

The Hamilton/Burlington Society for the Prevention of Cruelty to Animals

Financial Statements
For the year ended December 31, 2016

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

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying financial statements of The Hamilton/Burlington Society for the Prevention of Cruelty to Animals (the "Society"), which comprise the statement of financial position as at December 31, 2016 and the statements of income and operations, changes in fund balances and cash flows for the year then ended, and 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 the 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 the auditor's 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, the auditor considers 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 qualified audit opinion.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Society derives revenue from fundraising and donation activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to amounts recorded by the Society and we were not able to determine whether any adjustments might be necessary to revenue and excess of revenues over expenses, for the year ended December 31, 2016.

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 Society as at December 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

April 18, 2017
Burlington, Ontario

SB Partners LLP

Chartered Professional Accountants
Licensed Public Accountants

The Hamilton/Burlington Society for the Prevention of Cruelty to Animals
Statement of Financial Position
December 31, 2016

	Operating Fund	Reserve Fund (Note 5)	Directed Bequest Fund (Note 6)	2016	2015
Current assets					
Cash and bank	\$ 618,393	\$ 105,349	\$ -	\$ 723,742	\$ 950,883
Accounts receivable	37,249	25,000	-	62,249	28,601
Prepays and deposits	34,975	-	-	34,975	31,056
	690,617	130,349	-	820,966	1,010,540
Investments	-	4,767,540	492,625	5,260,165	4,536,341
Capital assets (Note 3)	1,703,380	-	-	1,703,380	1,719,424
	\$ 2,393,997	\$ 4,897,889	\$ 492,625	\$ 7,784,511	\$ 7,266,305
Current liabilities					
Accounts payable and accrued liabilities	\$ 145,807	\$ -	\$ -	\$ 145,807	\$ 148,647
Deferred revenue	-	-	-	-	73,070
Current portion of deferred government assistance (Note 4)	37,966	-	-	37,966	37,966
	183,773	-	-	183,773	259,683
Deferred government assistance (Note 4)	648,642	-	-	648,642	686,608
Net Assets	832,415	-	-	832,415	946,291
Internally restricted (Note 5)	-	4,897,889	492,625	5,390,514	5,049,922
Unrestricted	1,561,582	-	-	1,561,582	1,270,092
	1,561,582	4,897,889	492,625	6,952,096	6,320,014
	\$ 2,393,997	\$ 4,897,889	\$ 492,625	\$ 7,784,511	\$ 7,266,305

Approved on Behalf of the Board

Maionemo

Directors

Edhill

Directors

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



The Hamilton/Burlington Society for the Prevention of Cruelty to Animals
Statement of Changes in Net Assets
Year Ended December 31, 2016

	Operating Fund	Reserve Fund	Directed Bequest Fund	2016	2015 (Note 9)
Fund balances, beginning of year	\$ 1,270,092	\$ 4,525,839	\$ 524,083	\$ 6,320,014	\$ 5,948,843
Excess (deficiency) of revenues over expenses	(132,876)	757,143	7,815	632,082	371,171
Annual Reserve Transfer (Note 7)	235,093	(235,093)	-	-	-
Transfer from Restricted Bequest Fund to Operating Fund	39,273	-	(39,273)	-	-
Temporary transfers	150,000	(150,000)	-	-	-
Fund balances, end of year	\$ 1,561,582	\$ 4,897,889	\$ 492,625	\$ 6,952,096	\$ 6,320,014

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



The Hamilton/Burlington Society for the Prevention of Cruelty to Animals
Statement of Operations
Year Ended December 31, 2016

	Operating Fund	Reserve Fund	Directed Bequest Fund	2016	2015
Revenue					
Appeals	\$ 28,759	\$ -	\$ -	\$ 28,759	\$ 40,655
Bequests	-	151,375	2,815	154,190	610,478
Donations	568,913	-	5,000	573,913	605,018
Events	117,792	-	-	117,792	128,642
Grants	191,561	-	-	191,561	189,520
Investment and other	15,448	92,900	-	108,348	106,667
Lotteries	286,141	-	-	286,141	279,938
Membership and merchandise sales	69,162	-	-	69,162	31,130
Program fees	673,056	-	-	673,056	705,436
	1,950,832	244,275	7,815	2,202,922	2,697,484
Expenses					
Advertising and promotion	56,752	-	-	56,752	78,188
Animal care fees	216,177	-	-	216,177	191,953
Building repairs and maintenance	69,111	-	-	69,111	65,432
Communications	22,947	-	-	22,947	21,928
Computer maintenance and supplies	28,826	-	-	28,826	25,736
Employee benefits	126,752	-	-	126,752	127,920
Equipment repairs and maintenance	14,446	-	-	14,446	11,814
Insurance	16,384	-	-	16,384	13,479
Interest, bank charges, and investment fees	27,572	65,035	-	92,607	93,921
Memberships and dues	7,291	-	-	7,291	8,004
Office and postage	28,189	-	-	28,189	38,339
Other operating expenses	19,595	-	-	19,595	24,456
Professional fees	204,802	1,515	-	206,317	188,574
Program awards and supplies	197,471	-	-	197,471	187,175
Salaries and wages	928,908	-	-	928,908	896,812
Travel and hospitality	7,187	-	-	7,187	7,468
Utilities	78,915	-	-	78,915	74,015
Vehicle	13,162	-	-	13,162	20,816
	2,064,487	66,550	-	2,131,037	2,076,030
Excess (deficiency) of revenues over expenses before other items	(113,655)	177,725	7,815	71,885	621,454
Amortization of capital assets	(114,709)	-	-	(114,709)	(110,113)
Amortization of government assistance	37,966	-	-	37,966	37,966
Gain on sale of capital assets	57,522	-	-	57,522	-
Unrealized gain (loss) on investments	-	579,418	-	579,418	(178,136)
Excess (deficiency) of revenues over expenses	\$ (132,876)	\$ 757,143	\$ 7,815	\$ 632,082	\$ 371,171

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



The Hamilton/Burlington Society for the Prevention of Cruelty to Animals
Statement of Cash Flows
Year Ended December 31, 2016

	Operating Fund	Reserve Fund	Directed Bequest Fund	2016	2015
Cash flows from operating activities					
Excess (deficiency) of revenues over expenses	\$ (132,876)	\$ 757,143	\$ 7,815	\$ 632,082	\$ 371,171
Amortization of capital assets	114,709	-	-	114,709	110,113
Amortization of deferred government assistance	(37,966)	-	-	(37,966)	(37,966)
Transfers	424,366	(385,093)	(39,273)	-	-
Non-Monetary gift-in-kind	-	-	-	-	25,450
Unrealized (gain) loss on investments	-	(579,418)	-	(579,418)	178,136
Gain on sale of capital assets	(57,522)	-	-	(57,522)	-
	310,711	(207,368)	(31,458)	71,885	646,904
Net change in accounts receivable	(8,648)	(25,000)	-	(33,648)	(3,345)
Net change in inventory and supplies	-	-	-	-	9,671
Net change in accounts payable and accrued liabilities	(2,840)	-	-	(2,840)	35,496
Net change in other operating working capital balances	(76,989)	-	-	(76,989)	26,774
Cash flows from (used in) operating activities	222,234	(232,368)	(31,458)	(41,592)	715,500
Cash flows from investing activities					
Purchase of investments, net of proceeds	-	(175,864)	31,458	(144,406)	(295,788)
Purchase of capital assets	(98,665)	-	-	(98,665)	(99,354)
Proceeds on disposal of capital assets	57,522	-	-	57,522	-
Cash flows used in investing activities	(41,143)	(175,864)	31,458	(185,549)	(395,142)
Net increase (decrease) in cash and cash equivalents	181,091	(408,232)	-	(227,141)	320,358
Cash and cash equivalents, beginning of year	437,302	513,581	-	950,883	630,525
Cash and cash equivalents, end of year	\$ 618,393	\$ 105,349	\$ -	\$ 723,742	\$ 950,883

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



The Hamilton/Burlington Society for the Prevention of Cruelty to Animals

Notes to Financial Statements

Year Ended December 31, 2016

1. Form of Organization

The Hamilton/Burlington 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 presentation

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

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 the Board of Directors.

The internally restricted funds include both the Reserve Fund and the Directed Bequest Fund. The Reserve fund has been restricted by the Board of Directors to ensure the long-term stability of the Society whereas the Directed Bequest Fund has been restricted by the Board of Directors to honour funds bequeathed for a specific purpose. Certain donation revenue and investment income earned on internally restricted funds are recorded as revenue of the restricted funds. An annual reserve granting policy transfers to the Operating Fund an amount equal to 5.5% of the average value of the invested reserve assets for the last four quarters. If the Board determines that an additional amount should be transferred from the Reserve Fund and made available for Operations of the Society, the additional amount will also be recorded as a transfer between the funds.

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 consist of cash on hand and balances with banks.

Financial instruments

The Society's financial instruments consist of cash and bank, accounts receivable, portfolio investments in publicly traded shares of domestic and foreign exchanges and government bonds, accounts payable and accrued liabilities. The Society's investment in shares of publicly traded companies and government bonds are initially recognized and subsequently measured at fair value without adjustment for transaction costs that would be incurred on disposal and exclude adjustment for premiums and discounts associated with government bonds. Changes in fair value are recognized in income in the period. All other financial instruments are initially recognized at fair value and subsequently measured at amortized cost. Transaction costs and financial fees associated with financial instruments carried at amortized cost are recorded as adjustments to the initial fair value recognized and amortized over the life of the financial instrument.



The Hamilton/Burlington Society for the Prevention of Cruelty to Animals

Notes to Financial Statements

Year Ended December 31, 2016

2. Significant accounting policies (cont'd.)

Capital assets

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

Building and leasehold improvements	straight-line until the year 2036
Computer equipment	30% straight-line
Computer software	30% straight-line
Office equipment	10% straight-line
Shelter equipment	10% straight-line
Animal hospital equipment	10% straight-line
Fence	10 year straight-line
Vehicles	40% straight-line

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

Revenue recognition

The Society follows the deferral method of accounting for revenue generated through contributions, sponsorships, grants, fundraising events, memberships, program fees, and merchandise sales. These revenues are recognized when received or when the amount can be reasonably estimated and collection is reasonably assured. Amounts received for future services are deferred until the service is provided. Investment income is recognized as revenue is earned.

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 not-for-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.



The Hamilton/Burlington Society for the Prevention of Cruelty to Animals

Notes to Financial Statements

Year Ended December 31, 2016

3. Capital assets

	Cost	Accumulated Amortization	2016 Net book value	2015 Net book value
Land	\$ 221,191	\$ -	\$ 221,191	\$ 221,191
Building and leasehold improvements	2,303,807	1,054,199	1,249,608	1,308,521
Computer equipment	86,234	53,725	32,509	14,824
Computer software	23,098	19,706	3,392	8,046
Office equipment	138,599	113,507	25,092	27,357
Shelter equipment	295,131	229,484	65,647	66,941
Animal hospital equipment	134,520	53,216	81,304	45,537
Fence	28,818	4,181	24,637	26,039
Vehicles	84,125	84,125	-	968
	\$ 3,315,523	\$ 1,612,143	\$ 1,703,380	\$ 1,719,424

4. Deferred government assistance

	2016	2015
Deferred government assistance - shelter	\$ 1,172,796	\$ 1,172,796
Deferred government assistance - animal hospital	175,160	175,160
Accumulated amortization	(661,348)	(623,382)
	\$ 686,608	\$ 724,574
Less: current portion	\$ (37,966)	\$ (37,966)
	\$ 648,642	\$ 686,608

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. Additional assistance was received in 2015 for the supply and installation of a fence for the leash free park. Amortization is provided for using the same method as the respective fence asset.

5. Internally restricted reserve fund

All bequests received are internally restricted by the Board of Directors for investment purposes. These internally restricted funds are not available for other purposes without prior approval of the Board of Directors.



The Hamilton/Burlington Society for the Prevention of Cruelty to Animals

Notes to Financial Statements

Year Ended December 31, 2016

6. Internally restricted - Directed bequest fund

The directed bequest fund honours funds bequeathed to the HBSPCA for specific purposes. The McGinley bequest (2013) is used for free spay neuter for pets in low income households; the HBSPCA has partnered with a community partner to provide spay neuter services to their clients in Hamilton. The Cichra bequest (2014) is used for the veterinarian care for homeless animals. The Forever Home Fund is used for veterinary care to keep cats in their own home and to mitigate the surrenders to the shelter.

	Opening Balance	Additions	Spending	Ending Balance
McGinley	\$ 157,077	\$ -	\$ (11,263)	\$ 145,814
Cichra	367,006	2,815	(28,010)	341,811
Forever Home Fund	-	5,000	-	5,000
	<u>\$ 524,083</u>	<u>\$ 7,815</u>	<u>\$ (39,273)</u>	<u>\$ 492,625</u>

7. Fund transfers

Reserve Fund

Consistent with the annual reserve granting policy (Note 2), the Board of Directors passed a resolution for a transfer of funds from the Reserve Fund to the Operating Fund of \$235,093.

8. Financial instruments

The Society's financial instruments consist of cash and bank, accounts receivable, portfolio investments in publicly traded shares of domestic and foreign exchanges and government bonds, accounts payable and accrued liabilities.

Liquidity risk

The Society's exposure to liquidity risk is dependent on the donations, program fees as well as membership and merchandise volumes, the collection of accounts receivable, purchasing commitments and obligations or raising of funds to meet commitments and sustain operations. The Society controls liquidity risk by management of working capital, cash flows and the availability of borrowing facilities.

Market Risk

The Society's investments in publicly-traded securities exposes the Society to price risks as equity investments are subject to price changes in an open market. The Society does not use derivative financial instruments to alter the effects of this risk.

Unless otherwise noted, it is management's opinion that the Society is not exposed to significant credit, interest, or currency risks.



The Hamilton/Burlington Society for the Prevention of Cruelty to Animals

Notes to Financial Statements

Year Ended December 31, 2016

9. Comparative information

The comparative figures for 2015 have been reclassified where necessary to conform with the 2016 financial statement presentation.

