

Financial Statements of

THE TORONTO HUMANE SOCIETY

And Independent Auditors' Report thereon

Year ended December 31, 2019



KPMG LLP
Vaughan Metropolitan Centre
100 New Park Place, Suite 1400
Vaughan ON L4K 0J3
Canada
Tel 905-265-5900
Fax 905-265-6390

INDEPENDENT AUDITORS' 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, 2019
- 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 auditors' report, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019, 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 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 were limited to the amounts recorded in the records of the Entity.

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, 2019 and December 31, 2018



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- the fundraising, promotion, public education, legacies and bequests revenues and excess (deficiency) of revenue over expenses reported in the statements of operations and changes in net assets for the years ended December 31, 2019 and December 31, 2018
- the net assets balances, at the beginning and end of the year, reported in the statements of changes in net assets for the years ended December 31, 2019 and December 31, 2018
- the excess (deficiency) of revenue over expenses reported in the statements of cash flows for the years ended December 31, 2019 and December 31, 2018

Our opinion on the financial statements for the year ended December 31, 2018 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 "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' 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.



Auditors' 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 auditors' 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 auditors' 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 auditors' 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

June 30, 2020

THE TORONTO HUMANE SOCIETY

Statement of Financial Position

December 31, 2019, with comparative information for 2018

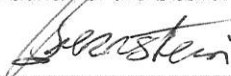
	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,713,744	\$ 935,035
Accounts receivable	691,377	774,689
Prepaid expenses	53,631	36,502
	<u>2,458,752</u>	<u>1,746,226</u>
Investments and marketable securities (note 3)	4,334,721	7,549,830
Capital assets (note 4)	5,259,161	5,229,784
	<u>\$ 12,052,634</u>	<u>\$ 14,525,840</u>

Liabilities, Deferred Contributions and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 844,962	\$ 957,963
Deferred contributions	120,000	35,000
	<u>964,962</u>	<u>992,963</u>
Deferred capital contributions (note 5)	557,153	735,796
Net assets:		
Invested in capital assets (note 6)	4,702,008	4,493,988
Restricted for endowment purposes (note 7)	370,000	370,000
Unrestricted	5,458,511	7,933,093
	<u>10,530,519</u>	<u>12,797,081</u>
Commitments (note 9)		
Subsequent event (note 11)		
	<u>\$ 12,052,634</u>	<u>\$ 14,525,840</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, 2019, with comparative information for 2018

	2019	2018
Revenue:		
Fundraising, promotion and public education (note 8)	\$ 5,506,914	\$ 5,485,265
Legacies and bequests (note 8)	2,976,810	3,898,142
Adoption of animal donations and related fees (note 8)	1,367,749	959,398
Spay/Neuter Clinic income	1,039,809	839,595
Unrealized gain on investments	411,963	-
Realized investment income (note 3)	332,247	375,376
Amortization of deferred capital contributions (note 5)	178,643	168,370
	<u>11,814,135</u>	<u>11,726,146</u>
Expenses:		
Animal care and shelter services	9,795,928	8,459,122
Spay/Neuter Clinic expense	1,349,923	1,096,338
General and administration	1,211,170	1,129,792
Fundraising, promotion and public education	1,044,008	942,618
Education programs	431,120	294,773
Subsidized veterinary care	198,643	301,000
Investment expense	49,905	61,513
Unrealized loss on investments	-	350,719
	<u>14,080,697</u>	<u>12,635,875</u>
Deficiency of revenue over expenses	<u>\$ (2,266,562)</u>	<u>\$ (909,729)</u>

See accompanying notes to financial statements.

THE TORONTO HUMANE SOCIETY

Statement of Changes in Net Assets

Year ended December 31, 2019, with comparative information for 2018

				2019	2018
	Invested in capital assets (note 6)	Restricted for endowment purposes (note 7)	Unrestricted	Total	Total
Net assets, beginning of end of year	\$ 4,493,988	\$ 370,000	\$ 7,933,093	\$ 12,797,081	\$ 13,706,810
Deficiency of revenue over expenses	(328,284)	-	(1,938,278)	(2,266,562)	(909,729)
Investment in capital assets	536,304	-	(536,304)	-	-
Net assets, end of year	\$ 4,702,008	\$ 370,000	\$ 5,458,511	\$ 10,530,519	\$ 12,797,081

See accompanying notes to financial statements.

THE TORONTO HUMANE SOCIETY

Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Deficiency of revenue over expenses	\$ (2,266,562)	\$ (909,729)
Items not involving cash:		
Amortization of capital assets	506,927	530,636
Amortization of deferred capital contributions	(178,643)	(168,370)
Donated investments	(80,101)	(757,736)
Net realized gain on disposal of investments	(135,638)	(69,324)
Unrealized gain on investments	(411,963)	350,719
	(2,565,980)	(1,023,804)
Changes in non-cash operating working capital:		
Accounts receivable	83,312	236,731
Prepaid expenses	(17,129)	10,330
Accounts payable and accrued liabilities	(113,001)	299,265
Deferred contributions realized	(130,000)	(48,000)
Receipt of deferred contributions	215,000	35,000
	(2,527,798)	(490,478)
Financing activities:		
Receipt of deferred capital contributions	-	127,058
Repayment of long-term debt	-	(65,939)
	-	61,119
Investing activities:		
Purchase of capital assets	(536,304)	(572,777)
Purchase of investments	(1,331,527)	(6,139,066)
Proceeds from disposal of investments	5,174,338	6,308,184
	3,306,507	(403,659)
Increase (decrease) in cash and cash equivalents	778,709	(833,018)
Cash and cash equivalents, beginning of year	935,035	1,768,053
Cash and cash equivalents, end of year	\$ 1,713,744	\$ 935,035

See accompanying notes to financial statements.

THE TORONTO HUMANE SOCIETY

Notes to Financial Statements

Year ended December 31, 2019

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 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

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Notes to Financial Statements (continued)

Year ended December 31, 2019

1. Significant accounting policies (continued):

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%

(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.

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Notes to Financial Statements (continued)

Year ended December 31, 2019

1. Significant accounting policies (continued):

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) 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. As at December 31, 2019, the Society had drawn nil (2018 - nil) against the facility.

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Notes to Financial Statements (continued)

Year ended December 31, 2019

3. Investments and marketable securities:

	2019	2018
Cash and cash equivalents	\$ 364,612	\$ 1,272,935
Fixed income securities	2,450,438	3,937,446
Equity securities and pooled funds	1,519,671	2,339,449
	\$ 4,334,721	\$ 7,549,830

The 2019 and 2018 fixed income securities include pooled fixed income mutual funds.

Realized investment income consists of:

	2019	2018
Interest	\$ 121,177	\$ 160,038
Dividends	58,988	95,208
Pooled funds distributions	16,444	50,806
Realized gain on investments	135,638	69,324
	\$ 332,247	\$ 375,376

4. Capital assets:

	2019		2018	
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 822,912	\$ -	\$ 822,912	\$ 822,912
Building	5,026,772	4,794,289	232,483	358,152
Machinery and equipment	371,096	283,710	87,386	96,107
Furniture and fixtures	3,812,580	3,180,151	632,429	711,540
Vehicles	124,000	124,000	-	-
Computer	1,101,624	1,081,044	20,580	14,032
Building improvements	3,374,410	1,151,943	2,222,467	1,898,591
Paving	30,038	30,038	-	-
Software	181,428	181,428	-	-
Cat Sky House	2,363,732	1,122,828	1,240,904	1,328,450
	\$ 17,208,592	\$ 11,949,431	\$ 5,259,161	\$ 5,229,784

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Notes to Financial Statements (continued)

Year ended December 31, 2019

5. Deferred capital contributions:

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

	2019	2018
Unamortized capital contributions used to purchase assets	\$ 557,153	\$ 735,796

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.

	2019	2018
Balance, beginning of year	\$ 735,796	\$ 777,108
Additional contributions received	-	127,058
Less amortization of deferred capital contributions	(178,643)	(168,370)
Balance, end of year	\$ 557,153	\$ 735,796

6. Net assets invested in capital assets:

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

	2019	2018
Capital assets	\$ 5,259,161	\$ 5,229,784
Amounts financed by deferred capital contributions (note 5)	(557,153)	(735,796)
	\$ 4,702,008	\$ 4,493,988

THE TORONTO HUMANE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2019

6. Net assets invested in capital assets (continued):

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

	2019	2018
Excess of revenues over expenses:		
Amortization of deferred capital contributions	\$ 178,643	\$ 168,370
Amortization of capital assets	(506,927)	(530,636)
	\$ (328,284)	\$ (362,266)
Net change in net assets invested in capital assets:		
Purchase of capital assets	\$ 536,304	\$ 572,777
Amounts funded by deferred capital contributions	-	(127,058)
	\$ 536,304	\$ 445,719

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. 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.

8. Donations in kind:

During the 2019 fiscal year, the Society received \$275,262 (2018 - \$96,776) of donated goods and \$80,101 (2018 - \$757,736) of donated investments and marketable securities.

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Notes to Financial Statements (continued)

Year ended December 31, 2019

9. Commitments:

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

2020	\$	24,235
2021		19,463
2022		1,523
2023		-
	\$	45,221

10. 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.

(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.

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Notes to Financial Statements (continued)

Year ended December 31, 2019

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

(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.

11. Subsequent event:

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Society is not known at this time. These impacts could include potential future decreases in revenue and cash flows.