



Ottawa Humane Society

**FINANCIAL STATEMENTS OF  
OTTAWA HUMANE SOCIETY  
YEAR ENDED MARCH 31, 2008**

## 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, 2008, and the statements of operations, 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, 2008 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,  
Licensed Public Accountants

Ottawa, Canada  
May 26, 2008

# OTTAWA HUMANE SOCIETY

Statement of Financial Position

March 31, 2008, with comparative figures for 2007

	Operating Fund	Trust Fund	Building Fund	Property and Equipment Fund	Total 2008	Total 2007 (restated)
<b>Assets</b>						
Cash	\$ 295,964	\$ 314,470	\$ 57,707	\$ –	\$ 668,141	\$ 524,896
Short-term investments (note 7)	50,000	–	–	–	50,000	150,000
Accounts receivable	85,624	7,690	1,209	–	94,523	58,056
Prepaid expenses and supplies	89,191	6,886	254,868	–	350,945	81,768
Other current assets	–	–	–	–	–	14,500
<b>Total Current Assets</b>	<b>520,779</b>	<b>329,046</b>	<b>313,784</b>	<b>–</b>	<b>1,163,609</b>	<b>829,220</b>
Investments (notes 7 and 8)	38,810	2,124,552	387,526	–	2,550,888	2,128,153
Capital assets (note 9)	–	–	–	1,703,138	1,703,138	1,616,559
Interfund balances	77,175	218,380	(295,555)	–	–	–
<b>Total Assets</b>	<b>\$ 636,764</b>	<b>\$ 2,671,978</b>	<b>\$ 405,755</b>	<b>\$ 1,703,138</b>	<b>\$ 5,417,635</b>	<b>\$ 4,573,932</b>

## Liabilities and Fund Balances

### Liabilities:

Accounts payable and accrued liabilities (note 2)	\$ 349,639	\$ 4,781	\$ 1,131	\$ –	\$ 355,551	\$ 346,853
Spay/neuter program (note 10)	6,827	–	–	–	6,827	9,100
<b>Total Liabilities</b>	<b>356,466</b>	<b>4,781</b>	<b>1,131</b>	<b>–</b>	<b>362,378</b>	<b>355,953</b>

### Fund balances:

Invested in capital assets	–	–	–	1,703,138	1,703,138	1,616,559
Internally restricted	–	2,667,197	404,624	–	3,071,821	2,436,629
Unrestricted (note 2)	280,298	–	–	–	280,298	164,791
<b>Total Fund Balances</b>	<b>280,298</b>	<b>2,667,197</b>	<b>404,624</b>	<b>1,703,138</b>	<b>5,055,257</b>	<b>4,217,979</b>

<b>Total Liabilities and Fund Balances</b>	<b>\$ 636,764</b>	<b>\$ 2,671,978</b>	<b>\$ 405,755</b>	<b>\$ 1,703,138</b>	<b>\$ 5,417,635</b>	<b>\$ 4,573,932</b>
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Contingency and commitments (notes 14 and 15)

See accompanying notes to financial statements.

On behalf of the Board:

Bob Osterhout, President

Chris Finlay, Treasurer




# OTTAWA HUMANE SOCIETY

## Statement of Operations

Year ended March 31, 2008, with comparative figures for 2007

	Operating Fund	Trust Fund	Building Fund	Property and Equipment Fund	Total 2008	Total 2007 (restated)
<b>Revenue:</b>						
Animal shelter	\$ 1,534,986	\$ -	\$ -	\$ -	\$ 1,534,986	\$ 1,582,019
Clinic	14,027	-	-	-	14,027	19,585
Emergency animal protection services	11,990	-	-	-	11,990	13,861
Development (note 13)	2,005,683	-	-	-	2,005,683	1,796,855
Volunteer/Outreach	4,847	-	-	-	4,847	17,326
Donations in kind	1,272	2,886	29,868	-	34,026	59,561
Donation from auxiliary (note 11)	-	9,405	-	-	9,405	52,158
Bequests	-	962,112	-	-	962,112	685,426
Gain (Loss) on disposal of assets	-	14,028	(17)	(13,972)	39	(3,367)
Investment income	67,572	-	6,108	-	73,680	78,265
Other	26,409	-	-	-	26,409	-
Life memberships	-	-	-	-	-	520
Building fund donations	-	-	50,157	-	50,157	48,271
	3,666,786	988,431	86,116	(13,972)	4,727,361	4,350,480
<b>Expenses:</b>						
Animal shelter (note 2)	1,503,199	-	-	-	1,503,199	1,509,629
Clinic	243,581	-	-	-	243,581	232,606
Emergency animal protection services	293,375	-	-	-	293,375	311,556
Development	585,568	-	-	-	585,568	550,055
Volunteer/Outreach	368,017	-	-	-	368,017	351,172
Premises	150,413	-	-	-	150,413	158,089
Central services	378,429	-	-	-	378,429	344,728
Building	-	-	141,176	-	141,176	122,266
Projects	-	133,983	-	-	133,983	143,068
Amortization of capital assets	-	-	-	111,998	111,998	96,482
	3,522,582	133,983	141,176	111,998	3,909,739	3,819,651
Excess (deficiency) of revenue over expenses	\$ 144,204	\$ 854,448	\$ (55,060)	\$ (125,970)	\$ 817,622	\$ 530,829

See accompanying notes to financial statements.

# OTTAWA HUMANE SOCIETY

## Statement of Changes in Fund Balances

Year ended March 31, 2008, with comparative figures for 2007

	Operating Fund	Trust Fund	Building Fund	Property and Equipment Fund	Total 2008	Total 2007 (restated)
Fund balances, beginning of year, as previously reported	\$ 223,395	\$ 1,990,351	\$ 446,278	\$ 1,616,559	\$ 4,276,583	\$ 3,736,888
Correction of prior period error (note 2)	(58,604)	—	—	—	(58,604)	(49,738)
Fund balances, as restated	164,791	1,990,351	446,278	1,616,559	4,217,979	3,687,150
Excess (deficiency) of revenue over expenses	144,204	854,448	(55,060)	(125,970)	817,622	530,829
Acquisition of capital assets	—	(212,549)	—	212,549	—	—
Interfund transfers	(28,697)	13,904	14,793	—	—	—
	280,298	2,646,154	406,011	1,703,138	5,035,601	4,217,979
Unrealized gains on available for sale financial assets arising prior to April 1, 2007	—	85,637	—	—	85,637	—
Variation in unrealized gains on available for sale investments during the year	—	(43,469)	(1,387)	—	(44,856)	—
Reclassification adjustments for gains and losses included in excess of revenues over expenses	—	(21,125)	—	—	(21,125)	—
Fund balances, end of year	\$ 280,298	\$ 2,667,197	\$ 404,624	\$ 1,703,138	\$ 5,055,257	\$ 4,217,979

See accompanying notes to financial statements.

# OTTAWA HUMANE SOCIETY

## Statement of Cash Flows

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007 (restated)
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 817,622	\$ 530,829
Items not involving cash:		
Amortization of capital assets	111,998	96,482
Loss on disposal of capital assets	10,671	8,812
Loss on disposal of other assets	9,761	-
Gain on disposal of investments	(20,472)	(5,445)
Change in non-cash working capital (note 6)	(284,721)	17,394
	<u>644,859</u>	<u>648,072</u>
Financing and investing activities:		
Redemption of short-term investment	100,000	-
Acquisition of capital assets	(212,549)	(181,924)
Net change in investments	(389,065)	(526,410)
	<u>(501,614)</u>	<u>(708,334)</u>
Increase (decrease) in cash	143,245	(60,262)
Cash, beginning of year	524,896	585,158
Cash, end of year	<u>\$ 668,141</u>	<u>\$ 524,896</u>

See accompanying notes to financial statements.

# OTTAWA HUMANE SOCIETY

Notes to Financial Statements

Year ended March 31, 2008

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## **1. Governing Status and Purpose of the Organization:**

The Ottawa Humane Society (the "Society" or "OHS") 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.

## **2. Correction of Prior Period Error:**

During the audit process, the Society uncovered prior period errors, which had not previously been accounted for. The errors related to missing accrued vacation expenses in prior fiscal years. These changes have affected the Operating Fund account which has led to a decrease of \$49,738 to opening fund balances, an increase in animal shelter expense of \$8,866 as well as an increase in accounts payable and accrued liabilities of \$58,604 for the year ended March 31, 2007.

## **3. Accounting Changes:**

On January 1, 2007, in accordance with the applicable transitional provisions, the Society applied the recommendations of new Section 1506, "Accounting Changes", of the Canadian Institute of Chartered Accountants' Handbook. This new section, effective for the years beginning on or after January 1, 2007, prescribes the criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors. Furthermore, the new standard requires the communication of the new primary sources of GAAP that are issued but not yet effective or not yet adopted by the Society. The new standard has no impact on the Society's financial results.

On January 1, 2007, in accordance with the applicable transitional provisions, the Society adopted the new recommendations in Sections 3855, "Financial Instruments – Recognition and Measurement", and 3861, "Financial Instruments – Disclosure and Presentation", of the Canadian Institute of Chartered Accountants' Handbook.

Sections 3855 and 3861 deal with the recognition, measurement, presentation and disclosure of financial instruments and non-financial derivatives in the financial statements. The transitional provisions of these sections require that the Society remeasure the financial assets and liabilities as appropriate at the beginning of its fiscal year. Any adjustment of the previous carrying amount is recognized as an adjustment of the balance of fund balances at the beginning of the fiscal year of initial application. The financial statements of prior fiscal years are not restated.

# OTTAWA HUMANE SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2008

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### 3. Accounting Changes (continued):

Adoption of these new recommendations resulted in the following impacts on the classification and measurement of the Society's financial instruments, which were previously recognized at cost:

Cash is classified as a held-for-trading financial asset. It is measured at fair value and changes in fair value are recognized in the Statement of Operations. This change had no impact on the financial statements as at March 31, 2008;

Accounts receivable are classified as loans and receivables. They are measured at amortized cost, which is generally the initially recognized amount, less any allowance for doubtful accounts. This change had no impact on the financial statements as at March 31, 2008;

Investments are classified as available-for-sale investments. The investments are recognized at fair value and changes in fair value are recognized in the statement of changes in Fund Balances until the investments are sold or are impaired. As at March 31, 2007, the carrying amount and fair value of the investments were \$2,089,343 and \$2,174,980 respectively. This change led to an increase in Investments and Fund Balances of \$85,637 as at April 1, 2007 and a decrease in Investments and Fund Balances of \$44,856 as at March 31, 2008 and for the year then ended;

Accounts payable and accrued liabilities are classified as other financial liabilities. They are measured at amortized cost using the effective interest method. This change had no impact on the financial statements as at March 31, 2008.

### 4. 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.

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.

# OTTAWA HUMANE SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2008

## 4. Summary of Significant Accounting Policies (continued):

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, 2008.

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 fair value.

(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.

(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 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.

# OTTAWA HUMANE SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2008

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## 4. Summary of Significant Accounting Policies (continued):

Investment income is recognized as it is earned as income of the Operating Fund, regardless of the fund in which 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 value, contributed services are not recognized in the financial statements.

### (g) Donations in kind:

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

### (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.

## 5. Future Accounting Standards:

In June 2007, the Canadian Institute of Chartered Accountants modified Section 1400, "General Standards of Financial Statement Presentation", in order to require that management make an assessment of the Society's ability to continue as a going concern over a period which is at least, but is not limited to, twelve months from the balance sheet date. These new requirements are effective for fiscal years beginning on or after January 1, 2008 and the Society will implement them as of April 1, 2008. The new requirements only address disclosures and will have no impact on the Society's financial results.

In June 2007, the Canadian Institute of Chartered Accountants published Section 3031, "Inventories", which replaces Section 3030 of the same title. The new section provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories.

The changes to this section affect the following, in particular:

Certain costs, such as storage costs and general and administrative expenses that do not contribute to bringing the inventories to their present location and condition, are precisely excluded from the cost of inventories and expensed during the year in which they are incurred;

# OTTAWA HUMANE SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2008

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## 5. Future Accounting Standards (continued):

The reversal of the write-down to net realization value amounts when there is a subsequent increase in the value of the inventories is now required;

The valuation of inventory at the lower of cost and replacement cost is no longer allowed;

The new standard also requires additional disclosures.

This new standard is effective for fiscal years beginning on or after January 1, 2008 and the Society will implement it as of April 1, 2008. The Society's management is not able to measure the impact that application of this new standard will have on the financial statements.

## 6. Information included in the Statement of Cash Flows:

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	2008	2007
Accounts receivable	\$ (36,467)	\$ 46,552
Prepaid expenses and supplies	(269,177)	(22,927)
Other current assets	14,500	(150,000)
Accounts payable and accrued liabilities	8,696	168,556
Spay/neuter program	(2,273)	(24,787)
<u>Changes in non-cash working capital</u>	<u>\$ (284,721)</u>	<u>\$ 17,394</u>

## 7. Investments:

The Operating Fund holds an investment in a time share vacation property which was recorded at its fair value of \$38,810 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, 2008 is not readily determinable.

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

# OTTAWA HUMANE SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2008

## 7. Investments (continued):

	2008	2007
Other investments	\$ 211,917	\$ 162,374
Fixed income securities	1,565,557	1,325,687
Equity securities	734,605	686,919
<b>Total Investments</b>	<b>\$ 2,512,079</b>	<b>\$ 2,174,980</b>
Investments held by Trust Fund	\$ 2,124,552	\$ 1,724,980
Investments held by Building Fund	\$ 387,527	\$ 450,000

Fixed income securities consist of mortgage backed securities issued by Canada Mortgage and Housing Corporation with maturities ranging from September 2009 to September 2015 (2007 – June 2007 to September 2015), and interest ranging from 3.55% to 5.55% (2007 – 3.37% to 5.5%).

Equities are securities in publicly traded companies.

Other investments consist of mutual funds and Government of Canada Treasury Bills with maturities ranging from April 2008 to December 2011.

Investments that will mature over the next 12 months have been presented as long term investments as it is the Society's intention to reinvest upon maturity.

Short term investments consist of a guaranteed investment certificate with an interest rate of 2.75%.

## 8. 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 7). As at March 31, 2008, the balance outstanding on the line of credit is \$Nil (2007 – \$Nil).

# OTTAWA HUMANE SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2008

## 9. Capital assets:

	Cost	2008 Accumulated amortization	Net book value	2007 Net book value
Land	\$ 93,293	\$ –	\$ 93,293	\$ 93,293
Building	1,691,033	599,198	1,091,835	1,057,575
Computer hardware	226,163	140,120	86,043	86,066
Computer software	109,425	74,919	34,506	38,287
Furniture and equipment	558,613	288,384	270,229	262,775
Automotive equipment	223,799	104,283	119,516	70,455
Fencing	11,968	5,568	6,400	6,737
Parking lot	3,000	1,684	1,316	1,371
	<u>\$ 2,917,294</u>	<u>\$ 1,214,156</u>	<u>\$ 1,703,138</u>	<u>\$ 1,616,559</u>

Cost and accumulated amortization as at March 31, 2007 amounted to \$ 2,737,377 and \$ 1,120,818 respectively.

## 10. Spay/Neuter Program:

The spay/neuter program was established to address the problem of pet overpopulation. In the 2007/08 fiscal year, the Society made changes to the program, and discontinued the issuing of vouchers for spay/neuter.

The majority of animals are now spayed/neutered prior to adoption. Where surgery cannot be performed prior to adoption because of the animal's condition, age, or weight, the adopter is entitled to a deposit refund of \$80, once they have had their pet spayed/neutered. The \$80 is booked at adoption. After seven months, unclaimed deposit refunds are cancelled in the Society's books. At March 31, 2008, \$6,827 of as yet unclaimed deposits have been included as a liability in the statement of financial position (2007 - \$9,100).

## 11. 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, 2008, the Society recognized revenue of \$21,905 (2007 - \$ 52,158) of funds received from the Ottawa Humane Society Auxiliary.

# OTTAWA HUMANE SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2008

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## 12. Lease Commitments:

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

2009	\$	17,431
2010		18,167
2011		10,428
2012		8,880
	\$	<u>54,906</u>

## 13. Development Revenue:

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	2008	2007
Individual Support	\$ 1,542,388	\$ 1,391,834
Group Support	100,379	81,748
Special Events	362,916	323,273
	<u>\$ 2,005,683</u>	<u>\$ 1,796,855</u>

## 14. Contingency:

The Ottawa Humane Society is a defendant in legal action, the outcome of which is not determinable as at the date of these financial statements, against which the OHS may be partially insured. The settlement, if any, will be accounted for in the period when this amount can be reasonably determined and to the extent that the amount is not recoverable from insurers. The Ottawa Humane Society is vigorously defending this action.

## 15. Commitments

The Society is committed to purchase a parcel of land on or before December 14, 2008, with the intention of building a new facility at that site in the future. The total purchase price of the land is \$1,767,000, of which the Society has made a deposit of \$250,000. The total remaining amount to be paid is \$1,517,000.

## 16. Comparative figures:

Certain comparative figures have been reclassified to conform with the presentation adopted in the current year.