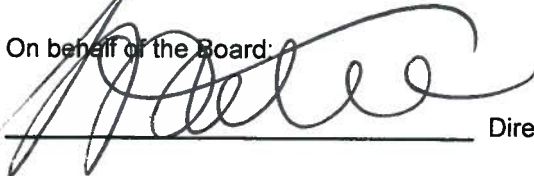
	2016	2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,911,482	\$ 1,453,850
Accounts receivable	792,817	720,477
Prepaid expenses	45,453	84,208
	<u>2,749,752</u>	<u>2,258,535</u>
Investments and marketable securities (note 3)	4,544,022	2,769,281
Capital assets (note 4)	5,028,031	5,463,790
	<u>\$ 12,321,805</u>	<u>\$ 10,491,606</u>

Liabilities, Deferred Contributions and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 520,348	\$ 614,772
Deferred contributions	435,333	-
Current portion of long-term debt (note 6)	58,838	53,057
	<u>1,014,519</u>	<u>667,829</u>
Deferred capital contributions (note 5)	932,772	1,088,435
Long-term debt (note 6)	53,896	112,734
Net assets:		
Invested in capital assets (note 7)	4,095,259	4,375,355
Restricted for endowment purposes (note 8)	370,000	370,000
Unrestricted	5,855,359	3,877,253
	<u>10,320,618</u>	<u>8,622,608</u>
Commitments (note 10)		
	<u>\$ 12,321,805</u>	<u>\$ 10,491,606</u>

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

THE TORONTO HUMANE SOCIETY

Statement of Operations

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Revenue:		
Fundraising, promotion and public education (note 9)	\$ 5,075,793	\$ 5,090,163
Legacies and bequests	5,637,817	4,079,757
Adoption of animal donations and related fees (note 9)	1,360,833	1,038,103
Spay/Neuter Clinic Income	579,030	526,843
Realized investment income (note 3)	199,046	145,255
Amortization of deferred capital contributions (note 5)	155,663	155,864
Unrealized gain (loss) on investments	20,152	(64,425)
	<u>13,028,334</u>	<u>10,971,560</u>
Expenses:		
Animal care and shelter services	7,645,131	7,296,971
Spay/Neuter Clinic Expense	1,199,991	813,495
General and administration	1,101,562	1,159,028
Fundraising, promotion and public education	936,516	1,009,163
Education programs	226,600	213,449
Subsidized veterinary care	187,334	116,558
Investment expense	33,190	33,512
	<u>11,330,324</u>	<u>10,642,176</u>
Excess of revenue over expenses	<u>\$ 1,698,010</u>	<u>\$ 329,384</u>

See accompanying notes to financial statements.

THE TORONTO HUMANE SOCIETY

Statement of Changes in Net Assets

Year ended December 31, 2016, with comparative information for 2015

				2016	2015
	Invested in capital assets (note 7)	Restricted for endowment purposes (note 8)	Unrestricted	Total	Total
Net assets, beginning of of year	\$ 4,375,355	\$ 370,000	\$ 3,877,253	\$ 8,622,608	\$ 8,293,224
Excess of revenue over expenses	(450,193)	-	2,148,203	1,698,010	329,384
Investment in capital assets	170,097	-	(170,097)	-	-
Net assets, of year	\$ 4,095,259	\$ 370,000	\$ 5,855,359	\$10,320,618	\$ 8,622,608

See accompanying notes to financial statements.

THE TORONTO HUMANE SOCIETY

Statement of Cash Flows

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 1,698,010	\$ 329,384
Items not involving cash:		
Amortization of capital assets	605,856	639,218
Amortization of deferred capital contributions	(155,663)	(155,864)
Donated investments	(963,573)	(96,838)
Net realized (gain) loss on disposal of investments	(90,832)	35,668
Unrealized (gain) loss on investments	(20,152)	64,425
	<u>1,073,646</u>	<u>815,993</u>
Changes in non-cash operating working capital:		
Accounts receivable	(72,340)	(346,703)
Prepaid expenses	38,755	(23,834)
Accounts payable and accrued liabilities	(94,424)	(13,803)
Deferred contributions realized	-	(56,700)
	<u>945,637</u>	<u>374,953</u>
Financing activities:		
Receipt of deferred contributions	435,333	-
Repayment of long-term debt	(53,057)	(47,842)
Receipt of deferred capital contributions	-	43,600
	<u>382,276</u>	<u>(4,242)</u>
Investing activities:		
Purchase of capital assets	(170,097)	(455,873)
Purchase of investments	(1,800,109)	(772,204)
Proceeds from disposal of investments	1,099,925	1,686,964
	<u>(870,281)</u>	<u>458,887</u>
Increase in cash and cash equivalents	457,632	829,598
Cash and cash equivalents, beginning of year	1,453,850	624,252
Cash and cash equivalents, end of year	<u>\$ 1,911,482</u>	<u>\$ 1,453,850</u>

See accompanying notes to financial statements.

THE TORONTO HUMANE SOCIETY

Notes to Financial Statements

Year ended December 31, 2016

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 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 in Part III of the Chartered Professional Accountants 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.

(b) Contributed services:

Volunteers contribute a significant amount of their time to the Society each year. Because of the difficulty in determining the fair value, contributed services are not recognized in the financial statements.

THE TORONTO HUMANE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2016

1. Significant accounting policies (continued):

(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%
Machinery and equipment	10%
Furniture and fixtures	10%
Vehicles	33.5%
Computer	20%
Building improvements	4%
Paving	10%
Software	33.3%
Cat Sky House	3.7%

(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.

THE TORONTO HUMANE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2016

1. Significant accounting policies (continued):

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) 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 \$1,100,000 that bears interest at prime plus 1% per annum and is secured by a general security agreement over all personal property of the Society. At December 31, 2016, the Society had drawn nil (2015 - nil) against the facility.

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Notes to Financial Statements (continued)

Year ended December 31, 2016

3. Investments and marketable securities:

	2016	2015
Cash and cash equivalents	\$ 1,281,577	\$ 174,957
Fixed income securities	1,375,880	1,511,697
Equity securities and pooled funds	1,886,565	1,082,627
	\$ 4,544,022	\$ 2,769,281

The fixed income securities bear an average yield to maturity of 4.34% (2015 - 4.55%) with staggered maturity dates and an average term to maturity of five years (2015 - five years).

Realized investment income consists of:

	2016	2015
Interest	\$ 62,231	\$ 66,739
Dividends	32,745	34,768
Pooled funds distributions	13,238	8,080
Realized gain on investments	90,832	35,668
	\$ 199,046	\$ 145,255

4. Capital assets:

	2016		2015	
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 822,912	\$ -	\$ 822,912	\$ 822,912
Building	5,026,772	4,417,281	609,491	735,030
Machinery and equipment	321,493	231,459	90,034	106,934
Furniture and fixtures	3,470,613	2,581,765	888,848	1,087,541
Vehicles	124,000	94,043	29,957	50,840
Computer	1,066,624	1,063,444	3,180	82,187
Building improvements	2,012,490	932,422	1,080,068	987,259
Paving	30,038	30,038	-	-
Software	181,428	181,428	-	-
Cat Sky House	2,363,732	860,191	1,503,541	1,591,087
	\$ 15,420,102	\$ 10,392,071	\$ 5,028,031	\$ 5,463,790

THE TORONTO HUMANE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2016

5. Deferred capital contributions:

The balance of unamortized deferred capital contributions consists of the following:

	2016	2015
Unamortized capital contributions used to purchase assets	\$ 932,772	\$ 1,088,435

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.

	2016	2015
Balance, beginning of year	\$ 1,088,435	\$ 1,200,699
Additional contributions received	-	43,600
Less amortization of deferred capital contributions	(155,663)	(155,864)
Balance, end of year	\$ 932,772	\$ 1,088,435

6. Long-term debt:

	2016	2015
Equipment loan, bearing interest at 10.39% with monthly blended payments of \$5,650 and maturing in October 2018	\$ 112,734	\$ 165,791
Less current portion	58,838	53,057
	\$ 53,896	\$ 112,734

During the year interest expense on the above-noted debt amounted to \$14,748 (2015 - \$19,957).

THE TORONTO HUMANE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2016

6. Long-term debt (continued):

Principal payments required in each of the next four years are as follows:

2017	\$	58,838
2018		53,896
	\$	112,734

7. Net assets invested in capital assets:

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

	2016	2015
Capital assets	\$ 5,028,031	\$ 5,463,790
Amounts financed by deferred capital contributions (note 5)	(932,772)	(1,088,435)
	\$ 4,095,259	\$ 4,375,355

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

	2016	2015
Excess of revenues over expenses:		
Amortization of deferred capital contributions	\$ 155,663	\$ 155,864
Amortization of capital assets	(605,856)	(639,218)
	\$ (450,193)	\$ (483,354)
Net change in net assets invested in capital assets:		
Purchase of capital assets	\$ 170,097	\$ 455,873
Amounts funded by deferred capital contributions	-	(157,962)
	\$ 170,097	\$ 297,911

THE TORONTO HUMANE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2016

8. 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. The remaining 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.

9. Donations in kind:

During the 2016 fiscal year, the Society received \$139,077 (2015 - \$53,060) of donated goods and \$963,573 (2015 - \$96,838) of donated investments and marketable securities. As noted in note 1(a and b), the Society is unable to quantify other donated goods and services.

10. Commitments:

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

2017	\$	20,373
2018		13,116
2019		13,116
2020		10,460
2021		9,132
Thereafter		1,523
	\$	67,720

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.

(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, 2016

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 contributions basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts.

There has been no changes to risks from prior year.