

---

Financial Statements of

**THE TORONTO HUMANE  
SOCIETY**

Year ended December 31, 2011



**KPMG LLP**  
**Chartered Accountants**  
Yonge Corporate Centre  
4100 Yonge Street Suite 200  
Toronto ON M2P 2H3  
Canada

Telephone (416) 228-7000  
Fax (416) 228-7123  
Internet [www.kpmg.ca](http://www.kpmg.ca)

## 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, 2011, 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 generally accepted accounting principles, 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 opinion.



Page 2

*Basis for Qualified Opinion*

In common with many charitable organizations, the entity derives revenue from fundraising, promotion and public education and legacies and bequests, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of such revenue was limited to the amounts recorded in the records of the entity and we were not able to determine whether any adjustments for unrecorded revenue might be necessary to revenue, excess of revenue over expenses (expenses over revenue), current assets and net assets.

*Qualified Opinion*

In our opinion, except for the effect of adjustments, if any, which might have been determined to be necessary had we been able to satisfy ourselves concerning the completeness of the revenue referred to in the preceding paragraph, the financial statements present fairly, in all material respects, the financial position of The Toronto Humane Society as at December 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Report on Other Legal and Regulatory Requirements*

As required by the Corporations Act (Ontario), we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with Canadian generally accepted accounting principles have been applied on a basis consistent with that of the preceding period.

*KPMG LLP*

---

Chartered Accountants, Licensed Public Accountants

April 12, 2012  
Toronto, Canada

# THE TORONTO HUMANE SOCIETY

## Statement of Financial Position

December 31, 2011, with comparative figures for 2010

	2011	2010
<b>Assets</b>		
Current assets:		
Cash	\$ 622,635	\$ 126,872
Accounts receivable (note 2)	255,683	647,429
Prepaid expenses	47,752	56,205
	<u>926,070</u>	<u>830,506</u>
Investments and marketable securities (note 3)	1,190,218	1,155,951
Capital assets (note 4)	5,546,199	5,913,279
	<u>\$ 7,662,487</u>	<u>\$ 7,899,736</u>

## Liabilities, Deferred Contributions and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 2)	\$ 692,794	\$ 932,281
	<u>692,794</u>	<u>932,281</u>
Deferred contributions (note 6):		
Related to capital assets	1,349,327	1,412,281
Related to operations	-	6,974
	<u>1,349,327</u>	<u>1,419,255</u>
Net assets:		
Invested in capital assets (note 7)	4,266,029	4,525,642
Restricted for endowment purposes (note 8)	10,000	10,000
Unrestricted	1,344,337	1,012,558
	<u>5,620,366</u>	<u>5,548,200</u>
Commitments (note 10)		
Contingencies (note 11)		
	<u>\$ 7,662,487</u>	<u>\$ 7,899,736</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, 2011, with comparative figures for 2010

	2011	2010
<b>Revenue:</b>		
Fundraising, promotion and public education	\$ 4,659,185	\$ 4,649,498
Legacies and bequests	2,658,048	1,570,188
Realized investment income (note 3)	77,094	69,063
Unrealized gain (loss) on investments	(28,901)	50,315
Amortization of deferred contributions (notes 6(a) and 7(b))	114,441	107,467
Adoption of animal donations and related fees	418,861	248,431
Insurance proceeds (note 2)	45,280	1,282,928
	<u>7,944,008</u>	<u>7,977,890</u>
<b>Expenses:</b>		
Animal care and shelter services	5,341,272	4,014,831
Fundraising, promotion and public education	1,085,862	757,520
Subsidized veterinary care and spay and neuter clinic	97,754	109,297
General and administration	1,126,100	1,534,775
Education programs	196,874	183,868
Investigation departments	-	38,302
Investment expense	13,599	13,899
Recoverable legal and other expenses (note 2)	10,381	1,282,928
	<u>7,871,842</u>	<u>7,935,420</u>
<b>Excess of revenue over expenses</b>	<u>\$ 72,166</u>	<u>\$ 42,470</u>

See accompanying notes to financial statements.

# THE TORONTO HUMANE SOCIETY

## Statement of Changes in Net Assets

Year ended December 31, 2011, with comparative figures for 2010

	2011		2010	
	Invested in capital assets (note 7)	Restricted for endowment purposes	Unrestricted	Total
Net assets, beginning of year	\$ 4,525,642	\$ 10,000	\$ 1,012,558	\$ 5,548,200
Excess of revenue over expenses (expenses over revenue)	(312,964)	-	385,130	72,166
Investment in capital assets	53,351	-	(53,351)	-
<b>Net assets, end of year</b>	<b>\$ 4,266,029</b>	<b>\$ 10,000</b>	<b>\$ 1,344,337</b>	<b>\$ 5,620,366</b>
				<b>\$ 5,505,730</b>

See accompanying notes to financial statements.

# THE TORONTO HUMANE SOCIETY

## Statement of Cash Flows

Year ended December 31, 2011, with comparative figures for 2010

	2011	2010
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses (expenses over revenue)	\$ 72,166	\$ 42,470
Items not involving cash:		
Amortization of capital assets	420,431	423,895
Amortization of deferred capital contributions	(107,467)	(107,467)
Donated investments	(1,031)	(51,207)
Amortization of deferred contributions	(6,974)	-
Net realized (gain) on disposal of investments	(32,089)	(18,352)
Unrealized (gain) loss on investments	28,901	(50,315)
	373,937	239,024
Change in non-cash operating working capital	160,712	(691,364)
	534,649	(452,340)
Financing activities:		
Receipt of deferred capital contributions	44,513	24,644
Investing activities:		
Purchase of capital assets	(53,351)	(85,148)
Purchase of investments	(270,200)	(580,585)
Proceeds from disposal of investments	198,667	977,510
	(124,884)	311,777
Increase (decrease) in cash	454,278	(115,919)
Cash, beginning of year	209,551	325,470
Cash, end of year	\$ 663,829	\$ 209,551
Represented by:		
Cash	\$ 622,635	\$ 126,872
Cash and cash equivalents in investments account	41,194	82,679
	\$ 663,829	\$ 325,470
Supplemental cash flow information:		
Interest received	\$ 8,447	\$ 7,847
Dividends received	35,890	35,746
Investment income distribution	669	7,117

See accompanying notes to financial statements.

# THE TORONTO HUMANE SOCIETY

## Notes to Financial Statements

Year ended December 31, 2011

---

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:

#### (a) Revenue recognition:

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.

#### (b) Donations:

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

Volunteers contribute significant time to the Society. Due to the difficulty in determining the fair values of these contributions, contributed services are not recognized in the financial statements.



# THE TORONTO HUMANE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2011

---

## 1. Significant accounting policies (continued):

### (c) Capital assets:

Purchased capital assets are stated at cost. Amortization is provided on the straight-line basis using the following annual rates:

---

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

---

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset.

### (d) Financial instruments other than investments:

The Society designates its cash as held-for-trading, which is measured at fair value. Accounts receivable is classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities is classified as other financial liabilities, which are measured at amortized cost.

The Society has adopted The Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 3861, Financial Instruments - Disclosure and Presentation. In accordance with the Accounting Standards Board's decision to exempt not-for-profit organizations from the disclosure requirements with respect to financial instruments contained within Section 3862, Financial Instruments - Disclosures, and Section 3863, Financial Instruments - Presentation, the Society has elected not to adopt these standards in its financial statements.

# THE TORONTO HUMANE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2011

---

## 1. Significant accounting policies (continued):

### (e) Investments and marketable securities:

Investments and marketable securities are classified as held for trading and are measured at fair value. The gain or loss arising from a change in the fair value of investments and marketable securities is included in excess of revenue and expenditures in the period in which it arises.

### (f) 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.

### (g) 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.

### (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 areas requiring the use of estimates relate to the rate of amortization of deferred charges and accounts payable and accrued liabilities. Actual results could differ from those estimates.

## 2. Recoverable legal and other expenses:

Insurance proceeds and recoverable legal expenses are offsetting amounts relating to legal and other ongoing matters. Certain legal and professional fees incurred were billed directly to the Society's insurance carrier and did not affect the cash flows of the Society. At year end, accounts receivable includes \$10,381 (2010 - \$350,553) of recoverable legal and other expenses.

# THE TORONTO HUMANE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2011

### 3. Investments and marketable securities:

	2011		2010	
	Market value	Cost	Market value	Cost
Cash and cash equivalents	\$ 41,194	\$ 41,194	\$ 82,679	\$ 82,679
Fixed income securities	560,428	535,748	522,227	512,437
Equity securities and pooled funds	588,596	569,711	551,045	488,370
	<b>\$ 1,190,218</b>	<b>\$ 1,146,653</b>	<b>\$ 1,155,951</b>	<b>\$ 1,083,486</b>

The fixed income securities bear an average yield to maturity of 5.12% (2010 - 5.15%) with staggered maturity dates and an average term to maturity of five years (2010 - five 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.

#### (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, 2011

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

Realized investment income consists of:

	2011	2010
Interest	\$ 8,447	\$ 7,848
Dividends	35,890	35,746
Investment income distribution	668	7,117
Capital gain (loss)	32,089	18,352
	\$ 77,094	\$ 69,063

### 4. Capital assets:

	2011		2010	
	Cost	Accumulated amortization	Net book value	Net book value
Land - capital asset	\$ 822,912	\$ -	\$ 822,912	\$ 822,912
Building - capital asset	4,977,531	3,791,917	1,185,614	1,309,973
Furniture and fixtures	2,327,287	1,496,184	831,103	948,054
Vehicles	270,107	270,107	-	-
Machinery and equipment	191,341	155,301	36,040	44,080
Computer	804,026	772,918	31,108	23,974
Building improvements	1,438,112	743,808	694,304	731,054
Paving	30,038	28,831	1,207	2,415
Software	107,071	104,429	2,642	2,002
Cat Sky House	2,363,732	422,463	1,941,269	2,028,815
	\$ 13,332,157	\$ 7,785,958	\$ 5,546,199	\$ 5,913,279

### 5. Bank indebtedness:

The Society has a credit facility of \$600,000 that bears interest at prime plus 1% per annum and is secured by a general security agreement.

# THE TORONTO HUMANE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2011

## 6. Deferred contributions:

- (a) Deferred contributions related to capital assets represent the unamortized amount of donations received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations:

	2011	2010
Balance, beginning of year	\$ 1,412,281	\$ 1,495,104
Amounts received during the year	44,513	24,644
Amounts amortized to revenue	(107,467)	(107,467)
<b>Balance, end of year</b>	<b>\$ 1,349,327</b>	<b>\$ 1,412,281</b>

As of December 31, 2011, there was \$69,157 (2010 - \$24,644) of deferred capital contributions received that were not spent.

- (b) Deferred contributions related to operations represent unspent externally restricted donations for cruelty prevention and wild bird care:

	2011	2010
Balance, beginning of year	\$ 6,974	\$ 6,974
Amounts amortized to revenue	(6,974)	-
<b>Balance, end of year</b>	<b>\$ -</b>	<b>\$ 6,974</b>

## 7. Invested in capital assets:

- (a) Invested in capital assets is calculated as follows:

	2011	2010
Capital assets (note 4)	\$ 5,546,199	\$ 5,913,279
Amounts financed by deferred contributions (note 6(a))	(1,280,170)	(1,387,637)
<b></b>	<b>\$ 4,266,029</b>	<b>\$ 4,525,642</b>

# THE TORONTO HUMANE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2011

---

## 7. Invested in capital assets (continued):

- (b) Change in net assets invested in capital assets as a component of excess of revenue over expenses is calculated as follows:

	2011	2010
Amortization of deferred contributions related to capital assets	\$ 107,467	\$ 107,467
Amortization of capital assets	(420,431)	(423,895)
	<u>\$ (312,964)</u>	<u>\$ (316,428)</u>

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

	2011	2010
Donated and purchased capital assets	\$ 53,351	\$ 85,148

## 8. Net assets restricted for endowment purposes:

The net assets restricted for endowment purposes are 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.

## 9. Donations in kind:

During the 2011 fiscal year, the Society received \$3,449 (2010 - \$228) of donated goods. As noted in note 1(b), the Society is unable to quantify other donated goods and services.

# THE TORONTO HUMANE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2011

---

## 10. Commitments:

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

---

Year ending December 31:

2012	\$	172,000
2013		117,000
2014		107,000
2015		88,000
2016		15,000
Thereafter		7,000
	\$	506,000

---

## 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, 2011 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.

## 12. Fair values of financial instruments:

Fair value information with respect to the Society's investments is provided in note 3. The fair value of cash, restricted cash, accounts receivable, and accounts payable and accrued liabilities approximate their carrying values due to the short periods to expected settlement.