

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

Financial Statements
For the year ended December 31, 2013

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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, 2013 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, 2013.

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, 2013 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 8, 2014
Burlington, Ontario



Chartered Accountants
Licensed Public Accountants

The Hamilton/Burlington Society for the Prevention of Cruelty to Animals
Statement of Financial Position
December 31, 2013

	Operating Fund	Capital Asset Fund	Capital Reserve Fund	Restricted Bequest Fund (Note 6)	2013	2012
Current assets						
Cash and bank	\$ 306,654	\$ -	\$ 466,585	\$ -	\$ 773,239	\$ 255,782
Accounts receivable	151,548	-	-	-	151,548	54,323
Inventory	19,924	-	-	-	19,924	26,550
Prepays and deposits	19,857	-	-	-	19,857	11,584
	497,983	-	466,585	-	964,568	348,239
Investments	28,000	-	2,559,570	186,276	2,773,846	2,407,592
Capital assets (Note 3)	-	1,844,316	-	-	1,844,316	1,989,425
	\$ 525,983	\$ 1,844,316	\$ 3,026,155	\$ 186,276	\$ 5,582,730	\$ 4,745,256
Current liabilities						
Bank indebtedness	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,032
Accounts payable and accrued liabilities	135,657	-	-	-	135,657	100,260
Deferred revenue	7,013	-	-	-	7,013	10,133
	142,670	-	-	-	142,670	133,425
Deferred government assistance	-	772,512	-	-	772,512	807,932
Net Assets	142,670	772,512	-	-	915,182	941,357
Internally restricted	-	-	3,026,155	186,276	3,212,431	2,634,821
Unrestricted	383,313	-	-	-	383,313	(12,415)
Invested in capital assets	-	1,071,804	-	-	1,071,804	1,181,493
	383,313	1,071,804	3,026,155	186,276	4,667,548	3,803,899
	\$ 525,983	\$ 1,844,316	\$ 3,026,155	\$ 186,276	\$ 5,582,730	\$ 4,745,256

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 Operations
Year Ended December 31, 2013

	Operating Fund	Capital Asset Fund	Capital Reserve Fund	Restricted Bequest Fund (Note 6)	2013	2012
Revenue						
Appeals	\$ 120,703	\$ -	\$ -	\$ -	\$ 120,703	\$ 65,060
Bequests	-	-	837,812	161,467	999,279	479,564
Donations	460,998	-	-	-	460,998	536,192
Events	119,661	-	-	-	119,661	98,314
Grants	138,324	-	-	-	138,324	37,894
Investment and other	27,604	-	80,195	-	107,799	134,775
Lotteries	257,981	-	-	-	257,981	297,413
Membership and merchandise sales	19,429	-	-	-	19,429	18,312
Program fees	640,492	-	-	-	640,492	619,544
	1,785,192	-	918,007	161,467	2,864,666	2,287,068
Expenses						
Advertising and promotion	43,413	-	-	-	43,413	97,636
Animal care fees	173,727	-	-	-	173,727	142,480
Building repairs and maintenance	55,809	-	-	-	55,809	63,136
Communications	33,662	-	-	-	33,662	35,983
Computer maintenance and supplies	33,370	-	-	-	33,370	35,122
Employee benefits	138,472	-	-	-	138,472	133,895
Equipment repairs and maintenance	15,733	-	-	-	15,733	15,464
Insurance	14,069	-	-	-	14,069	14,871
Interest, bank charges, and investment fees	31,726	-	52,208	-	83,934	76,883
Memberships and dues	7,075	-	-	-	7,075	4,498
Office and postage	34,738	-	-	-	34,738	32,410
Other operating expenses	8,667	-	-	-	8,667	16,658
Professional fees	159,484	-	-	-	159,484	105,178
Program awards and supplies	226,552	-	-	-	226,552	233,885
Salaries and wages	1,031,466	-	-	-	1,031,466	954,017
Travel and hospitality	5,079	-	-	-	5,079	6,529
Utilities	66,298	-	-	-	66,298	55,909
Vehicle	25,943	-	-	-	25,943	20,408
	2,105,283	-	52,208	-	2,157,491	2,044,962
Excess (deficiency) of revenues over expenses before other items	(320,091)	-	865,799	161,467	707,175	242,106
Amortization of capital assets	-	(160,832)	-	-	(160,832)	(128,681)
Amortization of government assistance	-	35,421	-	-	35,421	35,421
Unrealized gain on investments	-	-	281,885	-	281,885	77,694
Excess (deficiency) of revenues over expenses	\$ (320,091)	\$ (125,411)	\$ 1,147,684	\$ 161,467	\$ 863,649	\$ 226,540

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 Fund Balances
Year Ended December 31, 2013

	Operating Fund	Capital Asset Fund	Capital Reserve Fund	Restricted Bequest Fund	2013	2012
Fund balances, beginning of year	\$ (12,415)	\$ 1,181,493	\$ 2,610,012	\$ 24,809	\$ 3,803,899	\$ 3,577,714
Excess (deficiency) of revenues over expenses	(320,091)	(125,411)	1,147,684	161,467	863,649	226,540
Transfers	715,819	15,722	(731,541)	-	-	-
Fund balance, end of year	\$ 383,313	\$ 1,071,804	\$ 3,026,155	\$ 186,276	\$ 4,667,548	\$ 3,804,254

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, 2013

	Operating Fund	Capital Asset Fund	Capital Reserve Fund	Restricted Bequest Fund	2013	2012
Cash flows from operating activities						
Excess (deficiency) of revenues over expenses	\$ (320,091)	\$ (125,411)	\$ 1,147,684	\$ 161,467	\$ 863,649	\$ 226,540
Amortization of capital assets	-	160,832	-	-	160,832	128,681
Amortization of deferred government assistance	-	(35,421)	-	-	(35,421)	(35,421)
	(320,091)	-	1,147,684	161,467	989,060	319,800
Net change in accounts receivable	(97,225)	-	-	-	(97,225)	9,307
Net change in inventory	6,626	-	-	-	6,626	(4,508)
Net change in accounts payable and accrued liabilities	35,397	-	-	-	35,397	(11,153)
Net change in other operating working capital balances	(11,393)	-	-	-	(11,393)	(18,861)
Cash flows from operating activities	(386,686)	-	1,147,684	161,467	922,465	294,585
Cash flows from financing activities						
Transfers	715,819	15,722	(731,541)	-	-	-
Cash flows from financing activities	715,819	15,722	(731,541)	-	-	-
Cash flows from investing activities						
Purchase of investments, net of proceeds	553	-	(205,340)	(161,467)	(366,254)	(33,477)
Purchase of capital assets	-	(15,722)	-	-	(15,722)	(192,210)
Cash flows used in investing activities	553	(15,722)	(205,340)	(161,467)	(381,976)	(225,687)
Net increase in cash and cash equivalents	329,686	-	210,803	-	540,489	68,898
Cash and cash equivalents, beginning of year	(23,032)	-	255,782	-	232,750	164,207
Cash and cash equivalents, end of year	\$ 306,654	\$ -	\$ 466,585	\$ -	\$ 773,239	\$ 233,105
Cash and cash equivalents consist of:						
Cash and bank	\$ 306,654	\$ -	\$ 466,586	\$ -	\$ 773,239	\$ 255,782
Bank indebtedness	-	-	-	-	-	(23,032)
	\$ 306,654	\$ -	\$ 466,586	\$ -	\$ 773,239	\$ 232,750

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, 2013

1. Form of Organization

The Hamilton/Burlington Society for the Prevention of Cruelty to Animals (the "Society") 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 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 Restricted Bequest Fund, or that the Capital Reserve Fund or Restricted Bequest 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 consist of cash on hand and balances with banks.

Inventories

Inventories are stated at the lower of cost and net realizable value, with cost being determined using the first-in, first-out method.

Financial instruments

The Society's financial instruments consist of cash and bank, accounts receivable, investments, bank indebtedness, and accounts payable and accrued liabilities. All financial instruments are initially recognized at fair value and subsequently measured at amortized cost. Transaction costs and financing 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, 2013

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	2.5% straight-line
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
Vehicles	40% straight line

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

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.

3. Capital assets

	Cost	Accumulated Amortization	2013	2012
Land	\$ 221,191	\$ -	\$ 221,191	\$ 221,191
Building	2,279,972	827,325	1,452,647	1,502,068
Computer equipment	45,293	25,893	19,400	31,477
Computer software	9,531	7,072	2,459	793
Office equipment	112,551	104,150	8,401	4,945
Shelter equipment	234,639	201,334	33,305	35,365
Animal hospital equipment	80,890	34,052	46,838	53,449
Vehicles	262,039	201,964	60,075	140,139
	\$ 3,246,106	\$ 1,401,790	\$ 1,844,316	\$ 1,989,427

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

Notes to Financial Statements

Year Ended December 31, 2013

4. Bank indebtedness

The Society has a \$100,000 borrowing facility available at prime plus 1.0% repayable on demand. The facility is secured by a general security agreement. The amount drawn on the borrowing facility at year-end is \$0 (2012 - \$50,000).

5. Deferred government assistance	2013	2012
Deferred government assistance - shelter	\$ 1,147,346	\$ 1,147,346
Deferred government assistance - animal hospital	175,160	175,160
Accumulated amortization	(549,995)	(514,574)
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	\$ 772,511	\$ 807,932

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. Restricted Bequest Fund

There are currently two components to the restricted bequest fund.

In 1998, a portion of this fund, formally known as the Women's Committee Fund, was internally established by the Board of Directors to earn investment income to make funds available for members of the public that demonstrate a need for assistance with animal care costs. The current board approved endowment portion of the fund is \$24,809 (2012 - \$24,809).

In 2013, a restricted bequest in the amount of \$161,467 was received to assist in the operation of the free spay/neuter program for low income families. When the operations of the Society incur expenses for this program, management will transfer amounts from the restricted bequest fund to the operating fund.

7. Salaries and wages

Salaries and wages expensed by function are as follows:

	2013	2012
Administration	\$ 277,292	\$ 298,763
Development	84,696	53,838
Protection, adoption, care and education	669,478	601,416
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	\$ 1,031,466	\$ 954,017

Administration salaries and wages represent 13% (2012 - 15%) of the Society's total operating expenses.

8. Commitments

The Society has a letter of guarantee to the City of Hamilton in the amount of \$28,000 expiring February 17, 2015.

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

Notes to Financial Statements

Year Ended December 31, 2013

9. Financial instruments

The Society's financial instruments consist of cash and bank, accounts receivable, investments, bank indebtedness, 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. Unless otherwise noted, it is management's opinion that the Society is not exposed to significant currency or credit risk.

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.

Interest rate risk

The Society has a bank loan that bears interest at a floating rate subject to fluctuations in the bank prime. Changes in the bank prime lending rate can cause fluctuation in interest payments and cash flows. The Society does not use derivative financial instruments to mitigate the effect of this risk.

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

10. Internally restricted Capital 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.