

**The Hamilton
Society for the Prevention of
Cruelty to Animals**
Financial Statements
For the year ended December 31, 2009

| Contents | Page |
|---------------------------------------|-------|
| <hr/> | |
| Auditors' Report | |
| Financial Statements | |
| Statement of Financial Position | 1 |
| Statement of Operations | 2 |
| Statement of Changes in Fund Balances | 2 |
| Statement of Cash Flows | 4 |
| Notes to Financial Statements | 5 - 9 |

To the Members of
The Hamilton Society for the Prevention of Cruelty to Animals

Auditors' Report

We have audited the statement of financial position of The Hamilton Society for the Prevention of Cruelty to Animals as at December 31, 2009, and the statements of operations, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Society's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many charitable organizations, the Society derives revenues from fundraising and donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded by the Society and we were not able to determine whether any adjustments might be necessary to revenue, excess of revenues over expenses, assets and fund balances.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the revenue referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

March 31, 2010

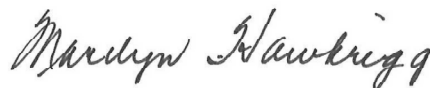
SB Partners LLP

Chartered Accountants
Licensed Public Accountants

The Hamilton Society for the Prevention of Cruelty to Animals
Statement of Financial Position
December 31, 2009

| | Operating Fund | Capital Asset Fund | Capital Reserve Fund | Women's Committee Fund | 2009 | 2008 (Note 11) |
|--|----------------|--------------------|----------------------|------------------------|--------------|----------------|
| Assets | | | | | | |
| Current assets | | | | | | |
| Cash and bank | \$ 168,511 | \$ - | \$ 47,767 | \$ - | \$ 216,278 | \$ 257,045 |
| Accounts receivable (Note 3) | 41,485 | - | - | - | 41,485 | 55,407 |
| Inventory | 22,112 | - | - | - | 22,112 | 22,978 |
| Prepays and deposits | 46,027 | - | - | - | 46,027 | 103,860 |
| | 278,135 | - | 47,767 | - | 325,902 | 439,290 |
| Investments | 10,913 | - | 1,805,504 | 53,948 | 1,870,365 | 1,951,897 |
| Capital assets (Note 4) | - | 2,047,247 | - | - | 2,047,247 | 1,606,253 |
| | \$ 289,048 | \$ 2,047,247 | \$ 1,853,271 | \$ 53,948 | \$ 4,243,514 | \$ 3,997,440 |
| Current liabilities | | | | | | |
| Accounts payable and accrued liabilities | \$ 291,109 | \$ - | \$ - | \$ - | \$ 291,109 | \$ 134,602 |
| Deferred grant revenue | 14,388 | - | - | - | 14,388 | 4,058 |
| | 305,497 | - | - | - | 305,497 | 138,660 |
| Deferred government assistance (Note 5) | - | 914,196 | - | - | 914,196 | 774,457 |
| | 305,497 | 914,196 | - | - | 1,219,693 | 913,117 |
| Net Assets | | | | | | |
| Internally restricted (Note 6) | - | - | 1,853,271 | 53,948 | 1,907,219 | 2,545,286 |
| Unrestricted | (16,449) | - | - | - | (16,449) | (292,759) |
| Invested in capital assets | - | 1,133,051 | - | - | 1,133,051 | 831,796 |
| | (16,449) | 1,133,051 | 1,853,271 | 53,948 | 3,023,821 | 3,084,323 |
| | \$ 289,048 | \$ 2,047,247 | \$ 1,853,271 | \$ 53,948 | \$ 4,243,514 | \$ 3,997,440 |

Approved on Behalf of the Board



Chair



Treasurer

The accompanying notes are an integral part of the financial statements.

The Hamilton Society for the Prevention of Cruelty to Animals
Statement of Operations
Year Ended December 31, 2009

| | Operating Fund | Capital Asset Fund | Capital Reserve Fund | Women's Committee Fund | 2009 | 2008 (Note 11) |
|---|---------------------|--------------------|----------------------|------------------------|--------------------|-------------------|
| Revenue | | | | | | |
| Appeals | \$ 177,687 | \$ - | \$ - | \$ - | \$ 177,687 | \$ 222,342 |
| Bequests | - | - | 768,050 | - | 768,050 | 233,203 |
| Donations | 580,762 | - | - | - | 580,762 | 569,833 |
| Events | 195,994 | - | - | - | 195,994 | 227,549 |
| Grants | 40,209 | - | - | - | 40,209 | 29,672 |
| Investment and other | 38,851 | - | 37,374 | - | 76,225 | 101,094 |
| Lotteries | 276,196 | - | - | - | 276,196 | 230,935 |
| Membership and merchandise sales | 4,593 | - | - | - | 4,593 | 4,047 |
| Program Fees | 921,995 | - | - | - | 921,995 | 999,117 |
| | 2,236,287 | - | 805,424 | - | 3,041,711 | 2,617,792 |
| Expenses | | | | | | |
| Advertising and promotion | 100,516 | - | - | - | 100,516 | 178,530 |
| Animal care fees | 394,867 | - | - | 11,750 | 406,617 | 404,632 |
| Bad debts | 19,873 | - | - | - | 19,873 | 5,573 |
| Computer | 70,538 | - | - | - | 70,538 | 58,184 |
| Employee benefits | 242,041 | - | - | - | 242,041 | 175,620 |
| Insurance | 21,547 | - | - | - | 21,547 | 20,440 |
| Interest, bank charges, and investment fees | 37,506 | - | 35,852 | - | 73,358 | 76,273 |
| Memberships and dues | 7,312 | - | - | - | 7,312 | 7,999 |
| Office and postage | 61,636 | - | - | - | 61,636 | 67,145 |
| Other operating expenses | 18,415 | - | - | - | 18,415 | 16,698 |
| Professional fees | 110,568 | - | - | - | 110,568 | 44,660 |
| Repairs and maintenance | 117,753 | - | - | - | 117,753 | 122,789 |
| Salaries and wages | 1,162,154 | - | - | - | 1,162,154 | 1,013,186 |
| Supplies | 226,440 | - | - | - | 226,440 | 192,128 |
| Telephone | 44,885 | - | - | - | 44,885 | 37,148 |
| Travel | 19,269 | - | - | - | 19,269 | 29,946 |
| Vehicle | 29,880 | - | - | - | 29,880 | 30,408 |
| | 2,685,200 | - | 35,852 | 11,750 | 2,732,802 | 2,481,359 |
| Excess (deficiency) of revenues over expenses before other items | (448,913) | - | 769,572 | (11,750) | 308,909 | 136,433 |
| Amortization of capital assets | - | (97,974) | - | - | (97,974) | (82,256) |
| Amortization of government assistance | - | 35,421 | - | - | 35,421 | 28,684 |
| Provision for T.E.A.D. expenses (Note 3 and 9) | (273,618) | - | - | - | (273,618) | - |
| Excess (deficiency) of revenues over expenses | \$ (722,531) | \$ (62,553) | \$ 769,572 | \$ (11,750) | \$ (27,262) | \$ 82,861 |

The accompanying notes are an integral part of the financial statements.

The Hamilton Society for the Prevention of Cruelty to Animals
Statement of Changes in Fund Balances
Year Ended December 31, 2009

| | Operating Fund | Capital Asset Fund | Capital Reserve Fund | Women's Committee Fund | 2009 | 2008 (Note 11) |
|---|--------------------|---------------------|----------------------|------------------------|---------------------|---------------------|
| Fund balances, beginning of year | \$ (292,759) | \$ 831,796 | \$ 2,479,588 | \$ 65,698 | \$ 3,084,323 | \$ 3,291,709 |
| Excess (deficiency) of revenues over expenses | (722,531) | (62,553) | 769,572 | (11,750) | (27,262) | 82,861 |
| Transfers | 998,841 | 363,808 | (1,362,649) | - | - | - |
| Unrealized losses on investments (Note 2) | - | - | (33,240) | - | (33,240) | (290,247) |
| Fund balance, end of year | \$ (16,449) | \$ 1,133,051 | \$ 1,853,271 | \$ 53,948 | \$ 3,023,821 | \$ 3,084,323 |

The accompanying notes are an integral part of the financial statements.

The Hamilton Society for the Prevention of Cruelty to Animals
Statement of Cash Flows
Year Ended December 31, 2009

| | Operating Fund | Capital Asset Fund | Capital Reserve Fund | Women's Committee Fund | 2009 | 2008 (Note 11) |
|---|----------------|--------------------|----------------------|------------------------|-------------|-------------------|
| Cash flows from operating activities | | | | | | |
| Net income (loss) for the year | \$ (722,531) | \$ (62,553) | \$ 769,572 | \$ (11,750) | \$ (27,262) | \$ 82,861 |
| Charges not involving cash | | | | | | |
| Amortization of capital assets | - | 97,974 | - | - | 97,974 | 82,256 |
| Amortization of deferred government assistance | - | (35,421) | - | - | (35,421) | (28,684) |
| | (722,531) | - | 769,572 | (11,750) | 35,291 | 136,433 |
| Net change in accounts receivable | 13,922 | - | - | - | 13,922 | (35,024) |
| Net change in inventory | 866 | - | - | - | 866 | 1,637 |
| Net change in accounts payable and accrued liabilities | 156,507 | - | - | - | 156,507 | 38,195 |
| Net change in other operating working capital balances | (468,299) | - | 536,462 | - | 68,163 | (77,734) |
| Cash flows from operating activities | (1,019,535) | - | 1,306,034 | (11,750) | 274,749 | 63,507 |
| Cash flows from financing activities | | | | | | |
| Increase in government assistance | - | 175,160 | - | - | 175,160 | - |
| Transfers | 998,841 | 363,808 | (1,362,649) | - | - | - |
| Cash flows from financing activities | 998,841 | 538,968 | (1,362,649) | - | 175,160 | - |
| Cash flows from investing activities | | | | | | |
| Purchase of investments, net of proceeds | - | - | 39,093 | 9,199 | 48,292 | 26,863 |
| Purchase of capital assets (Note 4) | - | (538,968) | - | - | (538,968) | (73,169) |
| Cash flows used in investing activities | - | (538,968) | 39,093 | 9,199 | (490,676) | (46,306) |
| Net increase (decrease) in cash and cash equivalents | (20,694) | - | (17,522) | (2,551) | (40,767) | 17,201 |
| Cash and cash equivalents, beginning of year | 189,205 | - | 65,289 | 2,551 | 257,045 | 239,844 |
| Cash and cash equivalents, end of year | \$ 168,511 | \$ - | \$ 47,767 | \$ - | \$ 216,278 | \$ 257,045 |

The accompanying notes are an integral part of the financial statements.

The Hamilton Society for the Prevention of Cruelty to Animals

Notes to Financial Statements

Year Ended December 31, 2009

1. Nature of operations

The Hamilton Society for the Prevention of Cruelty to Animals (the "Society") was established in 1887 with the objective of providing an effective means for the prevention of cruelty to animals. The Society is incorporated under the Corporations Act of Ontario as a not-for-profit organization without share capital.

2. Significant accounting policies

Basis of accounting

The financial statements of the Society have been prepared by management in accordance with Canadian generally accepted accounting principles within the framework of significant accounting policies summarized below:

Fund Accounting

The Society, which follows the deferral method of accounting for contributions, uses several funds to record its transactions.

The internally restricted funds include amounts that have been restricted by the Board of Directors to help ensure the long-term financial stability of the Society. Certain donation revenue and investment income earned on internally restricted funds are recorded as revenue of the restricted funds. If the Board determines that an amount from the Operating Fund should be allocated to the Capital Reserve Fund or Women's Committee Fund, or that the Capital Reserve Fund or Women's Committee Fund should be made available for the operations of the Society, the amount is recorded as a transfer between the appropriate fund and the Operating Fund.

All other revenues and expenses of the Society are recorded in the Statement of Operations in the Operating Fund.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term deposits with original maturities of three months or less from the date of acquisition.

Revenue recognition

Unrestricted donations are recognized as revenue when received. Restricted donations are deferred and recognized as revenue in the year in which the related expenses are recognized.

Inventory

Inventories are valued at the lower of cost and net realizable value with cost determined on a first-in, first-out basis.

The Hamilton Society for the Prevention of Cruelty to Animals

Notes to Financial Statements

Year Ended December 31, 2009

2. Significant accounting policies (cont'd.)

Capital assets and amortization

Capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is provided as follows:

| | |
|---------------------------|--------------------|
| Computer equipment | 30% straight-line |
| Computer software | 30% straight-line |
| Office equipment | 10% straight-line |
| Building | 2.5% straight-line |
| Shelter equipment | 10% straight-line |
| Animal hospital equipment | 10% straight-line |
| Vehicles | 40% straight-line |

One-half the normal rate of amortization is provided for in the year of acquisition.

Contributed services

Volunteers contribute a significant number of hours per year. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

Income taxes

The Society is a non-profit organization registered under the Income Tax Act (the "Act") and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes. In order to maintain its status as a registered charity under the Act, the Society must meet certain requirements of the Act. In the opinion of management, these requirements have been met.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 revenues and expense during the period. Actual results could differ from those estimates.

Financial instruments

The Society has designated its cash and cash equivalents as held for trading, which are measured at fair value. Accounts receivable are classified as loans and receivables which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities which are measured at amortized cost. Investments are designated as available for sale which are measured at fair value with unrealized gains and losses recognized in the statement of changes in fund balances.

The Hamilton Society for the Prevention of Cruelty to Animals

Notes to Financial Statements

Year Ended December 31, 2009

3. Accounts receivable

| | 2009 | 2008 |
|--|------------------|------------------|
| Accounts receivable | \$ 41,485 | \$ 25,991 |
| T.E.A.D. - Equestrian Association for the Disabled | - | 29,416 |
| | \$ 41,485 | \$ 55,407 |

In the current year, \$98,618 due from T.E.A.D. - Equestrian Association for the Disabled pertaining to expenses incurred by the Society on behalf of T.E.A.D, was provided for in the statement of operations as these amounts were considered to be uncollectible at year end.

4. Capital assets

| | Cost | Accumulated Amortization | 2009 | 2008 |
|---------------------------|------------------|-------------------------------------|------------------|------------------|
| Land | \$ 221,191 | \$ - | \$ 221,191 | \$ 221,191 |
| Building | 2,281,651 | 601,404 | 1,680,247 | 1,284,184 |
| Computer equipment | 286,292 | 264,884 | 21,408 | 27,483 |
| Computer software | 134,125 | 125,896 | 8,229 | 15,920 |
| Office equipment | 109,121 | 101,931 | 7,190 | 2,448 |
| Shelter equipment | 203,006 | 188,835 | 14,171 | 13,700 |
| Animal hospital equipment | 72,840 | 1,293 | 71,547 | - |
| Vehicles | 126,515 | 103,251 | 23,264 | 41,327 |
| | 3,434,741 | 1,387,494 | 2,047,247 | 1,606,253 |

Current year purchases of capital assets are as follows:

| | |
|-------------------------------------|-------------------|
| Humane education classroom portable | \$ 211,456 |
| Animal hospital | 182,436 |
| Animal hospital equipment | 72,840 |
| Shelter renovations | 49,987 |
| Other | 22,249 |
| | \$ 538,968 |

The Hamilton Society for the Prevention of Cruelty to Animals

Notes to Financial Statements

Year Ended December 31, 2009

5. Deferred government assistance

| | 2009 | 2008 |
|--|------------------|------------------|
| Deferred government assistance - shelter | \$ 1,147,346 | \$ 1,147,346 |
| Deferred government assistance - animal hospital | 175,160 | - |
| Accumulated amortization | (408,310) | (372,889) |
| | <hr/> \$ 914,196 | <hr/> \$ 774,457 |

Government assistance received for the construction of the premises in 1996 and the Companion Animal Hospital in 2009 has been accounted for on a deferred basis. Amortization is provided for using the same method and rate as the respective building.

6. Internally restricted Women's Committee Fund

In 1998, the Women's Committee Fund was established to earn investment income and to make funds available for members of the public that demonstrate a need for assistance with animal care costs and building a more humane society. The fund was created by the Board of Directors in recognition of the outstanding long-term commitment of the Society's Women's Committee. The current board approved endowment portion of the fund is \$53,948 (2008 - \$65,698).

7. Capital disclosures

The Society considers its capital to be the balance maintained in its fund balances. The primary objective of the Society is to invest its capital in a manner that will allow it to continue as a going concern and to achieve its mandate as stated in Note 1. Capital is invested under the direction of the Board of Directors with the objective of providing a reasonable rate of return, minimizing risk and ensuring adequate liquid investments are on hand for current cash flow requirements. The Society is not subject to any externally imposed requirements of its capital.

The Hamilton Society for the Prevention of Cruelty to Animals

Notes to Financial Statements

Year Ended December 31, 2009

8. Contingencies

- a) The Society is party to litigation that has arisen in the ordinary course of operations. Management believes that the claim is without merit and intends to vigorously defend itself. The outcome of this matter cannot be determined at this time and consequently, no provisions are included in these financial statements.
- b) Pursuant to a Funding Agreement with the City of Hamilton (the "City") dated February 9, 1995, the Society agreed to use the property at 245 Dartnall Road for the Objects of the Society and also to provide animal control and animal welfare services to the City. Among the terms and conditions of the Agreement is a provision that, in the event the Society ceases to provide animal control and animal welfare services to the City, the City may require that the property be sold or transferred to the City. The Society would be entitled to, in the first case, 33% of the sale proceeds, or, in the second case, 33% of the fair market value as determined by agreement by the parties or by an appraiser selected by the parties.

Effective January 1, 2004, the City of Hamilton assumed delivery of the animal control program previously delivered by the Society in the Communities of Ancaster, Dundas and Hamilton and specific persons employed by the Society for animal control purposes became employees of the City. As a result of this, the Society recorded a \$1.1 million net adjustment to capital assets and fund balances to reflect the anticipated transfer of capital assets to the City. This matter has not yet been resolved and consequently, no further adjustments have been made to the financial statements.

9. Subsequent events

Subsequent to the year end, the Membership directed the Board of Directors to commence a disengagement process with T.E.A.D. - Equestrian Association for the Disabled.

The Society expects to incur approximately \$175,000 in additional costs relating to the disengagement process in 2010 and has made provision for these costs in its 2009 audited financial statements.

10. Financial instruments

The Society's financial instruments consist of cash, accounts receivable, investments, and accounts payable and accrued liabilities. The estimate fair value of cash, accounts receivable, and accounts payable and accrued liabilities approximate carrying value due to the relatively short-term nature of the instruments. Investments are measured at fair value. Unless otherwise noted, it is management's opinion that the Society is not exposed to significant interest, currency or credit risks.

11. Comparative information

The comparative figures for 2008 have been reclassified where necessary to conform with the 2009 financial statement presentation.