

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

Financial Statements  
For the year ended December 31, 2015

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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, 2015 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, 2015.

**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, 2015 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 12, 2016  
Burlington, Ontario



Chartered Professional Accountants  
Licensed Public Accountants

**The Hamilton/Burlington Society for the Prevention of Cruelty to Animals**  
**Statement of Financial Position**  
**December 31, 2015**

	Operating Fund	Capital Asset Fund	Reserve Fund	Directed Bequest Fund (Note 6)	2015	2014 (Note 9)
<b>Current assets</b>						
Cash and bank	\$ 437,302	\$ -	\$ 513,581	\$ -	\$ 950,883	\$ 630,525
Accounts receivable	28,601	-	-	-	28,601	25,256
Inventory and supplies	-	-	-	-	-	9,671
Prepays and deposits	31,056	-	-	-	31,056	23,381
	496,959	-	513,581	-	1,010,540	688,833
<b>Investments</b>	-	-	4,012,258	524,083	4,536,341	4,418,689
<b>Capital assets (Note 3)</b>	1,719,424	-	-	-	1,719,424	1,730,183
	\$ 2,216,383	\$ -	\$ 4,525,839	\$ 524,083	\$ 7,266,305	\$ 6,837,705
<b>Current liabilities</b>						
Accounts payable and accrued liabilities	\$ 148,647	\$ -	\$ -	\$ -	\$ 148,647	\$ 113,151
Deferred revenue	73,070	-	-	-	73,070	38,621
Current portion of deferred government assistance (Note 4)	37,966	-	-	-	37,966	35,421
	259,683	-	-	-	259,683	187,193
<b>Deferred government assistance (Note 4)</b>	686,608	-	-	-	686,608	701,669
<b>Net Assets</b>	946,291	-	-	-	946,291	888,862
<b>Internally restricted (Note 5)</b>	-	-	4,525,839	524,083	5,049,922	4,677,564
<b>Unrestricted</b>	275,242	-	-	-	275,242	278,186
<b>Invested in capital assets</b>	994,850	-	-	-	994,850	993,093
	1,270,092	-	4,525,839	524,083	6,320,014	5,948,843
	\$ 2,216,383	\$ -	\$ 4,525,839	\$ 524,083	\$ 7,266,305	\$ 6,837,705

Approved on Behalf of the Board

\_\_\_\_\_  
Directors

\_\_\_\_\_  
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, 2015**

	Operating Fund	Capital Asset Fund	Reserve Fund	Directed Bequest Fund	2015	2014
<b>Fund balances, beginning of year</b>	\$ 278,186	\$ 993,093	\$ 4,233,631	\$ 443,933	\$ 5,948,843	\$ 4,633,232
Excess (deficiency) of revenues over expenses	(83,085)	-	374,106	80,150	371,171	1,315,611
Annual Reserve Transfer (Note 8)	231,898	-	(231,898)	-	-	-
Transfer from Capital Asset Fund to Operating Fund (Note 8)	993,093	(993,093)	-	-	-	-
Temporary transfers	(150,000)	-	150,000	-	-	-
<b>Fund balances, end of year</b>	\$ 1,270,092	\$ -	\$ 4,525,839	\$ 524,083	\$ 6,320,014	\$ 5,948,843

*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, 2015**

	Operating Fund	Capital Asset Fund	Reserve Fund	Directed Bequest Fund (Note 6)	2015	2014
<b>Revenue</b>						
Appeals	\$ 40,655	\$ -	\$ -	\$ -	\$ 40,655	\$ 53,684
Bequests	-	-	524,701	85,777	610,478	1,140,157
Donations	605,018	-	-	-	605,018	532,097
Events	128,642	-	-	-	128,642	148,414
Grants	189,520	-	-	-	189,520	171,007
Investment and other	14,035	-	92,632	-	106,667	78,156
Lotteries	279,938	-	-	-	279,938	275,663
Membership and merchandise sales	31,130	-	-	-	31,130	78,401
Program fees	705,436	-	-	-	705,436	705,410
	<b>1,994,374</b>	<b>-</b>	<b>617,333</b>	<b>85,777</b>	<b>2,697,484</b>	<b>3,182,989</b>
<b>Expenses</b>						
Advertising and promotion	78,188	-	-	-	78,188	41,935
Animal care fees	186,326	-	-	5,627	191,953	173,680
Building repairs and maintenance	65,432	-	-	-	65,432	58,492
Communications	21,928	-	-	-	21,928	27,384
Computer maintenance and supplies	25,736	-	-	-	25,736	30,897
Employee benefits	127,920	-	-	-	127,920	121,456
Equipment repairs and maintenance	11,814	-	-	-	11,814	17,844
Insurance	13,479	-	-	-	13,479	13,732
Interest, bank charges, and investment fees	28,830	-	65,091	-	93,921	83,295
Memberships and dues	8,004	-	-	-	8,004	7,706
Office and postage	38,339	-	-	-	38,339	31,213
Other operating expenses	24,456	-	-	-	24,456	11,743
Professional fees	188,574	-	-	-	188,574	217,009
Program awards and supplies	187,175	-	-	-	187,175	214,049
Salaries and wages (Note 7)	896,812	-	-	-	896,812	861,090
Travel and hospitality	7,468	-	-	-	7,468	8,687
Utilities	74,015	-	-	-	74,015	64,382
Vehicle	20,816	-	-	-	20,816	18,007
	<b>2,005,312</b>	<b>-</b>	<b>65,091</b>	<b>5,627</b>	<b>2,076,030</b>	<b>2,002,601</b>
<b>Excess (deficiency) of revenues over expenses before other items</b>	<b>(10,938)</b>	<b>-</b>	<b>552,242</b>	<b>80,150</b>	<b>621,454</b>	<b>1,180,388</b>
Amortization of capital assets	(110,113)	-	-	-	(110,113)	(159,703)
Amortization of government assistance	37,966	-	-	-	37,966	35,422
Unrealized gain (loss) on investments	-	-	(178,136)	-	(178,136)	259,504
<b>Excess (deficiency) of revenues over expenses</b>	<b>\$ (83,085)</b>	<b>\$ -</b>	<b>\$ 374,106</b>	<b>\$ 80,150</b>	<b>\$ 371,171</b>	<b>\$ 1,315,611</b>

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, 2015**

	Operating Fund	Capital Asset Fund	Reserve Fund	Directed Bequest Fund	2015	2014
<b>Cash flows from operating activities</b>						
Excess (deficiency) of revenues over expenses	\$ (83,085)	\$ -	\$ 374,106	\$ 80,150	\$ 371,171	\$ 1,315,611
Amortization of capital assets	110,113	-	-	-	110,113	159,703
Amortization of deferred government assistance	(37,966)	-	-	-	(37,966)	(35,421)
Transfers	81,898	-	(81,898)	-	-	-
Non-Monetary gift-in-kind (Note 4)	25,450	-	-	-	25,450	-
	96,410	-	292,208	80,150	468,768	1,439,893
Net change in accounts receivable	(3,345)	-	-	-	(3,345)	126,292
Net change in inventory and supplies	9,671	-	-	-	9,671	10,253
Net change in accounts payable and accrued liabilities	35,496	-	-	-	35,496	(22,506)
Net change in other operating working capital balances	26,774	-	-	-	26,774	28,084
Cash flows from operating activities	165,006	-	292,208	80,150	537,364	1,582,016
<b>Cash flows from investing activities</b>						
Purchase of investments, net of proceeds	-	-	(37,502)	(80,150)	(117,652)	(1,672,844)
Proceeds on disposal of investments	-	-	-	-	-	28,000
Purchase of capital assets	(99,354)	-	-	-	(99,354)	(79,886)
Cash flows used in investing activities	(99,354)	-	(37,502)	(80,150)	(217,006)	(1,724,730)
Net increase (decrease) in cash and cash equivalents	65,652	-	254,706	-	320,358	(142,714)
Cash and cash equivalents, beginning of year	371,650	-	258,875	-	630,525	773,239
Cash and cash equivalents, end of year	\$ 437,302	\$ -	\$ 513,581	\$ -	\$ 950,883	\$ 630,525

*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, 2015

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

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, 2015

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### 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

Donations, program fees, memberships, merchandise sales and grants are recognized as services are performed, the Society assumes the risk of loss, the collection of the receivable is probable and the amount is determinable. Amounts received for future services are deferred until the service is provided.

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

#### 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, 2015**

**3. Capital assets**

	Cost	Accumulated Amortization	2015 Net book value	2014 Net book value
Land	\$ 221,191	\$ -	\$ 221,191	\$ 221,191
Building and leasehold improvements	2,298,006	989,485	1,308,521	1,354,624
Computer equipment	69,463	54,639	14,824	24,866
Computer software	23,098	15,052	8,046	13,032
Office equipment	137,202	109,845	27,357	18,913
Shelter equipment	287,822	220,881	66,941	55,589
Animal hospital equipment	96,692	51,155	45,537	40,032
Fence	27,409	1,370	26,039	-
Vehicles	234,314	233,346	968	1,936
	<b>\$ 3,395,197</b>	<b>\$ 1,675,773</b>	<b>\$ 1,719,424</b>	<b>\$ 1,730,183</b>

**4. Deferred government assistance**

	2015	2014
Deferred government assistance - shelter	\$ 1,172,796	\$ 1,147,346
Deferred government assistance - animal hospital	175,160	175,160
Accumulated amortization	<b>(623,382)</b>	<b>(585,416)</b>
	<b>\$ 724,574</b>	<b>\$ 737,090</b>

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. In 2015 a Non-Monetary gift-in-kind contribution from the City of Hamilton of \$25,450 was received in the form of a new fence for the leash free park. Amortization is provided for using the same method and rate as the respective fence.

**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, 2015

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### 6. Internally restricted - Directed bequest fund

The directed bequest fund honours funds bequeathed to the HBSPCA for specific purposes. The McGinley bequest (2013) is intended to be 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) will be used for the veterinarian care for homeless animals.

	<b>Opening Balance</b>	<b>Additions</b>	<b>Spending</b>	<b>Ending Balance</b>
McGinley	\$ 156,538	\$ 1,238	\$ (5,627)	\$ <b>152,149</b>
Cichra	287,395	84,539	-	<b>371,934</b>
	<b>\$ 443,933</b>	<b>\$ 85,777</b>	<b>\$ (5,627)</b>	<b>\$ 524,083</b>

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### 7. Salaries and wages

Salaries and wages expensed by function are as follows:

	<b>2015</b>	<b>2014</b>
Administration	\$ <b>125,087</b>	\$ 155,158
Development	<b>114,760</b>	82,482
Protection, adoption, care and education	<b>656,965</b>	623,450
	<b>\$ 896,812</b>	\$ 861,090

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Administration salaries and wages represent 6% (2014 - 8%) of the Society's total operating expenses.

### 8. Fund transfers

#### Capital Asset Fund

During the year the Board of Directors passed a resolution to transfer the capital assets and grants held in the Capital Asset Fund to the Operating Fund

#### Reserve Fund

During the year the Board of Directors passed a resolution for a transfer of funds from the Reserve Fund to the Operating Fund of \$231,898.

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

## Notes to Financial Statements

Year Ended December 31, 2015

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### 9. Prior period adjustment

The comparative financial statements for December 31, 2014 have been restated to reflect an error management identified during the year pertaining to the useful life of building assets and leasehold additions. These costs were previously being amortized over 40 years from the date of purchase, however since these items were purchased after the building, their useful life is significantly less than 40 years. Therefore amortization in prior years should have been higher due to a shorter amortization period. The correction of the error has been reported retrospectively and the prior period has been restated. The impact of the error on the December 31, 2014 financial statements is as follows:

	<b>As originally reported</b>	<b>Restated</b>
Net book value of capital assets	1,771,207	1,730,183
Net deficiency of revenues over expenditures for the year	1,322,319	1,315,611
Net assets, beginning of year	4,667,548	4,633,232

### 10. 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.