

Financial Statements of

**THE TORONTO HUMANE SOCIETY**

Year ended December 31, 2013



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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, 2013, 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 an 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.

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



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*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, 2013, and December 31, 2012, 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, 2012.

*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, 2013, 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*

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Chartered Professional Accountants, Licensed Public Accountants

May 2, 2014  
Toronto, Canada

# THE TORONTO HUMANE SOCIETY

## Statement of Financial Position

December 31, 2013, with comparative figures for 2012

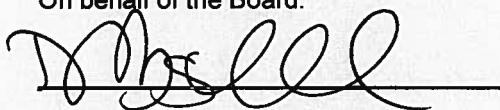
	December 31, 2013	December 31, 2012
<b>Assets</b>		
Current assets:		
Cash (note 2)	\$ 156,764	\$ 508,488
Accounts receivable	513,475	411,748
Prepaid expenses	72,081	55,991
	<u>742,320</u>	<u>976,227</u>
Investments and marketable securities (note 3)	2,635,690	1,702,151
Capital assets (note 4)	5,913,900	5,546,051
	<u>\$ 9,291,910</u>	<u>\$ 8,224,429</u>

## Liabilities, Deferred Contributions and Net Assets

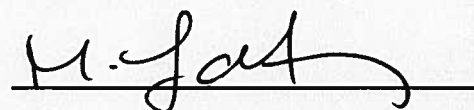
Current liabilities:		
Accounts payable and accrued liabilities	\$ 597,891	\$ 854,655
Deferred contributions	79,000	-
Current portion of long-term debt (note 6)	43,143	-
	<u>720,034</u>	<u>854,655</u>
Deferred capital contributions (note 5)	1,164,065	1,280,134
Long-term debt (note 6)	213,633	-
Net assets:		
Invested in capital assets (note 7)	4,749,835	4,265,917
Restricted for endowment purposes (note 8)	370,000	10,000
Unrestricted	2,074,343	1,813,723
	<u>7,194,178</u>	<u>6,089,640</u>
Commitments (note 10)		
Contingencies (note 11)		
	<u>\$ 9,291,910</u>	<u>\$ 8,224,429</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, 2013, with comparative figures for 2012

	2013	2012
<b>Revenue:</b>		
Fundraising, promotion and public education	\$ 5,201,581	\$ 4,447,670
Legacies and bequests	3,592,075	3,896,554
Adoption of animal donations and related fees (note 9)	483,571	436,610
Spay/Neuter Clinic Income	355,478	190,118
Realized investment income (note 3)	126,368	68,192
Amortization of deferred capital contributions (note 5)	116,069	119,386
Unrealized gain on investments	97,049	47,897
Insurance proceeds	-	194,384
	<u>9,972,191</u>	<u>9,400,811</u>
<b>Expenses:</b>		
Animal care and shelter services	5,970,576	5,819,945
Fundraising, promotion and public education	1,610,566	1,361,514
General and administration	1,043,174	1,077,407
Spay/Neuter Clinic Expense	308,125	386,802
Education programs	202,065	123,118
Subsidized veterinary care	64,711	140,266
Investment expense	28,436	22,485
	<u>9,227,653</u>	<u>8,931,537</u>
<b>Excess of revenue over expenses</b>	<b>\$ 744,538</b>	<b>\$ 469,274</b>

See accompanying notes to financial statements.

## THE TORONTO HUMANE SOCIETY

### Statement of Changes in Net Assets

Year ended December 31, 2013, with comparative figures for 2012

	Invested in capital assets (note 7)	Restricted for endowment purposes	Unrestricted	2013 Total	2012 Total
Net assets, beginning of year	\$ 4,265,917	\$ 10,000	\$ 1,813,723	\$ 6,089,640	\$ 5,620,366
Excess of revenue over expenses	(420,082)	-	1,164,620	744,538	469,274
Investment in capital assets	904,000	-	(904,000)	-	-
Endowment contribution	-	360,000	-	360,000	-
<b>Net assets, of year</b>	<b>\$ 4,749,835</b>	<b>\$ 370,000</b>	<b>\$ 2,074,343</b>	<b>\$ 7,194,178</b>	<b>\$ 6,089,640</b>

See accompanying notes to financial statements.

# THE TORONTO HUMANE SOCIETY

## Statement of Cash Flows

Year ended December 31, 2013, with comparative figures for 2012

	2013	2012
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 744,538	\$ 469,274
Items not involving cash:		
Amortization of capital assets	536,151	478,239
Amortization of deferred capital contributions	(116,069)	(119,386)
Donated investments	(85,794)	(20,426)
Net realized (gain) loss on disposal of investments	(34,957)	198
Unrealized gain on investments	(97,049)	(47,897)
	946,820	760,002
Changes in non-cash operating working capital	(295,581)	(2,443)
	651,239	757,559
Financing activities:		
Increase in long-term debt	256,776	-
Receipt of deferred capital contributions	-	50,193
Endowment contribution	360,000	-
	616,776	50,193
Investing activities:		
Purchase of capital assets	(904,000)	(478,091)
Purchase of investments	(3,744,856)	(2,074,570)
Proceeds from disposal of investments	3,113,105	1,597,101
	(1,535,751)	(955,560)
Increase (decrease) in cash	(267,736)	(147,808)
Cash, beginning of year	516,021	663,829
Cash, end of year	\$ 248,285	\$ 516,021
Represented by:		
Cash	\$ 156,764	\$ 508,488
Cash and cash equivalents in investment account	91,521	7,533
	\$ 248,285	\$ 516,021
Supplemental cash flow information:		
Interest received	\$ 29,389	\$ 8,705
Dividends received	61,023	58,798
Investment income distribution	999	887

See accompanying notes to financial statements.

# THE TORONTO HUMANE SOCIETY

## Notes to Financial Statements

Year ended December 31, 2013

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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.

Investment income, adoption and revenue from services performed is recorded when earned.

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, 2013

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## 1. Significant accounting policies:

### (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 and has classified these as held for trading.

### (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:

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

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### (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, 2013

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## 1. Significant accounting policies:

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 and accounts payable and accrued liabilities. Actual results could differ from those estimates.

## 2. Cash:

The Society has a credit facility of \$1,100,000 that bears interest at prime plus 1% per annum and is secured by a general security agreement. At December 31, 2013, the Society had drawn nil (2012 - nil) against the facility.

# THE TORONTO HUMANE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2013

### 3. Investments and marketable securities:

	2013	2012
Cash and cash equivalents	\$ 91,521	\$ 7,533
Fixed income securities	1,390,443	1,121,816
Equity securities and pooled funds	1,153,726	572,802
	<b>\$ 2,635,690</b>	<b>\$ 1,702,151</b>

The fixed income securities bear an average yield to maturity of 4.71% (2012 - 5.01%) with staggered maturity dates and an average term to maturity of six years (2012 - four years).

Investment risk management:

Risk management relates to understanding and active management of risk associated with all areas of the business and the associated operating environment. Investments are primarily exposed to interest rate risk, market risk, and credit risk. There has been no change to the risk exposure from 2012.

(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 manages this risk by holding a balanced portfolio where some of this loss would be offset by gains in equity securities and pooled funds.

(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) Credit risk:

Credit risk arises as a result of the possibility that one party to a financial instrument will fail to discharge an obligation and cause the Society to incur financial loss. The Society manages this risk by diversifying its portfolio and by dealing with reputable and credit worthy counter parties.

# THE TORONTO HUMANE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2013

### 3. Investments and marketable securities (continued):

Realized investment income consists of:

	2013	2012
Interest	\$ 29,389	\$ 8,705
Dividends	61,023	58,798
Investment income distribution	999	887
Capital gain (loss)	34,957	(198)
	<b>\$ 126,368</b>	<b>\$ 68,192</b>

### 4. Capital assets:

	2013		2012	
	Cost	Accumulated amortization	Net book value	Net book value
Land - capital asset	\$ 822,912	\$ -	\$ 822,912	\$ 822,912
Building - capital asset	4,995,642	4,041,246	954,396	1,061,176
Machinery and equipment	269,621	179,076	90,545	52,297
Furniture and fixtures	3,221,917	1,908,645	1,313,272	975,491
Computer	1,057,277	806,083	251,194	20,938
Building improvements	1,492,630	797,079	695,551	717,780
Paving	30,038	30,038	-	172
Software	169,661	149,809	19,852	41,561
Cat Sky House	2,363,732	597,554	1,766,178	1,853,724
	<b>\$ 14,423,430</b>	<b>\$ 8,509,530</b>	<b>\$ 5,913,900</b>	<b>\$ 5,546,051</b>

# THE TORONTO HUMANE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2013

## 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:

	2013	2012
Balance, beginning of year	\$ 1,280,134	\$ 1,349,327
Amounts received during the year	-	50,193
Amounts amortized to revenue	(116,069)	(119,386)
<b>Balance, end of year</b>	<b>\$ 1,164,065</b>	<b>\$ 1,280,134</b>

As of December 31, 2013, nil (2012 - nil) of deferred capital contributions were unspent.

## 6. Long-term debt:

	2013	2012
Equipment loan, bearing interest at 10.39% with monthly blended payments of \$5,650 and maturing in October 2018.	\$ 256,776	\$ -
Less current portion	43,143	-
	<b>\$ 213,633</b>	<b>\$ -</b>

During the year interest expense on the above-noted debt amounted to \$4,534 (2012 - nil).

# THE TORONTO HUMANE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2013

## 6. Long-term debt (continued):

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

2014	\$	43,143
2015		47,842
2016		53,057
2017		58,838
2018		53,896
	\$	256,776

## 7. Investment in capital assets:

(a) Investment in capital assets is calculated as follows:

	2013	2012
Capital assets	\$ 5,913,900	\$ 5,546,051
Amounts financed by deferred capital contributions	(1,164,065)	(1,280,134)
	\$ 4,749,835	\$ 4,265,917

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

	2013	2012
Excess of revenues over expenses:		
Amortization of deferred capital contributions	\$ 116,069	\$ 119,386
Amortization of capital assets	(536,151)	(478,239)
	\$ (420,082)	\$ (358,853)
Net change in investment in capital assets:		
Capital assets acquired	\$ 904,000	\$ 478,091
Amounts funded by deferred capital contributions	-	(119,350)
	\$ 904,000	\$ 358,741

# THE TORONTO HUMANE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2013

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## 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.

## 9. Donations in kind:

During the 2013 fiscal year, the Society received \$28,380 (2012 - \$13,480) of donated goods and \$85,794 (2012 - \$20,426) of donated investments and marketable securities. As noted in note 1(b), the Society is unable to quantify other donated goods and services.

## 10. Commitments:

The Society has long-term commitments under a premises lease and various office equipment leases as follows:

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2014	\$	20,300
2015		9,600
2016		7,900
2017		6,600
	\$	44,400

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## 11. Contingencies:

The Society has been named as the defendant in certain legal actions, in which damages have been sought. The outcome of these actions are not determinable as at December 31, 2013 and accordingly, no provision has been made in these financial statements for any liability which may result.

The Society is involved in various legal actions that are within the normal course of operations. In the opinion of management, any resulting liabilities are not expected to have a material adverse effect on the financial position or net operations.