

Ottawa Humane Society

**FINANCIAL STATEMENTS OF
OTTAWA HUMANE SOCIETY
YEAR ENDED MARCH 31, 2006**

AUDITORS' REPORT

To the Members of the Ottawa Humane Society:

We have audited the statement of financial position of the Ottawa Humane Society as at March 31, 2006, and the statements of operations and 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.

Except as explained in the following paragraph, 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, Ottawa Humane Society derives part of its revenue from donations and other fund-raising sources, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of revenue from these sources was limited to the amounts recorded in the records of the Society and we were not able to determine whether any adjustments might be necessary to revenue, excess or deficiency of revenue over expenses, assets, liabilities 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 sources referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Society as at March 31, 2006 and the results of its operations and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

Raymond Chabot Grant Thornton LLP

Chartered Accountants

Ottawa, Canada
April 28, 2006

OTTAWA HUMANE SOCIETY

Statement of Financial Position

March 31, 2006, with comparative figures for 2005

| | Operating Fund | Trust Fund | Building Fund | Property and Equipment Fund | Total 2006 | Total 2005 |
|-------------------------------|-------------------|---------------------|------------------|-----------------------------|---------------------|---------------------|
| Assets | | | | | | |
| Cash | \$ 282,921 | \$ 255,498 | \$ 46,739 | \$ - | \$ 585,158 | \$ 183,684 |
| Accounts receivable | 101,040 | 2,943 | 625 | - | 104,608 | 75,001 |
| Prepaid expenses and supplies | 53,819 | 5,022 | - | - | 58,841 | 66,443 |
| Other current assets | 14,500 | - | - | - | 14,500 | 14,500 |
| Total Current Assets | 452,280 | 263,463 | 47,364 | - | 763,107 | 339,628 |
| Investments (notes 3 and 4) | 38,810 | 1,107,488 | 450,000 | - | 1,596,298 | 1,203,944 |
| Capital asset (note 5) | - | - | - | 1,539,929 | 1,539,929 | 1,505,999 |
| Interfund balances | (212,765) | 681,092 | (468,327) | - | - | - |
| Total Assets | \$ 278,325 | \$ 2,052,043 | \$ 29,037 | \$ 1,539,929 | \$ 3,899,334 | \$ 3,049,571 |

Liabilities and Fund Balances

Liabilities:

| | | | | | | |
|--|----------------|---------------|----------|----------|----------------|----------------|
| Accounts payable and accrued liabilities | \$ 111,063 | \$ 17,496 | \$ - | \$ - | \$ 128,559 | \$ 197,226 |
| Spay/neuter program (note 6) | 33,887 | - | - | - | 33,887 | 42,499 |
| Deferred revenue | - | - | - | - | - | 200 |
| Total Liabilities | 144,950 | 17,496 | - | - | 162,446 | 239,925 |

Fund balances:

| | | | | | | |
|--------------------------------|---------|-----------|--------|-----------|-----------|-----------|
| Invested in capital assets | - | - | - | 1,539,929 | 1,539,929 | 1,505,999 |
| Internally restricted (note 7) | 8,581 | 2,034,547 | 29,037 | - | 2,072,165 | 1,174,789 |
| Unrestricted | 124,794 | - | - | - | 124,794 | 128,858 |
| | 133,375 | 2,034,547 | 29,037 | 1,539,929 | 3,736,888 | 2,809,646 |

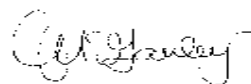
| | | | | | | |
|--|------------|--------------|-----------|--------------|--------------|--------------|
| | \$ 278,325 | \$ 2,052,043 | \$ 29,037 | \$ 1,539,929 | \$ 3,899,334 | \$ 3,049,571 |
|--|------------|--------------|-----------|--------------|--------------|--------------|

Contingency and commitments (notes 9 and 12)

See accompanying notes to financial statements.



President



Treasurer

On behalf of the Board:

OTTAWA HUMANE SOCIETY

Statement of Operations

Year ended March 31, 2006, with comparative figures for 2005

| | Operating Fund | Trust Fund | Building Fund | Property and Equipment Fund | Total 2006 | Total 2005 |
|--|----------------|--------------|---------------|-----------------------------|--------------|--------------|
| OPERATIONS | | | | | | |
| Revenue: | | | | | | |
| Animal shelter | \$ 1,518,753 | \$ — | \$ — | \$ — | \$ 1,518,753 | \$ 1,391,730 |
| Clinic | 19,008 | — | — | — | 19,008 | — |
| Emergency animal protection services | 10,029 | — | — | — | 10,029 | 6,835 |
| Development (note 10) | 1,670,138 | — | — | — | 1,670,138 | 1,646,809 |
| Volunteer/Outreach | 10,155 | — | — | — | 10,155 | 8,776 |
| Donations in kind | 32,394 | 25,714 | — | — | 58,108 | 27,656 |
| Donation from auxiliary (note 8) | — | 10,622 | — | — | 10,622 | 71,110 |
| Bequests | — | 1,125,926 | — | — | 1,125,926 | 354,473 |
| Gain on disposal of investments | — | 42,588 | — | — | 42,588 | 9,459 |
| Investment income | 59,400 | — | — | — | 59,400 | 43,774 |
| Other | 6,000 | — | — | — | 6,000 | 68,505 |
| Life memberships | — | 500 | — | — | 500 | 300 |
| Building fund donations | — | — | 167 | — | 167 | — |
| | 3,325,877 | 1,205,350 | 167 | — | 4,531,394 | 3,629,427 |
| Expenses: | | | | | | |
| Animal shelter | 1,439,315 | — | — | — | 1,439,315 | 1,546,839 |
| Clinic | 179,803 | — | — | — | 179,803 | 7,288 |
| Emergency animal protection services | 302,195 | — | — | — | 302,195 | 301,593 |
| Development | 598,266 | — | — | — | 598,266 | 583,282 |
| Volunteer/Outreach | 329,636 | — | — | — | 329,636 | 223,671 |
| Premises | 154,179 | — | — | — | 154,179 | 151,547 |
| Central services | 326,574 | — | — | — | 326,574 | 301,870 |
| Building | — | — | 21,130 | — | 21,130 | — |
| Projects | — | 166,156 | — | — | 166,156 | 218,300 |
| Amortization | — | — | — | 86,898 | 86,898 | 75,288 |
| | 3,329,968 | 166,156 | 21,130 | 86,898 | 3,604,152 | 3,409,678 |
| Excess (deficiency) of revenue over expenses | \$ (4,091) | \$ 1,039,194 | \$ (20,963) | \$ (86,898) | \$ 927,242 | \$ 219,749 |

See accompanying notes to financial statements.

OTTAWA HUMANE SOCIETY

Statement of Changes in Fund Balances

Year ended March 31, 2006, with comparative figures for 2005

| | <u>Operating Fund</u> | | Trust fund | Building fund | Property and Equipment fund | Total 2006 | Total 2005 |
|--|--------------------------------------|--------------|---------------|------------------|-----------------------------------|---------------|---------------|
| | Internally Restricted (note 7) | Unrestricted | | | | | |
| Fund balances, beginning of year | \$ 8,608 | \$ 128,858 | \$ 1,166,181 | \$ – | \$ 1,505,999 | \$ 2,809,646 | \$ 2,589,897 |
| Excess (deficiency) of revenue over expenses | – | (4,091) | 1,039,194 | (20,963) | (86,898) | 927,242 | 219,749 |
| Purchase of capital assets | – | – | (120,828) | – | 120,828 | – | – |
| Drawdown of internally restricted funds (note 7) | (27) | 27 | – | – | – | – | – |
| Interfund transfers | – | – | (50,000) | 50,000 | – | – | – |
| Fund balances, end of year | \$ 8,581 | \$ 124,794 | \$ 2,034,547 | \$ 29,037 | \$ 1,539,929 | \$ 3,736,888 | \$ 2,809,646 |

See accompanying notes to financial statements.

OTTAWA HUMANE SOCIETY

Statement of Cash Flows

Year ended March 31, 2006, with comparative figures for 2005

| | 2006 | 2005 |
|--|-------------------|-------------------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Excess of revenue over expenses | \$ 927,242 | \$ 219,749 |
| Items not involving cash: | | |
| Amortization | 86,898 | 75,288 |
| Change in non-cash working capital (note 2) | (99,484) | 41,094 |
| | <u>914,656</u> | <u>336,221</u> |
| Financing and investing activities: | | |
| Capital assets purchased | (120,828) | (243,141) |
| Gain on disposal of investments | (42,588) | (9,549) |
| Net change in investments | (349,766) | (94,413) |
| | <u>(513,182)</u> | <u>(347,103)</u> |
| Increase (decrease) in cash and cash equivalents | 401,474 | (10,882) |
| Cash, beginning of year | 183,684 | 194,566 |
| Cash, end of year | <u>\$ 585,158</u> | <u>\$ 183,684</u> |

See accompanying notes to financial statements.

OTTAWA HUMANE SOCIETY

Notes to Financial Statements

Year ended March 31, 2006

The Ottawa Humane Society (the "Society") was incorporated without share capital on November 29, 1933 under the Ontario Business Corporations Act. The Society is a non-profit organization with a mandate to encourage individuals to take responsibility for their animal companions, provide leadership in the humane treatment of all animals and to provide care for neglected, abandoned or exploited animals. The Society is authorized to issue income tax receipts for donations in accordance with Federal Income Tax regulations and is exempt from taxation under the provisions of Paragraph 149(1)(f) of the Federal Income Tax Act.

1. Summary of significant accounting policies:

The following is a summary of significant accounting policies followed by the Society:

(a) Fund accounting:

The accounts of the Society are maintained in accordance with the principles of fund accounting, applying the restricted fund method. Resources received and expended are classified for accounting and reporting purposes into funds according to objectives specified externally by donors or internally by the Board of Directors.

The Operating Fund reflects the daily operating activities of the Society. Included in the operating fund are three internally restricted funds, the SAVE Fund, the Feral Cat Fund and the Rainbow Bridge Fund.

The Trust Fund represents monies received from life memberships, bequests (unless otherwise designated by the donors) and specified donations. Interest and dividends earned on the Trust Fund investments is to be used for current operations. Trust Fund expenditures require the approval by a 2/3 majority of the Board of Directors and include primarily capital expenditures, legacy giving and unusual expenditures.

The Property and Equipment Fund reports the assets, liabilities, revenues and expenses related to the Society's capital assets. The Property and Equipment Fund has recognized assets and reported only amortization expense for the year ended March 31, 2006.

The Building Fund represents monies received specifically designated towards the purchase of land and construction of a new building.

(b) Investments:

Investments are considered long-term in nature and are valued at cost. Unrealized losses in value are recognized when the losses are considered other than a temporary decline.

(c) Prepaid expenses and supplies:

Inventory of supplies, included in prepaid expenses and supplies, is recorded at the lower of cost and net realizable value, with cost being determined on the first-in, first-out basis.

OTTAWA HUMANE SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2006

1. Summary of significant accounting policies (continued):

(d) Capital assets:

Capital assets, other than donated equipment, are recorded at cost and are amortized over their useful lives. Donated equipment is recorded at fair market value at the date of acquisition. Amortization expense is recorded in the Property and Equipment Fund and is provided using the following annual rates and methods:

| Asset | Basis | Annual rate |
|--------------------------------|-------------------|-------------|
| Building | Declining balance | 2.5% |
| Computer hardware and software | Declining balance | 20% |
| Furniture and equipment | Declining balance | 10% |
| Automotive equipment | Declining balance | 25% |
| Fencing | Declining balance | 5% |
| Parking lot | Declining balance | 4% |

Funds for the purchase of capital assets are provided by the Trust Fund or by specific donations.

(e) Revenue recognition:

The Society follows the deferral method of accounting for contributions. Under this method, contributions restricted for future period expenses are deferred and are recognized as revenue in the year in which the related expenses are incurred.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Pledges and bequests are not recorded in the financial statements until received.

Investment income is recognized as it is earned as income of the Operating Fund, regardless of which fund the investment is recorded.

(f) Contributed services:

Volunteers contribute a significant number of hours per year to assist the Society in carrying out its activities. Because of the difficulty of determining their fair market value, contributed services are not recognized in the financial statements.

(g) Donations in kind:

Donations in kind are recorded at fair market value at the date of receipt, when fair market value can be reasonably estimated.

OTTAWA HUMANE SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2006

1. Summary of significant accounting policies (continued):

(h) Use of estimates:

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. These estimates are based on management's best knowledge of current events and actions that the Society may undertake in the future. Actual results may differ from these estimates.

2. Information included in the Statement of Cash Flows:

| | 2006 | 2005 |
|--|-------------|-------------|
| Accounts receivable | \$ (29,607) | \$ 3,003 |
| Prepaid expenses and supplies | 7,602 | (26,250) |
| Other current assets | - | - |
| Accounts payable and accrued liabilities | (68,667) | 71,164 |
| Spay/neuter program | (8,612) | (4,269) |
| Deferred revenue | (200) | (2,554) |
| Changes in working capital | \$ (99,484) | \$ 41,094 |

OTTAWA HUMANE SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2006

3. Investments:

The Operating Fund holds an investment in a time share vacation property which was recorded at its fair market value when it was donated to the Society in 2002. It is used as a means to raise funds for the Society each year by way of a lottery. The Society is responsible for the annual maintenance fees of approximately \$1,000. Given the limited resale market for such properties, the market value of the investment as at March 31, 2006 is not readily determinable.

Investments in the Trust Fund and Building Fund at March 31 consist of the following:

| | Cost | 2006 Market value | Cost | 2005 Market value |
|-----------------------------------|---------------------|----------------------------------|---------------------|----------------------------------|
| Cash equivalents | \$ 99,409 | \$ 99,801 | \$ 112,658 | \$ 112,658 |
| Fixed income securities | 1,061,784 | 1,049,207 | 676,610 | 681,602 |
| Equity securities | 396,265 | 442,333 | 375,866 | 410,362 |
| Total Investments | \$ 1,557,488 | \$ 1,591,341 | \$ 1,165,134 | \$ 1,204,622 |
| Investments held by Trust Fund | \$ 1,107,488 | | | |
| Investments held by Building Fund | \$ 450,000 | | | |

A Board of Directors resolution was passed during the year to transfer \$450,000 in investments from the Trust Fund to the Building Fund.

4. Line of credit:

The Society has an available line of credit in the amount of \$150,000. The line of credit bears interest at prime plus 1%, is due on demand and is secured by investments of the Society (note 3). As at March 31, 2006, the balance outstanding on the line of credit is \$Nil (2005 – \$Nil).

OTTAWA HUMANE SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2006

5. Capital assets:

| | 2006 Cost | 2006 Accumulated amortization | Net book value | 2005 Net book value |
|-------------------------|---------------------|-------------------------------------|---------------------|---------------------------|
| Land | \$ 93,293 | \$ | \$ 93,293 | \$ 93,293 |
| Building | 1,611,775 | 545,101 | 1,066,674 | 1,063,352 |
| Computer hardware | 179,635 | 102,908 | 76,727 | 71,907 |
| Computer software | 105,118 | 57,259 | 47,859 | 45,720 |
| Furniture and equipment | 444,938 | 235,481 | 209,457 | 172,908 |
| Automotive equipment | 142,878 | 105,479 | 37,399 | 49,867 |
| Fencing | 11,969 | 4,877 | 7,092 | 7,464 |
| Parking lot | 3,000 | 1,572 | 1,428 | 1,488 |
| | \$ 2,592,606 | \$ 1,052,677 | \$ 1,539,929 | \$ 1,505,999 |

Cost and accumulated amortization as at March 31, 2005 amounted to \$ 2,471,775 and \$ 965,776 respectively.

6. Spay/Neuter Program:

The spay/neuter program was established to address the problem of pet overpopulation. The adoption fee for an animal includes a fee for having the animal spayed/neutered. At the time of adoption, a voucher, which entitles the animal to be spayed/neutered by a participating veterinarian, is issued to the customer for which spay/neuter expense is booked. After seven months, any unused vouchers are cancelled and the expense is reversed in the Society's books. At March 31, 2006, \$33,887 (2005 - \$42,499) of unused vouchers outstanding have been included as a liability in the statement of financial position.

7. Internally restricted funds:

Within the Operating Fund, the Board of Directors has chosen to internally restrict the following funds:

| | Balance, Beginning of year | Additions (draw-down) | Balance, End of year |
|---------------------|-------------------------------|--------------------------|-------------------------|
| SAVE Fund | \$ 3,067 | 300 | \$ 3,367 |
| Feral Cat Fund | 4,272 | (206) | 4,066 |
| Rainbow Bridge Fund | 1,269 | (121) | 1,148 |
| | \$ 8,608 | \$ (27) | \$ 8,581 |

OTTAWA HUMANE SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2006

(i) SAVE Fund:

The SAVE Fund is used to pay for medical treatment for otherwise adoptable sick or injured animals, where no other source of funding for this treatment is available. During the year \$12,302 was used to pay for medical treatment of otherwise adoptable animals and \$12,275 was received as restricted donations

(ii) Feral Cat Fund:

The Feral Cat Fund is used for expenses associated with stabilizing feral cat colonies including veterinary bills, traps, transportation costs and extraordinary costs on the part of those who care for the colonies.

(iii) Rainbow Bridge Fund:

The Rainbow Bridge Fund is used for expenses associated with the cost of veterinary recommended euthanasia when no other source of funds is available to a member of the public.

8. Donation from Auxiliary:

In order to facilitate the issuance of income tax receipts, Auxiliary funds are maintained in a Society account. Revenues are recognized on receipt and expenses are recognized when incurred and are paid at the request of the Auxiliary. Funds are released for OHS activities from time to time when approved by the Auxiliary membership.

During the year ended March 31, 2006, the Society recognized revenue of \$10,622 (2005 - \$ 71,110) of funds received from the Ottawa Humane Society Auxiliary.

9. Lease commitments:

The Society has future operating lease commitments for equipment as follows:

| | | |
|------|----|-----------|
| 2007 | \$ | 16,228 |
| 2008 | | 15,133 |
| 2009 | | 13,856 |
| 2010 | | 13,856 |
| 2011 | | 7,487 |
| | | <hr/> |
| | | \$ 66,560 |

OTTAWA HUMANE SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2006

10. Development revenue:

| | 2006 | 2005 |
|--------------------|--------------|--------------|
| Individual Support | \$ 1,250,111 | \$ 1,217,377 |
| Group Support | 78,900 | 70,322 |
| Special Events | 341,127 | 359,110 |
| | <hr/> | <hr/> |
| | \$ 1,670,138 | \$ 1,646,809 |

11. Financial instruments:

The following methods and assumptions were used to determine the estimated fair value of each class of financial instruments.

Short-term financial instruments

The fair value of the short-term financial assets and liabilities approximates their carrying amount given that they will mature shortly.

Investments

The fair value of investments is based on the current bid price less estimated broker's commission.

12. Contingency:

The Ottawa Humane Society is a defendant in various legal actions, the outcomes of which are not determinable as at the date of these financial statements, against which the OHS is often insured. Settlements, if any, will be accounted for in the period when these amounts can be reasonably determined and to the extent that the amounts are not recoverable from insurers. The Ottawa Humane Society is vigorously defending these actions.