

Oakville & Milton Humane Society

Financial Statements

For the Year Ended December 31, 2022



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Oakville & Milton Humane Society

Qualified Opinion

We have audited the financial statements of Oakville & Milton Humane Society (the "Society"), which comprise the statement of financial position as at December 31, 2022 and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2022, and results of its 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 Society derives revenue from fundraising activities 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 Society. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2022 and 2021, current assets and net assets as at December 31, 2022 and January 1, 2022. 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 report. We are independent of the Society 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 Society'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 Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society'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 these 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 Society'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 Society'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 Society to cease to continue as a going concern.
- 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.

We 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.

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
May 31, 2023
Toronto, Ontario

Oakville & Milton Humane Society
Statement of Financial Position
As at December 31, 2022

	2022	2021
Assets		
Current		
Cash and cash equivalents	\$ 760,445	\$ 669,054
Accounts receivable	135,655	80,074
Prepaid expenses	49,671	11,718
Short-term investments (Note 4)	2,640,986	2,411,498
	3,586,757	3,172,344
Long-term investments (Note 4)	50,000	107,901
Tangible capital assets (Note 5)	460,744	471,552
	\$ 4,097,501	\$ 3,751,797

Liabilities

Current		
Accounts payable and accrued liabilities	\$ 251,795	\$ 231,771
Deferred contributions (Note 6)	136,645	69,315
	388,440	301,086
Deferred capital contributions (Note 7)	303,996	325,910
	692,436	626,996

Net Assets

Invested in tangible capital assets	342,504	344,168
Externally restricted net assets (Charlie Fund)	536,070	290,837
Internally restricted net assets	1,674,239	1,773,563
Unrestricted net assets	852,252	716,233
	3,405,065	3,124,801
	\$ 4,097,501	\$ 3,751,797

Contingent liability (Note 10)

Approved by

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Clayton Shold

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Board Chair

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Michael Spinelli

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Treasurer

Oakville & Milton Humane Society
Statement of Changes in Net Assets
Year Ended December 31, 2022

	Invested in tangible capital assets	Externally restricted net assets (Charlie Fund)	Internally restricted net assets	Unrestricted net assets	Total 2022	Total 2021
Net assets, beginning of year \$	344,168	\$ 290,837	\$ 1,773,563	\$ 716,233	\$ 3,124,801	\$ 3,044,227
Excess (deficiency) of revenue over expenses	(38,810)	245,233	(99,324)	173,165	280,264	80,574
Investment in tangible capital assets	41,708	-	-	(41,708)	-	-
Disposal of tangible assets	(4,562)	-	-	4,562	-	-
Net assets, end of the year \$	342,504	\$ 536,070	\$ 1,674,239	\$ 852,252	\$ 3,405,065	\$ 3,124,801

Oakville & Milton Humane Society

Statement of Operations

Year Ended December 31, 2022

	2022	2021
Revenue		
Fundraising	\$ 2,194,430	\$ 1,836,236
Animal protective services	1,180,076	1,055,492
Community engagement	232,063	243,278
Thrift Store	74,527	57,020
Other income (Note 8)	121,250	216,066
Investment income (Note 4)	(95,025)	14,577
	3,707,321	3,422,669
Expenses		
Salaries and benefits	2,452,559	2,283,403
Administrative	488,304	335,111
Fundraising	245,795	173,143
Animal care	210,087	196,480
Animal protective services	127,472	122,071
Amortization	47,954	48,768
Marketing and communications	36,920	20,998
Other	33,941	80,333
Community engagement	29,258	37,163
	3,672,290	3,297,470
Excess of revenue over expenses before the undernoted items	35,031	125,199
Other revenue (expenses)		
Charlie Fund revenue	307,970	31,802
Charlie Fund expenses	(62,737)	(76,427)
	245,233	(44,625)
Excess of revenue over expenses	\$ 280,264	\$ 80,574

Oakville & Milton Humane Society
Statement of Cash Flows
Year Ended December 31, 2022

	2022	2021
Cash provided by (used in)		
Operations		
Excess of revenue over expenses	\$ 280,264	\$ 80,574
Items not affecting cash		
Amortization	47,954	48,768
Amortization of deferred capital contributions to revenue	(9,144)	(10,563)
Non-cash contributions	(75,657)	(156,453)
Gain on disposal of tangible capital assets	(20,856)	-
Unrealized loss on investments	178,729	7,281
	401,290	(30,393)
Net changes in non-cash working capital		
Accounts receivable	(55,581)	41,048
Accounts payable and accrued liabilities	20,024	34,674
Deferred contributions	67,330	(46,554)
Prepaid expenses	(37,953)	(1,335)
	395,110	(2,560)
Investing		
Purchase of tangible capital assets	(41,708)	(10,394)
Investments, net	(274,659)	(8,297)
Proceeds on disposal of tangible capital assets	25,418	-
Investment income (loss) on deferred building campaign contributions	(12,770)	316
	(303,719)	(18,375)
Financing		
Repayment of long-term debt	-	(49,255)
Net change in cash and cash equivalents	91,391	(70,190)
Cash and cash equivalents, beginning of year	669,054	739,244
Cash and cash equivalents, end of year	\$ 760,445	\$ 669,054

Oakville & Milton Humane Society

Notes to Financial Statements

December 31, 2022

1. NATURE OF BUSINESS

Oakville & Milton Humane Society (the "Society") is a registered charity incorporated under the laws of the Province of Ontario as a corporation without share capital. The Society provides shelter for lost, injured or abandoned animals, adoption of unclaimed animals, investigation of cruelty complaints, animal control and humane education.

In accordance with section 149 (1) of the Income Tax Act, the Society is exempt from income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Handbook (ASNPO).

Fund Accounting

The Society maintains its accounts in accordance with the principles of fund accounting. Resources are classified for accounting and reporting purposes into funds according to the activity or objective specified by determinations made by the Board of Directors.

Net assets invested in tangible capital assets represent the Society's investment in tangible capital assets net of related liabilities and deferred contributions.

Amounts restricted by external sources are reported as externally restricted net assets. Included in these net assets is the Charlie Fund, which was created to cover the cost of medical emergencies for lost or abandoned animals.

The amounts restricted by the Board for future projects are reported as internally restricted net assets. Any general activities, excluding the items above, are reported as unrestricted net assets.

Revenue Recognition

The Society follows the restricted fund method of accounting for contributions.

Restricted contributions for which there is a corresponding restricted fund are recognized as revenue of that fund in the current year. Restricted contributions for which no corresponding restricted fund is presented and recognized in accordance with the deferral method of accounting for contributions. Amounts restricted for the purchase of tangible capital assets are deferred and recognized in revenue on the same basis as the amortization expense related to the acquired tangible capital assets.

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.

Animal protective services revenue are recognized over the term of the underlying service contracts.

Community engagement, which includes customer care, adoption and general shelter, and revenue from services performed are recognized when the services has been performed.

Oakville & Milton Humane Society

Notes to Financial Statements

December 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Revenue Recognition (Cont'd)

Revenue from the Thrift Store sales is recognized when title to the goods is transferred to customers, the selling price is fixed and determinable and collectibility is reasonably assured.

The Society recognizes non-cash contributions when received. Included in contributions are non-cash contributions of \$75,657 relating to equipment and investments (2021 - \$156,453).

Government assistance is recognized when the Society qualifies for it.

Contributed Assets and Services

Contributed assets and services are recognized in the statement of financial position or included in revenue and expenses when the values can be reasonably estimated and it is likely that the Society would have had to otherwise pay for these goods and services. Volunteers also contribute a considerable amount of time to the Society. Because of the difficulty in determining the fair value of the volunteer time, these contributed services are not recognized in the financial statements.

Cash and cash equivalents

Cash and cash equivalents consists of cash on hand and bank deposits, and term deposits with a term to maturity of ninety days or less from the date of purchase.

Investments

Investments are comprised of guaranteed investment certificates ("GICs") and mutual funds. It is the general intent of the Society to continue to reinvest the GICs upon maturity.

Tangible Capital Assets

Tangible capital assets and intangible capital assets are stated at cost or deemed cost less accumulated amortization. Tangible capital assets and intangible assets are amortized over their estimated useful life on a declining balance basis at the following rates:

Building	-	5%
Computer equipment	-	30%
Computer software	-	30%
Furniture and fixtures	-	20%
Paving	-	8%
Trailers	-	15%
Vehicles	-	30%

When conditions indicate a tangible capital or intangible asset is impaired, the carrying value of the asset is written down to the asset's fair value or replacement cost. The write down is recorded as an expense in the statement of statement of revenue and expenses. A write-down will not be reversed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. Subsequently, all financial instruments, excluding marketable securities and mutual funds, are reported at amortized cost.

Financial assets measured at amortized cost include cash, accounts receivable and certain investments. Financial assets measured at fair value include marketable securities and mutual fund investments.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and long-term debt. There are no financial liabilities measured at fair value.

Financial assets measured at cost or amortized cost are tested for impairment when there are indicators of impairment. The amount of the write-down, if any, is recognized in the excess of revenues over expenses. Reversals of impairment are recorded to the extent that the value has increased, up to the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the excess of revenues over expenses.

Use of Estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Significant estimates are used for, but not limited to the estimation of useful lives of tangible capital assets. Actual results could differ from these estimates.

3. BANK FACILITY

The Society has a revolving demand credit facility of \$250,000. The facility bears interest at the prime rate plus 1% and is secured by a general security agreement constituting a first ranking security interest in all property of the Society; security agreement (chattel mortgage) constituting first ranking and specific interest in vehicles; and a collateral mortgage for \$250,000 on the lands and improvements located at 445 Cornwall Road, Oakville, Ontario.

Oakville & Milton Humane Society
Notes to Financial Statements
December 31, 2022

4. INVESTMENTS

Investments include the following with maturities ranging from March 2023 to March 2024 bearing interest from 2.75% to 4.2%.

	2022	2021
Guaranteed investment certificates	\$ 972,021	\$ 161,480
Investment savings	57,955	1,344,928
Mutual funds	1,661,010	1,012,991
	2,690,986	2,519,399
Less: current portion	(2,640,986)	(2,411,498)
Long-term portion	\$ 50,000	\$ 107,901

Investment (loss) income is comprised of the following:

	2022	2021
Interest and dividends	\$ 83,704	\$ 21,858
Unrealized loss on investments	(178,729)	(7,281)
	\$ (95,025)	\$ 14,577

5. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2022	Net 2021
Land	\$ 3,772	\$ -	\$ 3,772	\$ 3,772
Building	835,548	495,438	340,110	358,010
Computer equipment	131,423	128,023	3,400	4,591
Computer software	42,990	41,698	1,292	1,845
Furniture and fixtures	400,664	358,756	41,908	52,384
Paving	20,561	18,301	2,260	2,456
Trailers	94,565	79,852	14,713	17,309
Vehicles	167,102	113,813	53,289	31,185
	\$ 1,696,625	\$ 1,235,881	\$ 460,744	\$ 471,552

6. DEFERRED CONTRIBUTIONS

	2022	2021
Balance, beginning of year	\$ 69,315	\$ 115,869
Amounts received in the year	486,321	368,764
Amounts recognized	(418,991)	(415,318)
Balance, end of year	\$ 136,645	69,315

Oakville & Milton Humane Society
Notes to Financial Statements
December 31, 2022

7. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized amounts of donations received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations.

The changes in deferred capital contributions are as follows:

	Amount of original contribution	Amount of contribution to be expended	Balance, beginning of year	Investment income (loss) restricted for deferred contributions	Amortization	Balance, end of year
Deferred Building Campaign Contributions ^(a)	\$ 197,123	\$ 197,123	\$ 198,526	\$ (12,770)	\$ -	\$ 185,756
Deferred Education Room Contributions	39,000	-	20,542	-	1,027	19,515
Deferred IT Project Contributions	150,002	-	2,355	-	1,115	1,240
Deferred Roof Contributions	73,721	-	47,931	-	2,510	45,421
Deferred Dog Kitchen Contributions	58,700	-	44,277	-	2,214	42,063
Deferred ISO Lab and Wildlife Room Contributions	10,509	-	7,664	-	438	7,226
Deferred Cat Colony Contributions	16,000	-	4,615	-	1,840	2,775
	\$ 545,055	\$ 197,123	\$ 325,910	\$ (12,770)	\$ 9,144	\$ 303,996

(a) In fiscal 2006, the Society began to receive externally restricted funds to be used specifically towards new premises. Included in the amount of original contribution are the initial contributions plus accumulated restricted investment income. During the year, \$(12,770) (2021 - \$316) of investment income (loss) was restricted for the Building Campaign purposes.

8. GOVERNMENT GRANTS

During the year, the Society applied for and received \$Nil (2021 - \$179,262) from the Federal Government in relation to the Canada Emergency Wage Subsidy (CEWS). The full support received is included in other income.

9. FINANCIAL INSTRUMENTS

The Society is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Society's risk exposure and concentration as of December 31, 2022. There have been no significant changes to the Society's risk profile since December 31, 2021.

Credit Risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Society is exposed to credit risk through accounts receivable. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends, and other information.

9. FINANCIAL INSTRUMENTS (Cont'd)

Liquidity Risk

Liquidity risk is the risk that the Society cannot repay its obligations when they become due. This risk is mitigated by maintaining sufficient net assets and ensuring alternate financing is available (Note 3).

Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Society manages exposure through its normal operating and financing activities. The Society is exposed to cash flow interest rate risk through its floating interest rate bank term deposits.

10. CONTINGENT LIABILITY

The Society may receive statements of claim related to various matters arising in the ordinary course of business. These matters are at various stages of resolution and their outcome and an estimate of loss, if any, is not determinable. The Society has no reason to expect that the ultimate disposition of any of these matters will have a material adverse impact on its financial position, results of operations or its ability to carry on any of its business activities.

11. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.