

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

Financial Statements
For the year ended December 31, 2014

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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, 2014 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, 2014.

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, 2014 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 14, 2015
Burlington, Ontario



Chartered Accountants
Licensed Public Accountants

The Hamilton/Burlington Society for the Prevention of Cruelty to Animals
Statement of Financial Position
December 31, 2014

	Operating Fund	Capital Asset Fund	Reserve Fund	Directed Bequest Fund (Note 7)	2014	2013 (Note 10)
Current assets						
Cash and bank	\$ 371,650	\$ -	\$ 258,875	\$ -	\$ 630,525	\$ 773,239
Accounts receivable	25,256	-	-	-	25,256	151,548
Inventory and supplies	9,671	-	-	-	9,671	19,924
Prepays and deposits	23,381	-	-	-	23,381	19,857
	429,958	-	258,875	-	688,833	964,568
Investments	-	-	3,974,756	443,933	4,418,689	2,773,846
Capital assets (Note 3)	-	1,771,207	-	-	1,771,207	1,844,316
	\$ 429,958	\$ 1,771,207	\$ 4,233,631	\$ 443,933	\$ 6,878,729	\$ 5,582,730
Current liabilities						
Accounts payable and accrued liabilities	\$ 113,151	\$ -	\$ -	\$ -	\$ 113,151	\$ 135,657
Deferred revenue	38,621	-	-	-	38,621	7,013
	151,772	-	-	-	151,772	142,670
Deferred government assistance (Note 5)	-	737,090	-	-	737,090	772,512
Net Assets	151,772	737,090	-	-	888,862	915,182
Internally restricted (Note 6)	-	-	4,233,631	443,933	4,677,564	3,212,431
Unrestricted	278,186	-	-	-	278,186	383,313
Invested in capital assets	-	1,034,117	-	-	1,034,117	1,071,804
	278,186	1,034,117	4,233,631	443,933	5,989,867	4,667,548
	\$ 429,958	\$ 1,771,207	\$ 4,233,631	\$ 443,933	\$ 6,878,729	\$ 5,582,730

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, 2014

	Operating Fund	Capital Asset Fund	Reserve Fund	Directed Bequest Fund	2014	2013 (Note 10)
Fund balances, beginning of year	\$ 383,313	\$ 1,071,804	\$ 3,026,155	\$ 186,276	\$ 4,667,548	\$ 3,803,899
Transfers	60,335 (165,462)	(117,573) 79,886	1,097,091 110,385	282,466 (24,809)	1,322,319 -	863,649 -
Fund balance, end of year	\$ 278,186	\$ 1,034,117	\$ 4,233,631	\$ 443,933	\$ 5,989,867	\$ 4,667,548

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, 2014

	Operating Fund	Capital Asset Fund	Reserve Fund	Directed Bequest Fund (Note 7)	2014	2013 (Note 10)
Revenue						
Appeals	\$ 53,684	\$ -	\$ -	\$ -	\$ 53,684	\$ 53,054
Bequests	-	-	852,762	287,395	1,140,157	999,279
Donations	532,097	-	-	-	532,097	460,998
Events	148,414	-	-	-	148,414	119,661
Grants	171,007	-	-	-	171,007	138,324
Investment and other	11,302	-	66,854	-	78,156	107,799
Lotteries	275,663	-	-	-	275,663	257,981
Membership and merchandise sales	78,401	-	-	-	78,401	87,078
Program fees	705,410	-	-	-	705,410	640,492
	1,975,978	-	919,616	287,395	3,182,989	2,864,666
Expenses						
Advertising and promotion	41,935	-	-	-	41,935	42,695
Animal care fees	168,751	-	-	4,929	173,680	189,247
Building repairs and maintenance	58,492	-	-	-	58,492	57,577
Communications	27,384	-	-	-	27,384	33,662
Computer maintenance and supplies	30,897	-	-	-	30,897	21,964
Employee benefits	121,456	-	-	-	121,456	138,472
Equipment repairs and maintenance	17,844	-	-	-	17,844	15,733
Insurance	13,732	-	-	-	13,732	14,069
Interest, bank charges, and investment fees	31,468	-	51,827	-	83,295	83,934
Memberships and dues	7,706	-	-	-	7,706	7,075
Office and postage	31,213	-	-	-	31,213	35,458
Other operating expenses	11,743	-	-	-	11,743	8,667
Professional fees	186,807	-	30,202	-	217,009	159,484
Program awards and supplies	214,049	-	-	-	214,049	220,668
Salaries and wages (Note 8)	861,090	-	-	-	861,090	1,031,466
Travel and hospitality	8,687	-	-	-	8,687	5,079
Utilities	64,382	-	-	-	64,382	66,298
Vehicle	18,007	-	-	-	18,007	25,943
	1,915,643	-	82,029	4,929	2,002,601	2,157,491
Excess (deficiency) of revenues over expenses before other items	60,335	-	837,587	282,466	1,180,388	707,175
Amortization of capital assets	-	(152,995)	-	-	(152,995)	(160,832)
Amortization of government assistance	-	35,422	-	-	35,422	35,421
Unrealized gain on investments	-	-	259,504	-	259,504	281,885
Excess (deficiency) of revenues over expenses	\$ 60,335	\$ (117,573)	\$ 1,097,091	\$ 282,466	\$ 1,322,319	\$ 863,649

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, 2014

	Operating Fund	Capital Asset Fund	Reserve Fund	Directed Bequest Fund	2014	2013
Cash flows from operating activities						
Excess (deficiency) of revenues over expenses	\$ 60,335	\$ (117,573)	\$ 1,097,091	\$ 282,466	\$ 1,322,319	\$ 863,649
Amortization of capital assets	-	152,994	-	-	152,994	160,832
Amortization of deferred government assistance	-	(35,421)	-	-	(35,421)	(35,421)
Transfers	(165,462)	79,886	110,385	(24,809)	-	-
	(105,127)	79,886	1,207,476	257,657	1,439,892	989,060
Net change in accounts receivable	126,292	-	-	-	126,292	(97,225)
Net change in inventory and supplies	10,253	-	-	-	10,253	6,626
Net change in accounts payable and accrued liabilities	(22,506)	-	-	-	(22,506)	35,397
Net change in other operating working capital balances	28,084	-	-	-	28,084	(11,393)
Cash flows from operating activities	36,996	79,886	1,207,476	257,657	1,582,015	922,465
Cash flows from investing activities						
Purchase of investments, net of proceeds	-	-	(1,415,187)	(257,657)	(1,672,844)	(366,254)
Proceeds on disposal of investments	28,000	-	-	-	28,000	-
Purchase of capital assets	-	(79,886)	-	-	(79,886)	(15,722)
Cash flows used in investing activities	28,000	(79,886)	(1,415,187)	(257,657)	(1,724,730)	(381,976)
Net increase (decrease) in cash and cash equivalents	64,996	-	(207,711)	-	(142,715)	540,489
Cash and cash equivalents, beginning of year	306,654	-	466,586	-	773,239	232,750
Cash and cash equivalents, end of year	\$ 371,650	\$ -	\$ 258,875	\$ -	\$ 630,525	\$ 773,239

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, 2014

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. If the Board determines that an amount should be transferred from the Reserve Fund and made available for Operations of the Society, the amount is 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.

Inventory and supplies

Inventory and supplies 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, 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, 2014

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

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 and investment income 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.

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

Notes to Financial Statements

Year Ended December 31, 2014

3. Capital assets

	Cost	Accumulated Amortization	2014 Net book value	2013 Net book value
Land	\$ 221,191	\$ -	\$ 221,191	\$ 221,191
Building	2,279,972	884,324	1,395,648	1,452,647
Computer equipment	64,364	39,498	24,866	19,400
Computer software	23,098	10,066	13,032	2,459
Office equipment	125,436	106,523	18,913	8,401
Shelter equipment	265,230	209,641	55,589	33,305
Animal hospital equipment	82,241	42,209	40,032	46,838
Vehicles	234,314	232,378	1,936	60,075
	<u>\$ 3,295,846</u>	<u>\$ 1,524,639</u>	<u>\$ 1,771,207</u>	<u>\$ 1,844,316</u>

4. Bank indebtedness

The Society has a \$100,000 borrowing facility available bearing interest 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 nil (2013 - nil).

5. Deferred government assistance

	2014	2013
Deferred government assistance - shelter	\$ 1,147,346	\$ 1,147,346
Deferred government assistance - animal hospital	175,160	175,160
Accumulated amortization	(585,416)	(549,994)
	<u>\$ 737,090</u>	<u>\$ 772,512</u>

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 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, 2014

7. Internally restricted - Directed bequest fund

The directed bequest fund honours funds bequeathed to the HBSPCA for specific purposes. Up until the end of 2014, it included as well the Women's Committee Fund, funds raised by a dedicated group of volunteers over several years and to be used for assistance with animal care costs and to build a more humane society. The Women's Committee Fund balance is nil (2013 - \$24,809) having been used to purchase cat kennels to comply with best practice cat housing at the shelter. The McGinley bequest (2013) is intended to be used for free spay neuter for pets in low income households; the HBSPCA has partnered with Community Veterinary Outreach to provide spay neuter services to their clients in Hamilton. The Cichra bequest (2014) will be used for the veterinarian care for homeless animals.

	Opening Balance	Additions	Spending	Ending Balance
Womens committee	\$ 24,809	\$ -	\$ (24,809)	\$ -
McGinley	161,467	-	(4,929)	156,538
Cichra	-	287,395	-	287,395
	\$ 186,276	\$ 287,395	\$ (29,738)	\$ 443,933

8. Salaries and wages

Salaries and wages expensed by function are as follows:

	2014	2013
Administration	\$ 155,158	\$ 277,292
Development	82,482	84,696
Protection, adoption, care and education	623,450	669,478
	\$ 861,090	\$ 1,031,466

Administration salaries and wages represent 8% (2013 - 13%) of the Society's total operating expenses.

9. 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.

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

Notes to Financial Statements

Year Ended December 31, 2014

9. Financial instruments (cont'd.)

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.

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, or currency risks.

10. Comparative information

The comparative figures for 2013 have been reclassified where necessary to conform with the 2014 financial statement presentation.