



Ottawa
**HUMANE
SOCIETY**

S.P.A. Ottawa

Financial Statements

For the year ended March 31, 2012

Ottawa Humane Society
Financial Statements
For the year ended March 31, 2012

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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, 2012 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.

Independent Auditor's Report (continued)

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. Our audit opinion on the financial statements for the year ended March 31, 2011 was also qualified because of the possible effects of this limitation in scope. Therefore we 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, 2012 and 2011, assets and liabilities as at March 31, 2012 and 2011 and fund balances at both the beginning and end of the March 31, 2012 and 2011 years.

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, 2012, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

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 on a basis consistent with that of the preceding year.

Collins Barrow Ottawa LLP

Chartered Accountants, Licensed Public Accountants
June 18, 2012
Ottawa, Ontario

Ottawa Humane Society Statement of Financial Position

March 31	2012	2011
Assets		
Current		
Cash (Note 1)	\$ 543,006	\$ 1,491,864
Accounts receivable (Note 2)	122,679	880,986
Prepaid expenses (Note 3)	100,008	132,678
Inventory	42,991	23,258
	808,684	2,528,786
Non-current		
Investments (Note 4)	2,655,438	4,181,057
Assets held for sale (Note 5)	1,236,744	-
Capital assets (Note 6)	15,714,013	13,974,675
	19,606,195	18,155,732
	\$ 20,414,879	\$ 20,684,518

Liabilities and Fund Balances

Current		
Accounts payable and accrued liabilities (Note 7)	\$ 420,346	\$ 2,296,473
Bank loan (Note 8)	-	4,007,226
Current portion of term loan (Note 8)	261,719	-
	682,065	6,303,699
Non-current		
Term loan (Note 8)	4,711,594	-
	5,393,659	6,303,699
Contingent (Note 9)		
Fund balances (Note 10)		
Restricted		
Trust Fund	3,902,449	4,238,592
Building Fund (deficit)	(6,047,424)	(4,280,140)
Property and Equipment Fund	16,950,757	13,974,675
Unrestricted		
Operating Fund	215,438	447,692
	15,021,220	14,380,819
	\$ 20,414,879	\$ 20,684,518

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, 2012

(With comparative amounts for the year ended March 31, 2011)

	Restricted				Total Restricted	Total Funds 2012	Total Funds 2011
	Operating Fund	Trust Fund	Building Fund	Property and Equipment Fund			
Balances (deficit), beginning 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	\$ 9,536,394
Excess (deficiency) of revenue over expenses for the year	(531,482)	(87,518)	1,953,342	(629,381)	1,236,443	704,961	4,726,701
Interfund transfers	299,228	(184,065)	(3,720,626)	3,605,463	(299,228)	-	-
Balances (deficit), end of year, before unrealized gain (loss) on available for sale financial assets	215,438	3,849,285	(6,047,424)	16,950,757	14,752,618	14,968,056	14,263,095
Unrealized gain (loss) on available for sale financial assets , beginning of year	-	117,724	-	-	117,724	117,724	23,165
Change in unrealized gain (loss) on available for sale investments during the year	-	(64,560)	-	-	(64,560)	(64,560)	94,559
Unrealized gain (loss) on available for sale financial assets , end of year	-	53,164	-	-	53,164	53,164	117,724
Fund balances (deficit) , end of year	\$ 215,438	\$ 3,902,449	\$ (6,047,424)	\$ 16,950,757	\$ 14,805,782	\$ 15,021,220	\$ 14,380,819

Ottawa Humane Society Statement of Operations

For the year ended March 31, 2012

(With comparative amounts for the year ended March 31, 2011)

	Operating Fund	Trust Fund	Building Fund	Property and Equipment Fund	Total Funds 2012	Total Funds 2011
Revenue (Note 11)						
Animal shelter	\$ 1,876,571	\$ -	\$ -	\$ -	\$ 1,876,571	\$ 1,564,385
Clinic	18,927	-	-	-	18,927	13,008
Rescue and investigation services	20,097	-	-	-	20,097	12,715
Development	2,891,003	-	-	-	2,891,003	2,649,374
Volunteer / outreach	2,256	-	-	-	2,256	4,516
Donation from auxiliary (Note 12)	-	-	10,000	-	10,000	16,100
Bequests	-	292,344	-	-	292,344	322,231
Investment income	76,203	1,616	-	-	77,819	80,177
Other	17,569	9,288	-	-	26,857	44,201
Building fund donations	-	-	712,110	-	712,110	2,516,087
Government and other funding for building	-	-	1,336,861	-	1,336,861	2,295,810
	4,902,626	303,248	2,058,971	-	7,264,845	9,518,604
Expenses (Note 13)						
Animal shelter	2,279,093	-	-	-	2,279,093	1,801,721
Clinic	410,327	-	-	-	410,327	323,124
Rescue and investigation services	374,006	-	-	-	374,006	350,931
Development	951,972	-	-	-	951,972	727,949
Volunteer / outreach	475,971	-	-	-	475,971	398,605
Premises	344,529	-	-	-	344,529	150,983
Central services	598,210	-	-	-	598,210	535,602
Non-capital trust fund expenditures	-	234,279	-	-	234,279	151,188
Building	-	-	105,629	-	105,629	199,000
Amortization of capital assets (Note 6)	-	-	-	434,928	434,928	152,800
Loss on disposal of capital assets (Note 6)	-	-	-	194,453	194,453	-
Term loan interest	-	156,487	-	-	156,487	-
	5,434,108	390,766	105,629	629,381	6,559,884	4,791,903
Excess (deficiency) of revenue over expenses for the year	\$ (531,482)	\$ (87,518)	\$ 1,953,342	\$ (629,381)	\$ 704,961	\$ 4,726,701

Ottawa Humane Society Statement of Cash Flows

For the year ended March 31	2012	2011
Cash flows from (used in) operating activities		
Excess (deficiency) of revenue over expenses for the year	\$ 704,961	\$ 4,726,701
Adjustments for		
Building fund revenue - financing activity	(2,058,971)	(4,812,057)
Amortization of capital assets - non-cash item	434,928	152,800
Loss on disposal of capital assets - non-cash item	194,453	-
Change in non-cash working capital items related to operations		
Accounts receivable related to non-capital expenditures	(26,926)	3,453
Prepaid expenses and inventory	(84,633)	18,486
Accounts payable and accrued liabilities related to non-capital expenditures	16,178	(52,647)
	(820,010)	36,736
Cash flows from (used in) investing activities		
Net decrease (increase) in investments	1,461,059	666,684
Net decrease (increase) in deposit on capital assets	97,570	(97,570)
Acquisition of capital assets	(3,605,463)	(9,731,677)
Decrease (increase) in goods and services/harmonized sales tax receivable related to capital expenditures	263,451	(245,852)
Increase (decrease) in accounts payable and accrued liabilities related to capital expenditures	(1,892,305)	1,860,022
	(3,675,688)	(7,548,393)
Cash flows from (used in) financing activities		
Net increase in bank loan / term loan	966,087	4,007,226
Building fund revenue for the year	2,058,971	4,812,057
Net decrease (increase) in accounts receivable related to capital expenditures	521,782	(347,989)
	3,546,840	8,471,294
Net increase (decrease) in cash for the year	(948,858)	959,637
Cash, beginning of year	1,491,864	532,227
Cash, end of year	\$ 543,006	\$ 1,491,864
Additional information		
Interest paid related to operating activities	\$ 156,487	\$ -

Ottawa Humane Society

Summary of Significant Accounting Policies

March 31, 2012

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 the value of assets held for sale, in estimating provisions for accrued and contingent 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 and part of the operating fund. 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, 2012

Financial Instruments
(continued)

The Society's financial instruments as at March 31, 2012 consist of cash, accounts receivable, investments, accounts payable and accrued liabilities, and the term loan and other credit facilities. 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 and accounts receivable are classified as loans and receivables, and accounts payable and accrued liabilities, and the term loan and other credit facilities 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 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 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 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 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, 2012

Revenue Recognition

The Society follows the restricted fund method of accounting for contributions. Contributions consist of donations and special events fundraising (development revenue), bequests, and government and other funding.

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, rescue and investigation services, volunteer / outreach and other revenues are recognized as revenue in the Operating Fund when these services are provided.

The Trust Fund includes 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 interest payments on the term loan are recorded in this fund.

The Building Fund includes net funds received specifically designated towards the purchase of land and construction of the Society's new building which the Society completed and began using during its 2012 fiscal year. The term loan and related principal payments are recorded in this fund.

The Property and Equipment Fund is used to account for all property and equipment (capital assets) owned by the Society and the assets held for sale. The amortization expense as well as related gains and losses on disposal for all capital assets are also initially recorded in this fund.

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. There were no significant items received in either the current or prior fiscal year.

Inventory

Inventory 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, 2012

Assets Held for Sale Assets held for sale are measured at the lower of their carrying amount and fair value less cost to sell. These assets were amortized as set out below (see Capital Assets) until they became classified as held for sale. They are no longer being amortized.

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 as well as related gains and losses on disposal are initially recorded in the Property and Equipment Fund. Amortization for the 2012 fiscal year is provided using the straight-line method, unless otherwise noted. Useful lives of capital assets in use during the 2012 fiscal year were estimated as follows:

Building	40 years
Computer hardware	4 years
Computer software	3 years
Furniture and equipment	10 years
Automotive equipment	5 years
Building - held for sale	2.5% declining balance method
Fencing - held for sale	5% declining balance method
Parking lot - held for sale	4% declining balance method

Land is not amortized.

Capital assets now classified as held for sale were amortized as stated above until they became classified as held for sale.

Furniture and equipment not in use in the 2011 fiscal year was furniture and equipment purchased for the Society's new building. Construction in progress in the 2011 fiscal year includes carrying costs, being interest directly attributable to the capital asset. These capital assets were not amortized until the respective asset was substantially complete and ready for use in the 2012 fiscal year. When these assets were ready for use the costs formed part of the respective capital asset category and are being amortized at the same rate as the respective capital asset category.

As explained in Note 4 to these financial statements certain of the above rates and methods were changed during the Society's 2012 fiscal year.

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 13 to these financial statements.

Ottawa Humane Society

Summary of Significant Accounting Policies

March 31, 2012

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.

The CICA has also announced that for years beginning on or after 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.

The Society expects to adopt the new not-for-profit standards and there may be a material impact on its financial statements by doing so in certain areas. The most significant change relates to the presentation of the Society's investments whereby fair value changes, being unrealized gains and losses, will be reflected in investment income in the statement of operations and not in the statement of changes in fund balances. Total fund balances will not change nor will the Society's statement of financial position due to this change in presentation. However, the Society would not be required to measure its investments at fair value, except for investments in equity instruments that are quoted in an active market unless the Society irrevocably elects to use fair value for any specific investment. The Society has not yet determined the impact of these measurement options and other potential impacts on its financial statements.

Ottawa Humane Society Notes to Financial Statements

March 31, 2012

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 \$41,027 (2011 - \$77,394).

2. **Accounts Receivable**

Accounts receivable consist of the following:

	<u>2012</u>	<u>2011</u>
Trade accounts receivable	\$ 81,722	\$ 43,076
Good and services / harmonized sales taxes receivable	40,957	292,573
Federal contribution funding receivable	-	545,337
	<u>\$ 122,679</u>	<u>\$ 880,986</u>

Accounts receivable include \$23,555 related to capital expenditures (2011 - \$808,788).

3. **Prepaid Expenses**

Prepaid expenses consist of the following:

	<u>2012</u>	<u>2011</u>
Operating prepaid expenses	\$ 100,008	\$ 35,108
Deposit on capital assets	-	97,570
	<u>\$ 100,008</u>	<u>\$ 132,678</u>

Ottawa Humane Society Notes to Financial Statements

March 31, 2012

4. Investments

Investments consist of the following:

	<u>2012</u>	<u>2011</u>
Guaranteed investment certificates ("GIC's")	\$ -	\$ 1,500,000
Fixed income securities	1,514,454	1,365,519
Equity securities	595,246	458,298
Mutual funds	506,928	818,430
Time share vacation property	38,810	38,810
	<u>\$ 2,655,438</u>	<u>\$ 4,181,057</u>

The GICs from the Society's 2011 fiscal year have matured during the 2012 fiscal year. The GICs had interest rates ranging from 1.95% to 2.05%. The fixed income securities are comprised of corporate debt securities, mortgage backed securities and bonds with interest rates ranging from 1.00% to 5.30% (2011 - 3.80% to 5.45%) with various maturity dates between the Society's fiscal years of 2013 and 2020 (2011 - 2012 to 2020). Equity securities are comprised of publicly traded and highly liquid common shares. The mutual funds consist of mostly fixed income securities (2011 - balanced fund portfolio). 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.

5. Assets Held for Sale

During the 2011 fiscal year the Society entered into an agreement to sell its previous land and building subject to certain conditions. It is expected that the sale will take place during the Society's 2013 fiscal year. In 2012, the Society has completed and moved into its new building and consequently the land, building, fencing and parking lot from the previous location have been classified as held for sale and recorded at their carrying amount of \$1,236,744 which is less than the expected net sales proceeds.

Ottawa Humane Society Notes to Financial Statements

March 31, 2012

6. Capital Assets

	2012			2011		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land	\$ 1,744,284	\$ -	\$ 1,744,284	\$ 1,837,577	\$ -	\$ 1,837,577
Building	13,142,501	246,422	12,896,079	1,830,852	686,806	1,144,046
Computer hardware	123,451	66,891	56,560	290,894	209,110	81,784
Computer software	136,915	118,491	18,424	178,725	170,699	8,026
Furniture and equipment	1,186,475	201,279	985,196	593,822	367,433	226,389
Furniture and equipment not in use	-	-	-	201,500	-	201,500
Automotive equipment	153,950	140,480	13,470	225,643	167,093	58,550
Fencing	-	-	-	11,969	6,497	5,472
Parking lot	-	-	-	3,000	1,837	1,163
Construction in progress	-	-	-	10,410,168	-	10,410,168
	\$ 16,487,576	\$ 773,563	\$ 15,714,013	\$ 15,584,150	\$ 1,609,475	\$ 13,974,675

During the 2012 fiscal year additions to the building included capitalized interest of \$40,038 (2011 - \$36,315) for a total capitalized interest amount of \$76,353 (2011 - \$36,315).

In conjunction with the move to its new building, the Society has re-evaluated the useful life estimates for capital assets and the methods used for amortization and has changed these estimates and methods in some cases to better reflect the expected periods and patterns of service. As a result the amortization expense recorded of \$434,928 is approximately \$55,000 higher than what would have been recorded if this re-evaluation of useful lives and change in the methods of amortization had not taken place.

Assets that were not transferred to the new building were disposed of during the year. The total disposal was \$762,925 of asset cost and \$568,472 of accumulated amortization, resulting in a loss on disposal of \$194,453. No proceeds were received for the disposal of these assets.

7. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following:

	2012	2011
Trade accounts payable and accrued liabilities	\$ 420,346	\$ 404,168
Accounts payable and accrued liabilities related to capital expenditures	-	1,892,305
	\$ 420,346	\$ 2,296,473

Ottawa Humane Society Notes to Financial Statements

March 31, 2012

8. Credit Facilities

Beginning in its 2011 fiscal year, the Society entered into an agreement with a Canadian financial 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, 2012 or March 31, 2011.

In March 2012, the Society entered into an agreement with a Canadian financial institution for a fixed rate term loan for its new facility which replaced the bridge financing in place at the time. The term loan had an initial principal balance of \$5,000,000, bears interest at a rate 3.36% with monthly payments of \$35,401 and matures March 31, 2014. The principal balance at March 31, 2012 is \$4,973,313 of which \$261,719 is due during the Society's 2013 fiscal year. Principal payments required during the Society's 2014 fiscal year are expected to be \$270,649. In addition, the term loan matures on March 31, 2014 with an expected principal balance of \$4,440,945.

The Society also has a letters of credit facility in the amount of \$70,000 (2011 - \$500,000). This irrevocable standby letter of credit outstanding at year end is to the City of Ottawa and relates to the construction of the Society's new facility. This letters of credit facility was extended during 2012 and the amount was reduced to \$70,000.

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.

9. Contingent Liabilities

From time to time the Society is a defendant in various legal actions, the outcomes of which are not determinable as at the date of preparation of these financial statements and against which the Society is often insured. Settlements, if any, will be accounted for in the fiscal period when these amounts can be reasonably determined and to the extent that the amounts are not recoverable from insurers. It is the Society's policy to vigorously defend these actions.

With respect to the construction of the Society's new facility, the City of Ottawa has indicated its intention to levy development charges of \$233,900, which represents the remaining portion of total development charges, under a deferred development charges agreement. The proposed agreement dated May 26, 2011 is for 25 years with a 10% interest rate. The proposed agreement has not been agreed to by the Society and the Society is currently engaged in discussions with the City regarding the charges. It is the position of the Society that the development charges and related interest are not payable at year end. Until the discussions are completed the Society is unable to determine the amount that may be payable in the future, if any. Therefore the development charges and related interest have not been recognized in these financial statements and will be accounted for in the fiscal period when the amounts, if any, are determined to be payable at any time in the future.

Ottawa Humane Society Notes to Financial Statements

March 31, 2012

10. 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 contributions 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.

11. Fundraising Revenue

Fundraising revenues are included in multiple financial statement categories. These are summarized as follows:

<u>Operating Fund</u>	<u>2012</u>	<u>2011</u>
Development Revenue		
Individual support	\$ 2,291,859	\$ 2,071,263
Group support	164,460	140,978
Special events	434,684	437,133
	\$ 2,891,003	\$ 2,649,374
<u>Trust Fund</u>		
Bequests	\$ 292,344	\$ 322,231
Donation from auxiliary	-	16,100
	\$ 292,344	\$ 338,331
<u>Building Fund</u>		
Building fund donations	\$ 712,110	\$ 2,516,087
Donation from auxiliary	10,000	-
	\$ 722,110	\$ 2,516,087
Total Fundraising Revenue	\$ 3,905,457	\$ 5,503,792

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12. 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, 2012, the Society recognized revenue of \$10,000 (2011 - \$16,100) of funds received from the Auxiliary.

13. Allocated Expenses

Certain expenses are allocated in the statement of operations for financial statement presentation purposes.

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

	2012	2011
Rescue and investigation services	\$ 6,953	\$ 5,648
Premises	74,716	30,087
Central services	81,067	69,238
	\$ 162,736	\$ 104,973

Other allocated expenses are included in the volunteer / outreach expenses category. If these expenses were not being allocated they would have been included on the following statement of operations category:

	2012	2011
Rescue and investigation services	\$ 7,000	\$ -

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

	2012	2011
Operating Fund - Development	\$ 946,319	\$ 721,376
Operating Fund - Volunteer / outreach	1,026	824
Trust Fund - Non-capital trust fund expenditures	84,268	81,960
Building Fund - Building	93,118	176,635
	\$ 1,124,731	\$ 980,795

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14. **Contractual Obligations**

In connection with its operations, the Society regularly enters into agreements for the purchase of various supplies and services including the rental of equipment. Certain of these agreements extend beyond the end of the 2012 fiscal year. In the opinion of management, these agreements are in the normal course of the Society's operations, are not abnormal in amount or nature and do not include a high degree of speculative risk. The total contractual obligations that extend beyond the end of the 2012 fiscal year are approximately \$121,000.

The major contractual obligation that the Society had in fiscal 2011 related to the completion of construction activities of its new facility. The most significant obligation related to the construction was with the facility contractor in the amount of approximately \$1,946,000. These obligations were satisfied during the Society's 2012 fiscal year.

15. **Comparative Amounts**

In certain instances, 2011 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.
