



Ottawa Humane Society

Financial Statements

For the year ended March 31, 2011

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Financial Statements
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Independent Auditor's Report

To the Members of the Ottawa Humane Society

Report on the Financial Statements

We have audited the accompanying financial statements of the Ottawa Humane Society, which comprise the statement of financial position as at March 31, 2011 and the statements of 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 generally accepted accounting principles, 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.

Auditor's 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 of our qualified audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, the Ottawa Humane Society derives part of its revenue from donations and other fundraising sources the completeness of which is not susceptible of satisfactory audit verification. Accordingly our verification of these revenues was limited to the amounts recorded in the records of the Ottawa Humane Society. The predecessor auditor's audit opinion on the financial statements for the year ended March 31, 2010 was qualified because of the possible effects of this limitation in scope. We, and the predecessor auditor respectively, were not able to determine whether any adjustments might be necessary to these revenues and the excess or deficiency of revenue over expenses for the years ended March 31, 2011 and 2010, assets and liabilities as at March 31, 2011 and 2010 and fund balances at both the beginning and end of the March 31, 2011 and 2010 years.

Independent Auditor's Report (continued)

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 Ottawa Humane Society as at March 31, 2011, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Other Matter

The financial statements of the Ottawa Humane Society for the year ended March 31, 2010 were audited by another auditor who expressed a qualified opinion on those financial statements on June 17, 2010 for the reasons described in the Basis for Qualified Opinion Paragraph before the amendments explained in Note 14 to the financial statements which describes the prior period corrections and the reclassification of the statement of cash flows, and the change in presentation of the statement of financial position explained in Note 15 to the financial statements, that were applied to amend the March 31, 2010 financial statements.

Report on Other Legal and Regulatory Requirements

As required by the Ontario Corporations Act, we report that, in our opinion, the accounting principles in Canadian generally accepted accounting principles have been applied, after giving retrospective effect to the prior period reclassification with respect to the presentation of the Ottawa Humane Society's statement of cash flows and the prior period corrections as explained in Notes 14 a. and 14 b. to the financial statements, the retrospective effect to the change in presentation of the statement of financial position as explained in Note 15 to the financial statements, and except for the prospective change as further explained in Note 14 c. to these financial statements, on a basis consistent with that of the preceding year.

Collins Barrow Ottawa LLP

Chartered Accountants, Licensed Public Accountants
June 21, 2011
Ottawa, Ontario

Ottawa Humane Society Statement of Financial Position

March 31	2011	(Note 15) 2010
Assets		
Current		
Cash (Note 1)	\$ 1,491,864	\$ 532,227
Accounts receivable (Note 2)	880,986	290,598
Prepaid expenses and supplies (Note 3)	155,936	76,852
	2,528,786	899,677
Non-current		
Investments (Note 4)	4,181,057	4,753,182
Capital assets (Note 5)	13,974,675	4,395,798
	18,155,732	9,148,980
	\$ 20,684,518	\$ 10,048,657

Liabilities and Fund Balances

Current		
Accounts payable and accrued liabilities (Note 6)	\$ 2,296,473	\$ 488,645
Spay and neuter program	-	453
Bank loan (Note 7)	4,007,226	-
	6,303,699	489,098
Fund balances (Notes 13 and 14)		
Restricted		
Trust Fund	4,238,592	4,108,341
Building Fund (deficit)	(4,280,140)	3,335,873
Property and Equipment Fund	13,974,675	1,735,289
Unrestricted		
Operating Fund	447,692	380,056
	14,380,819	9,559,559
	\$ 20,684,518	\$ 10,048,657

On behalf of the Board:

(Signed) _____
Robert Cameron
President

(Signed) _____
Chuck Rifici
Treasurer

Ottawa Humane Society Statement of Changes in Fund Balances

For the year ended March 31, 2011

	Restricted					(Restated)	
	Operating Fund	Trust Fund	Building Fund	Property and Equipment Fund	Total Restricted	Total Funds 2011	Total Funds 2010
Fund balances , before unrealized gain/loss on available for sale financial assets, beginning of year as previously reported	\$ 380,056	\$ 4,006,009	\$ 3,091,911	\$ 1,735,289	\$ 8,833,209	\$ 9,213,265	\$ 8,233,259
Retrospective restatement of prior period (Note 14 a.)	-	-	197,348	-	197,348	197,348	-
Balances , beginning of year as retroactively restated (Note 14 c.)	380,056	4,006,009	3,289,259	1,735,289	9,030,557	9,410,613	-
Prospective restatement of unrealized gain/loss on investments (Note 14 c.)	-	75,044	50,737	-	125,781	125,781	-
Balances , beginning of year as retrospectively and prospectively restated (Note 14 c.)	380,056	4,081,053	3,339,996	1,735,289	9,156,338	9,536,394	8,233,259
Excess (deficiency) of revenue over expenses for the year	88,345	178,099	4,613,057	(152,800)	4,638,356	4,726,701	1,177,354
Interfund transfers	(20,709)	(138,284)	(12,233,193)	12,392,186	20,709	-	-
Balances , end of year before unrealized gain/loss on available for sale financial assets	447,692	4,120,868	(4,280,140)	13,974,675	13,815,403	14,263,095	9,410,613
Unrealized gain/loss on available for sale financial assets , beginning of year as previously reported	-	102,332	46,614	-	148,946	148,946	160,593
Prospective restatement of unrealized gain/loss on investments (Note 14 c.)	-	(75,044)	(50,737)	-	(125,781)	(125,781)	-
Unrealized gain/loss on available for sale financial assets , beginning of year as prospectively restated (Note 14 c.)	-	27,288	(4,123)	-	23,165	23,165	(160,593)
Variation in unrealized gain/loss on available for sale investments during the year	-	90,436	4,123	-	94,559	94,559	309,539
Unrealized gain/loss on available for sale financial assets , end of year	-	117,724	-	-	117,724	117,724	148,946
Fund balances (deficit) , end of year	\$ 447,692	\$ 4,238,592	\$ (4,280,140)	\$ 13,974,675	\$ 13,933,127	\$ 14,380,819	\$ 9,559,559

Ottawa Humane Society Statement of Operations

For the year ended March 31, 2011

	Operating Fund	Trust Fund	Building Fund	Property and Equipment Fund	Total Funds 2011	(Restated) Total Funds 2010
Revenue (Note 8)						
Animal shelter	\$ 1,564,385	\$ -	\$ -	\$ -	\$ 1,564,385	\$ 1,605,153
Clinic	13,008	-	-	-	13,008	13,913
Emergency animal protection services	12,715	-	-	-	12,715	22,985
Development	2,649,374	-	-	-	2,649,374	2,398,447
Volunteer/Outreach	4,516	-	-	-	4,516	4,593
Donation from auxiliary (Note 9)	-	16,100	-	-	16,100	15,000
Donations in kind	-	13,140	46,995	-	60,135	1,857
Bequests	-	309,091	-	-	309,091	518,692
Investment income (loss)	102,780	(9,044)	160	-	93,896	95,873
Other	30,482	-	-	-	30,482	743
Life memberships	-	-	-	-	-	1,000
Building fund donations	-	-	2,469,092	-	2,469,092	884,533
Government funding for building (Note 14 a.)	-	-	2,295,810	-	2,295,810	197,348
	4,377,260	329,287	4,812,057	-	9,518,604	5,760,137
Expenses (Note 10)						
Animal shelter	1,801,721	-	-	-	1,801,721	1,707,148
Clinic	323,124	-	-	-	323,124	325,110
Emergency animal protection services	350,931	-	-	-	350,931	346,817
Development	727,949	-	-	-	727,949	730,150
Volunteer/Outreach	398,605	-	-	-	398,605	365,864
Premises	150,983	-	-	-	150,983	156,272
Central services	535,602	-	-	-	535,602	459,793
Projects	-	151,188	-	-	151,188	128,235
Building	-	-	199,000	-	199,000	223,779
Amortization of capital assets	-	-	-	152,800	152,800	139,615
	4,288,915	151,188	199,000	152,800	4,791,903	4,582,783
Excess (deficiency) of revenue over expenses for the year	\$ 88,345	\$ 178,099	\$ 4,613,057	\$ (152,800)	\$ 4,726,701	\$ 1,177,354

Ottawa Humane Society Statement of Cash Flows

For the year ended March 31 2011 2010

Cash from (used in) operating activities (Note 14 b.)		
Excess (deficiency) of revenue over expenses for the year	\$ 4,726,701	\$ 1,177,354
Adjustments for		
Building fund revenue - financing activity	(4,812,057)	(1,103,014)
Amortization of capital assets - non-cash item	152,800	139,615
Change in non-cash working capital items related to operations		
Accounts receivable	3,453	(16,132)
Prepaid expenses and supplies	18,486	(2,955)
Accounts payable and accrued liabilities	(52,194)	161,372
Spay/neuter program	(453)	(427)
	36,736	355,813
 Cash from (used in) investing activities (Note 14 b.)		
Net decrease (increase) in investments	666,684	(1,966,842)
Deposit on capital assets	(97,570)	-
Acquisition of capital assets	(9,731,677)	(988,838)
Increase in goods and services/harmonized sales tax receivable related to capital expenditures	(245,852)	(17,600)
Increase in accounts payable and accrued liabilities related to capital expenditures	1,860,022	32,283
	(7,548,393)	(2,940,997)
 Cash from (used in) financing activities (Note 14 b.)		
Net increase in bank loan	4,007,226	-
Building fund revenue for the year	4,812,057	1,103,014
Increase in Federal contribution funding receivable	(347,989)	(197,348)
	8,471,294	905,666
 Net increase (decrease) in cash for the year	 959,637	 (1,679,518)
Cash, beginning of year	532,227	2,211,745
Cash, end of year	\$ 1,491,864	\$ 532,227
 Additional information:		
Interest paid related to operating activities	\$ -	\$ -

Ottawa Humane Society

Summary of Significant Accounting Policies

March 31, 2011

Nature and Purpose of Organization

The Ottawa Humane Society ("the Society") was incorporated as a not-for-profit organization without share capital under the Ontario Corporations Act on November 29, 1933.

The Society's mandate is to encourage individuals to take responsibility of 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 a registered charity within the meaning of the Income Tax Act of Canada and is exempt from income taxes.

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 reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in the period in which they become known.

Significant estimates include assumptions used in estimating the amounts and collectibility of accounts receivable, in estimating the fair value of investments and other financial instruments, in establishing the useful lives and related amortization of capital assets, in estimating provisions for accrued liabilities and in estimating the portion of revenue from governments earned in the year.

Financial Instruments

The accounting standards for financial instruments require that financial assets and liabilities be classified according to their characteristics, management's intention, or the choice of category in certain circumstances. Financial assets must be classified as either held-for-trading, held-to-maturity, available-for-sale or loans and receivables. Financial liabilities must be classified as held-for-trading or other liabilities. When initially recognized, financial assets and financial liabilities are recorded at fair value on the statement of financial position. In subsequent periods, financial assets and financial liabilities classified as held-for-trading will be valued at fair value with gains or losses arising from a change in fair value recognized in operations as they occur, or as a component of deferred contributions if the change in fair value of a held-for-trading financial asset is restricted. Financial assets classified as available-for-sale are also recorded at fair value with any change in fair value recognized in the statement of changes in fund balances until realized or if there is a decline in value that is considered other than temporary in which case the loss would be transferred to the statement of operations. Items that are classified in the following categories, will be measured at amortized cost using the effective interest method with gains or losses recognized in operations when realized. These categories are loans and receivables, investments held-to-maturity and other liabilities.

Ottawa Humane Society

Summary of Significant Accounting Policies

March 31, 2011

Financial Instruments
(continued)

The Society's financial instruments as at March 31, 2011 consist of cash, accounts receivable, the deposit on capital assets, investments, accounts payable and accrued liabilities, and the bank loan. Unless otherwise noted, it is management's opinion that the Society is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Cash, accounts receivable and the deposit on capital assets are classified as loans and receivables, and accounts payable and accrued liabilities and the bank loan are classified as other liabilities. They are carried at amortized cost which approximates fair value given their short-term maturities unless otherwise noted. Investments are classified as available-for-sale and are carried at fair value based on quoted market prices.

Financial Instruments Disclosures

The Canadian Institute of Chartered Accountants (CICA) Handbook Section 3862, Financial Instruments - Disclosures and CICA Handbook Section 3863, Financial Instruments - Presentation replaced CICA Handbook Section 3861, Financial Instruments - Disclosure and Presentation for certain entities, revising and enhancing the disclosure requirements, and carrying forward unchanged the presentation requirements. These new Sections would provide additional information to enable users of the financial statements to evaluate the significance of financial instruments for an entity's financial position and performance, the nature and extent of risks arising from financial instruments to which an entity is exposed, and how the organization manages those risks. The Society would have had to adopt these new Sections commencing with its March 31, 2010 fiscal year. However, the CICA eliminated the requirement for not-for-profit organizations to adopt these standards. As a result, the Society has opted to continue to disclose and present financial instruments under the CICA Handbook Section 3861, Financial Instruments - Disclosure and Presentation in these financial statements instead of the more onerous CICA Handbook Sections 3862 and 3863, which is a permitted option under the transition rules for not-for-profit organizations in these new standards.

Financial Risk Management

The Society manages its most significant financial assets of cash and investments to earn investment income as well as to ensure that amounts invested in financial markets are not at a significant risk. The Society is not involved in any hedging relationships through its operations and does not hold or use any derivative financial instruments for trading purposes.

Ottawa Humane Society

Summary of Significant Accounting Policies

March 31, 2011

Revenue Recognition

The Society follows the restricted fund method of accounting for contributions.

The Operating Fund is for the day-to-day operations of the Society. Restricted contributions related to general operations are recognized as revenue of the Operating Fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the Operating Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Interest and dividends earned from the Trust Fund, are recognized as revenue in the Operating Fund when they are earned.

Animal shelter, clinic and emergency animal protection services are recognized as revenue in the Operating Fund when services are rendered.

The Trust Fund represents funds received from life memberships, bequests (unless otherwise designated by donors) and specified donations. Interest and dividends earned on the Trust Fund investments are to be used for current operations and are therefore revenue of the Operating Fund. Pledges and bequests are not recorded in the financial statements until received. Trust Fund expenditures require the approval by two thirds of the Society's Board of Directors.

The Building Fund represents funds received specifically designated towards the purchase of land and construction of the Society's new building.

The Property and Equipment Fund is used to account for all property and equipment owned by the Society and the related amortization expense.

Contributed Materials and Services

Volunteers contribute an indeterminable number of hours per year to assist the Society in carrying out its activities. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements. Donations in kind are recorded at their fair value at the date of receipt, when the fair market value can be reasonably estimated and the materials would have otherwise been purchased by the Society.

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 the cost being determined on the first-in, first out basis.

Ottawa Humane Society

Summary of Significant Accounting Policies

March 31, 2011

Capital Assets

Purchased capital assets, are recorded at cost. Donated equipment is recorded at fair market value at the date of acquisition. Capital assets are amortized over their estimated useful lives. Amortization expense is recorded in the Property and Equipment Fund and is provided using the diminishing balance basis at the following annual rates:

Building	2.5%
Computer hardware	20%
Computer software	100%
Furniture and equipment	10%
Automotive equipment	25%
Fencing	5%
Parking lot	4%

Land is not amortized.

Furniture and equipment not in use is furniture and equipment purchased for the Society's new building. Construction in progress includes carrying costs, being interest directly attributable to the capital asset. These capital assets are not amortized until the respective asset is substantially complete and ready for use. When these assets are ready for use the costs will form part of the respective capital asset category and will be amortized at the same rate as the respective capital asset category.

Expense Allocations

The Society's expenses are presented in the statement of operations on a functional program basis. Certain expenses incurred are applicable to more than one function, are directly related to the output of the applicable function, and are therefore considered direct costs. A further breakdown of all allocated expenses is set out in Note 10 to these financial statements.

Future Changes in Accounting Standards

The CICA has announced that all Canadian reporting entities, subject to certain exceptions which include not-for-profit organizations, will adopt International Financial Reporting Standards (IFRS) as Canadian generally accepted accounting principles for years beginning on or after January 1, 2011. The Society, at its option, may adopt IFRS if it so chooses.

The CICA has also announced that effective January 1, 2012 Canadian private sector not-for-profit organizations (i.e. those not controlled by government entities) will have a new financial reporting framework and that early adoption will be permitted.

For organizations that do not adopt IFRS but rather adopt the new not-for-profit standards the existing not-for-profit accounting standards will remain, supplemented by the new private enterprise standards. The new private enterprise standards include recognition, measurement and presentation changes and simplifications in many areas as well as reduced required disclosures in the financial statements whereas IFRS would require to some extent different and expanded recognition, measurement, presentation and disclosure standards.

Ottawa Humane Society Notes to Financial Statements

March 31, 2011

1. Cash

The Society's cash is held in four accounts at one Canadian chartered bank and they earn interest at a nominal rate. The remaining cash is held as part of the Society's investment portfolio that is held in an investment account with another large Canadian financial institution. At year end, the cash investment account had a balance of \$77,394 (2010 - \$4,890).

2. Accounts Receivable

Accounts receivable consist of the following:

	<u>2011</u>	<u>2010</u>
Trade accounts receivable	\$ 43,076	\$ 21,135
Good and services / harmonized sales taxes receivable	292,573	72,115
Federal contribution funding receivable (Note 14 a.)	<u>545,337</u>	<u>197,348</u>
	<u>\$ 880,986</u>	<u>\$ 290,598</u>

Accounts receivable include \$808,788 related to capital expenditures (2010 - \$217,947).

3. Prepaid Expenses and Supplies

Prepaid expenses and supplies consist of the following:

	<u>2011</u>	<u>2010</u>
Operating prepaid expenses and supplies	\$ 58,366	\$ 76,852
Deposit on capital assets	<u>97,570</u>	<u>-</u>
	<u>\$ 155,936</u>	<u>\$ 76,852</u>

Ottawa Humane Society Notes to Financial Statements

March 31, 2011

4. Investments

Investments consist of the following:

	<u>2011</u>	<u>2010</u>
Guaranteed Investment Certificates (GIC's)	\$ 1,500,000	\$ 745,324
Fixed income securities	1,365,519	2,463,850
Equity securities	458,298	504,289
Mutual funds	818,430	1,000,909
Time share vacation property	38,810	38,810
	<u>\$ 4,181,057</u>	<u>\$ 4,753,182</u>

The GIC's have interest rates ranging from 1.95% to 2.05% (2010 - 0.40% to 4.625%) and mature in the Society's 2012 fiscal year (2010 - 2010 to 2013) but are redeemable before maturity. The fixed income securities are comprised of corporate debt securities, mortgage backed securities and Government of Canada Treasury Bills with interest rates ranging from 3.80% to 5.45% (2010 - 3.55% to 5.45%) with various maturity dates between the Society's fiscal years of 2012 and 2020 (2010 - 2011 to 2020). Equities are comprised of publicly traded and highly liquid common shares and income trusts. The mutual fund is a balanced fund portfolio (2010 - balanced fund portfolio and money market funds). The Society's investments can be readily liquidated if necessary.

The Society holds an investment in a time share vacation property which was recorded at its fair market 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.

Ottawa Humane Society Notes to Financial Statements

March 31, 2011

5. Capital Assets

	2011			2010		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land	\$ 1,837,577	\$ -	\$ 1,837,577	\$ 1,837,577	\$ -	\$ 1,837,577
Building	1,830,852	686,806	1,144,046	1,830,852	657,470	1,173,382
Computer hardware	290,894	209,110	81,784	277,476	190,341	87,135
Computer software	178,725	170,699	8,026	162,673	110,541	52,132
Furniture and equipment	593,822	367,433	226,389	587,898	342,608	245,290
Furniture and equipment not in use	201,500	-	201,500	-	-	-
Automotive equipment	225,643	167,093	58,550	224,803	147,717	77,086
Fencing	11,969	6,497	5,472	11,969	6,209	5,760
Parking lot	3,000	1,837	1,163	3,000	1,789	1,211
Construction in progress	10,410,168	-	10,410,168	916,225	-	916,225
	\$ 15,584,150	\$ 1,609,475	\$ 13,974,675	\$ 5,852,473	\$ 1,456,675	\$ 4,395,798

Furniture and equipment not in use and construction in progress relates to the Society's new building which is not yet completed. Amortization will commence in the Society's 2012 fiscal year upon completion of the building construction and the assets are in use.

Included in construction in progress is capitalized interest of \$36,315 (2010 - \$nil).

The major commitment of the Society is related to the completion of its construction activities. The most significant commitment related to the construction is with the building contractor in the amount of approximately \$1,946,000. The Society also has an agreement under the Infrastructure Stimulus Fund with the Federal government to fund 30.1% of the eligible building costs up to a maximum funding of \$3,600,000. As of March 31, 2011 the Society has approximately \$1,107,000 in available funding under this agreement.

During the 2011 fiscal year the Society entered into an agreement to sell its current land and building subject to certain conditions. This sale has not yet taken place.

Ottawa Humane Society Notes to Financial Statements

March 31, 2011

6. Accounts Payable

Accounts payable consists of the following:

	<u>2011</u>	<u>2010</u>
Trade accounts payable and accrued liabilities	\$ 404,168	\$ 456,362
Accounts payable and accrued liabilities related to capital expenditures	<u>1,892,305</u>	<u>32,283</u>
	<u>\$ 2,296,473</u>	<u>\$ 488,645</u>

7. Credit Facilities

Beginning in its 2011 fiscal year, the Society entered into an agreement with a Canadian financial security institution for an operating loan in the amount of \$300,000, bearing interest at a rate of prime plus 0.75%. This facility is due on demand. The operating loan was not in use at March 31, 2011.

Beginning in its 2011 fiscal year, the Society also entered into an agreement with a Canadian financial institution for a loan as bridge financing to finance the construction of their new facility (hard costs and soft costs, including interest and contingency). The loan is authorized in the amount of \$8,500,000, bearing interest at a rate of prime plus 1.00%. The loan does not mature until after July 31, 2011 and is interest only until this time at which point repayment in full is required from take out financing with the same Canadian financial institution. Of this loan, \$4,007,226 was in use at March 31, 2011.

In addition to the two above loans the Society has a letters of credit facility in the amount of \$500,000. The Society has two irrevocable standby letters of credit outstanding at year end. The first letter of credit in the amount of \$375,095 to the City of Ottawa is related to the construction of the new building and is in force for a period up to April 27, 2011 but shall be automatically extended without amendment unless written notice is received. The second letter of credit in the amount of \$14,480, also with the City of Ottawa, is related to a fundraising event held. The letter of credit expires May 15, 2011.

The above credit facilities are secured by a first ranking collateral mortgage security over the new facility in the amount of \$8,500,000, a general assignment of rentals, including all leases, rent, income and profits arising from or in connection with the property and a general security agreement having first priority over assets.

Ottawa Humane Society Notes to Financial Statements

March 31, 2011

8. Fundraising Revenue

There are fundraising revenues that are included in multiple financial statement categories. These are summarized as follows:

<u>Operating Fund</u>	2011	2010
Development Revenue		
Individual support	\$ 2,071,263	\$ 1,815,140
Group support	140,978	114,877
Special events	437,133	468,430
	\$ 2,649,374	\$ 2,398,447
 <u>Trust Fund</u>		
Bequests	\$ 309,091	\$ 518,692
Donations from auxiliary	16,100	-
Donations in kind	13,140	-
	\$ 338,331	\$ 518,692
 <u>Building Fund</u>		
Building fund donations	\$ 2,469,092	\$ 884,533
Donations in kind	46,995	1,857
Donations from auxiliary	-	15,000
	\$ 2,516,087	\$ 901,390
 Total Fundraising Revenue	\$ 5,503,792	\$ 3,818,529

9. Donation from Auxiliary

In order to facilitate the issuance of income tax receipts, the Ottawa Humane Society Auxiliary's 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 membership.

During the year ended March 31, 2011, the Society recognized revenue of \$16,100 (2010 - \$15,000) of funds received from the Auxiliary.

Ottawa Humane Society Notes to Financial Statements

March 31, 2011

10. Allocated Expenses

Certain expenses are allocated in the statement of operations for financial statement presentation purposes. These allocated expenses are included in the animal shelter expenses category. If these expenses were not being allocated they would have been included on the following statement of operations categories:

	<u>2011</u>	<u>2010</u>
Emergency animal protection services	\$ 5,648	\$ 7,227
Premises	30,087	3,440
Central services	69,238	64,293
	<u>\$ 104,973</u>	<u>\$ 74,960</u>

Further, there are fundraising expenses included in multiple statement of operations categories. These are as follows:

	<u>2011</u>	<u>2010</u>
Operating Fund - Development	\$ 721,376	\$ 725,961
Operating Fund - Volunteer/Outreach	824	1,378
Trust Fund - Projects	81,960	87,682
Building Fund - Building	176,635	195,314
	<u>\$ 980,795</u>	<u>\$ 1,010,335</u>

11. Government Contribution Agreements

Contributions received from government departments may be subject to audit or final reconciliation under the terms and conditions of the respective contribution agreements. Should these audits or reconciliations reveal that any of the expenditures on the projects are not in accordance with funding guidelines or that there may be increased funding provided, the funders may require the Society to reimburse a portion of the funds advanced or advance additional funding. No claim for reimbursement is currently pending and management is of the opinion that no claim is forthcoming. Consequently, no provision for reimbursement of funds has been made in these financial statements. In the event of any adjustment, it will be charged or credited to operations in the period of determination.

12. Contingency

The Society from time to time is a defendant in various legal actions, the outcomes of which are not determinable as at the date of preparation of financial statements and against which the Society 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. It is the policy of the Society to vigorously defend these actions.

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13. Capital Disclosures

The Society has adopted CICA Handbook Section 1535, Capital Disclosures, which establishes standards for the disclosure of information about the Society's capital and how it is managed. The Society's capital includes its fund balances and the Society's objectives when managing this capital are:

- to safeguard the Society's ability to continue as a going concern; and
- to meet its financial obligations.

The Society manages its capital mainly by way of seeking to obtain collections from its supporters. In order to maintain or to adjust its capital structure, the Society may have to modify its forecasted expenditures for the realization of certain activities.

14. Prior Period Restatements

During the preparation of the March 31, 2011 financial statements, certain restatements of the March 31, 2010 amounts presented for comparative purposes were considered necessary.

- a. During the 2011 fiscal year, it was determined that a receivable in the amount of \$197,348 for Federal funding resulting from the Infrastructure Stimulus Agreement should have been reflected in the Building Fund in the March 31, 2010 financial statements. This change was made on a retrospective basis and impacted the March 31, 2010 previously reported fund balance by increasing the Society's overall net financial position by \$197,348 in the Building Fund. The accounts receivable and the Building Fund revenue increased by the same amount. The impact of this change on the 2010 amounts presented for comparative purposes is as follows:

	As Previously Reported	Restatements	As Restated
Government funding for building	\$ -	\$ 197,348	\$ 197,348
Excess of revenue over expenses for the year	980,006	197,348	1,177,354
Accounts receivable	93,250	197,348	290,598
Fund balance, end of year Building Fund	3,091,911	197,348	3,289,259

For the impact of this change to the statement of cash flows see Note 14 b.

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14. Prior Period Restatements (continued)

- b. During the 2011 fiscal year, it was determined that the funds received in the Building Fund should be presented as part of cash flows from financing activities and not cash flows from operating activities in the statement of cash flows. Although there is no impact on Society's overall net financial position or net results of operations, both cash flows from operating activities and cash flows from financing activities for the 2010 fiscal year were reclassified to correctly report cash flows. The impact of this change on the 2010 amounts reclassifies the Building Fund revenue of \$1,103,014, less the capital accounts receivable as described above of \$197,348 to cash flows from financing activities and decreases the cash flows from operating activities in the same amount. In addition the portion of the goods and services / harmonized sales tax receivable, and accounts payable and accrued liabilities related to capital expenditures of \$17,600 and \$32,283 have been reclassified to cash flows from investing activities. This reclassification to investing activities has reduced the cash flows from operating activities in the amount of by \$14,683. The total reclassifications are as follows:

	As Previously Reported	Reclassifications	As Reclassified
Cash flows from operating activities	\$ 1,276,162	\$ (920,349)	\$ 355,813
Cash flows from investing activities	(2,955,680)	14,683	(2,940,997)
Cash flows from financing activities	-	905,666	905,666

- c. During the 2011 fiscal year, it was determined that the unrealized gains and losses for investments held in both the Trust Fund and the Building Fund required adjustments as at March 31, 2010. This error was corrected on a prospective basis since it was not reasonably determinable in which year prior to the current year the error had occurred. This change impacts the allocation/components of the Society's overall net financial position by transferring/reallocating \$75,044 of unrealized gains in the Trust Fund and \$50,737 of unrealized gains in the Building Fund. As this error was corrected on a prospective basis there was no impact on the March 31, 2010 balance however the opening April 1, 2010 balance was adjusted. The impact of this change on the April 1, 2010 amounts presented is as follows:

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14. Prior Period Restatements (continued)

	As Previously Reported	Restatement	As Restated
Unrealized gain/loss on available for sale investments, beginning of year - Trust Fund	\$ 102,332	\$ (75,044)	\$ 27,288
Unrealized gain/loss on available for sale investments, beginning of year - Building Fund	46,614	(50,737)	(4,123)
Trust Fund balance, beginning of the year	4,006,009	75,004	4,081,013
Building Fund balance, beginning of the year as retroactively restated (as described in Note 14 a.)	3,289,259	50,737	3,339,996

15. Change in Financial Statement Presentation

For the year ended March 31, 2011, the Society adopted an acceptable alternative accounting policy with respect to the presentation of its statement of financial position. In the previous years the Society used the multi-column format for the statement of financial position. In accordance with the Canadian Institute of Chartered Accountants (CICA) Handbook Section 4400, Financial Statement Presentation by Not-For-Profit Organizations, an organization may present its financial statements using different formats for the individual statements, as long as it does so in a way that satisfies the requirements of this Section. Therefore the Society has chosen not to continue to present a multi-column statement of financial position to better achieve their reporting requirements. Management is of the opinion that the new presentation is more meaningful and understandable.

16. Comparative Amounts

In addition to the amounts discussed in Notes 14 and 15 to these financial statements, in certain other instances, less significant 2010 amounts presented for comparative purposes have been reclassified to conform with the financial statement presentation adopted for the current year. These reclassifications had no impact on the Society's overall net financial position or net results of operations.
