Ottawa Humane Society
Financial Statements
For the year ended March 31, 2023

Contents

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Independent Auditor's Report

To the members of the Ottawa Humane Society

Opinion
We have audited the accompanying financial statements of the Ottawa Humane Society (the Society), which comprise the statement of financial position as at March 31, 2023, the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at March 31, 2023, and its result of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion
We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Society's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Society to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Ontario
August 11, 2023

Ottawa Humane Society
Statement of Financial Position

March 31	2023	2022
Assets		
Current		
Cash	**$ 972,229**	$ 2,123,722
Accounts receivable	**135,665**	257,397
Inventory	**9,128**	10,010
Short-term investments (Note 2)	**4,224,890**	2,602,349
Prepaid expenses	**359,447**	241,247
	5,701,359	5,234,725
Long-term investments (Note 3)	**12,527,006**	8,866,765
Tangible capital assets (Note 4)	**11,393,686**	11,717,682
Intangible assets (Note 5)	**38,810**	38,810
	$ 29,660,861	$ 25,857,982

Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities	**$ 700,253**	$ 358,526
Deferred revenue	**246,719**	59,633
	946,972	418,159
Contractual obligations (Note 7)		
Net Assets		
Unrestricted operating fund	**16,342,944**	12,840,261
Property and equipment fund	**11,432,496**	11,756,492
Externally restricted		
Capital replacement fund	**938,449**	843,070
	28,713,889	25,439,823
	$ 29,660,861	$ 25,857,982

On behalf of the Board:

Chair — Travis Webb

Treasurer — Liz Tymon

The notes are an integral part of these financial statements.

Ottawa Humane Society
Statement of Changes in Net Assets

For the year ended March 31, 2023	Unrestricted Operating Fund	Internally Restricted Property and Equipment Fund	Externally Restricted Capital Replacement Fund	Total Restricted Funds	Total Funds
Balance, beginning of the year	$ 12,840,261	$ 11,756,492	$ 843,070	$ 12,599,562	$ 25,439,823
Excess (deficiency) of revenues over expenses	3,627,253	(448,566)	95,379	(353,187)	3,274,066
Interfund transfers (Note 8)	(124,570)	124,570	-	124,570	-
Balance, end of the year	$ 16,342,944	$ 11,432,496	$ 938,449	$ 12,370,945	$ 28,713,889

For the year ended March 31, 2022	Unrestricted Operating Fund	Internally Restricted Property and Equipment Fund	Externally Restricted Capital Replacement Fund	Total Restricted Funds	Total Funds
Balance, beginning of the year	$ 9,671,268	$ 12,199,803	$ 765,810	$ 12,965,613	$ 22,636,881
Excess (deficiency) of revenues over expenses	3,206,169	(480,487)	77,260	(403,227)	2,802,942
Interfund transfers (Note 8)	(37,176)	37,176	-	37,176	-
Balance, end of the year	$ 12,840,261	$ 11,756,492	$ 843,070	$ 12,599,562	$ 25,439,823

The notes are an integral part of these financial statements.

Ottawa Humane Society
Statement of Operations

For the year ended March 31, 2023	Unrestricted Operating Fund	Property and Equipment Fund	Capital Replacement Fund	Total Funds
Revenues (Note 10)				
Animal shelter	$ 1,723,449	$ -	$ -	$ 1,723,449
Bequests	5,788,724	-	-	5,788,724
Clinic and mobile clinic	37,280	-	-	37,280
Community programs	11,678	-	-	11,678
Development	7,162,182	-	-	7,162,182
Investment income	166,117	-	25,395	191,512
Other income	27,551	-	-	27,551
Volunteer and outreach	233,373	-	-	233,373
Government and other funding for building	-	-	69,984	69,984
	15,150,354	-	95,379	15,245,733
Expenses (Notes 9,10)				
Animal shelter	3,833,918	-	-	3,833,918
Central services	1,302,799	-	-	1,302,799
Clinic and mobile clinic	1,182,368	-	-	1,182,368
Community programs	329,398	-	-	329,398
Contingencies	33,733	-	-	33,733
Development	2,696,437	-	-	2,696,437
Foster	233,655	-	-	233,655
Other	74,363	-	-	74,363
Premises	654,890	-	-	654,890
Volunteer and outreach	1,181,540	-	-	1,181,540
Amortization of tangible capital and intangible assets	-	445,489	-	445,489
Loss on disposal of tangible capital assets	-	3,077	-	3,077
	11,523,101	448,566	-	11,971,667
Excess (deficiency) of revenues over expenses	$ 3,627,253	$ (448,566)	$ 95,379	$ 3,274,066

The notes are an integral part of these financial statements.

Ottawa Humane Society
Statement of Operations (continued)

For the year ended March 31, 2022	Unrestricted Operating Fund	Property and Equipment Fund	Capital Replacement Fund	Total Funds
Revenues (Note 10)				
Animal shelter	$ 1,423,516	$ -	$ -	$ 1,423,516
Bequests	2,851,721	-	-	2,851,721
Clinic and mobile clinic	1,795	-	-	1,795
Community programs	1,100	-	-	1,100
Development	7,250,430	-	-	7,250,430
Investment income	835,995	-	6,973	842,968
Other income	39,627	-	-	39,627
Volunteer and outreach	34,496	-	-	34,496
Government and other funding for building	-	-	70,287	70,287
	12,438,680	-	77,260	12,515,940
Expenses (Notes 9,10)				
Animal shelter	3,061,220	-	-	3,061,220
Central services	1,054,952	-	-	1,054,952
Clinic and mobile clinic	874,468	-	-	874,468
Community programs	287,040	-	-	287,040
Contingencies	7,402	-	-	7,402
Development	2,469,497	-	-	2,469,497
Foster	80,590	-	-	80,590
Other	61,430	-	-	61,430
Premises	508,325	-	-	508,325
Volunteer and outreach	827,587	-	-	827,587
Amortization of tangible capital and intangible assets	-	480,487	-	480,487
	9,232,511	480,487	-	9,712,998
Excess (deficiency) of revenues over expenses	$ 3,206,169	$ (480,487)	$ 77,260	$ 2,802,942

The notes are an integral part of these financial statements.

Ottawa Humane Society
Statement of Cash Flows

For the year ended March 31, 2023	2023	2022
Cash flows from operating activities		
Excess of revenues over expenses	**$ 3,274,066**	$ 2,802,942
Items not affecting cash:		
Change in unrealized losses (gains) on investments	**168,654**	(515,607)
Realized losses (gains) on investments	**72,512**	(64,672)
Contributed shares	**(155,687)**	(439,496)
Amortization of tangible and intangible capital assets	**445,489**	480,487
Loss on disposal of tangible capital assets	**3,077**	-
	3,808,111	2,263,654
Changes in non-cash working capital:		
Accounts receivable	**121,732**	(104,562)
Inventory	**882**	1,684
Prepaid expenses	**(118,200)**	(93,982)
Accounts payable and accrued liabilities	**341,726**	(197,530)
Deferred revenue	**187,086**	(6,260)
	4,341,337	1,863,004
Cash flows from investing activities		
Purchase of investments	**(10,181,562)**	(4,819,190)
Proceeds from disposal of investments	**4,813,302**	3,936,707
Acquisition of tangible capital assets	**(124,570)**	(37,176)
	(5,492,830)	(919,659)
Net (decrease) increase in cash	**(1,151,493)**	943,345
Cash, beginning of the year	**2,123,722**	1,180,377
Cash, end of the year	**$ 972,229**	$ 2,123,722

The notes are an integral part of these financial statements.

1. Accounting Policies

Status and Purpose of Organization

The Ottawa Humane Society (the Society) is a not-for-profit organization incorporated without share capital under the laws of Canada. The Society's mission is to lead Ottawa in building a humane and compassionate community for all animals. The Society is a registered charity under the Income Tax Act and, as such, is exempt from income taxes and may issue income tax receipts to donors.

Basis of Accounting

The Society applies the Canadian accounting standards for not-for-profit organizations.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses for the year covered. The main estimates relate to the amortization of tangible capital and intangible assets.

Revenue Recognition

The Society follows the restricted fund method. Under this method, externally restricted contributions which consist of grants, donations and fundraising are recognized in the fund corresponding to the purpose for which they were contributed. Unrestricted contributions are recognized as revenues in the Operating Fund. Restricted contributions with no corresponding fund are recognized in the Operating Fund under the deferral method.

Operating Fund
The Operating Fund is for the day-to-day operations of the Society. Animal shelter, clinic and mobile clinic, development, volunteer and outreach and other revenues are recognized as revenue in the Operating Fund when these services are provided.

Property and Equipment Fund
The Property and Equipment Fund is used to account for all tangible capital and intangible assets owned by the Society. The expense recorded in this fund is the amortization of tangible and intangible capital assets.

1. **Accounting Policies** (continued)

Revenue Recognition (continued)

Capital Replacement Fund
The Capital Replacement Fund is used to account for the City of Ottawa funding related to the amortization of tangible capital assets. In accordance with the agreement between the Society and the City of Ottawa, these funds are to be placed in an interest-bearing account and to be used for the construction of a new animal shelter or any major renovations to the existing shelter. All expenses require written approval from the City of Ottawa. Investment income earned is recorded in this fund and is reinvested until such expenses have been incurred.

Translation of Foreign Currency Transactions and Items

The Society uses the temporal method to translate its foreign currency transactions. Monetary assets and liabilities are translated at the exchange rate in effect at the statement of financial position date. Other assets and liabilities are translated at the exchange rate in effect at the transaction date. Revenues and expenses are translated at the average rate for the year. Exchange gains and losses are included in the statement of operations.

Financial Instruments

Initial and subsequent measurement
The Society initially measures its financial assets and liabilities at fair value. The Society subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in bonds and equity instruments that are quoted in an active market which are measured at fair value. Changes in fair value of these financial instruments are recognized in the statement of operations in the year incurred.

Impairment
Financial assets measured at amortized cost are tested for impairment when there are indications of possible impairment.

Transaction costs
Transaction costs related to financial instruments that will be subsequently measured at fair value are recognized in the statement of operations in the year incurred. Transaction costs related to financial instruments subsequently measured at amortized cost are included in the original cost of the asset or liability and recognized in the statement of operations over the life of the instrument using the straight-line method.

Inventory

Inventory is measured at the lower of cost and net realizable value. The cost is determined using the first-in, first-out method.

1. Accounting Policies (continued)

Tangible Capital Assets

Tangible capital assets are accounted for at cost and amortized on the basis of their useful life using the straight line method over the following durations:

Buildings and building improvements	20 - 40 years
Computer equipment	4 years
Furniture and fixtures	10 years
Machinery and equipment	10 years
Vehicles	5 years

Intangible Assets

Intangible assets are recognized at cost and amortized on the basis of their useful life using the straight line method over the following duration:

Software	3 years

Intangible assets with an indefinite life, which includes the time share vacation property, are not amortized. They are tested for impairment when events or circumstances indicate that their carrying amount exceeds their fair value.

Impairment of Long-Lived Assets

When a tangible capital asset or intangible asset no longer has any long-term service potential to the Society, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations.

Contributed Services

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

Contributed Materials

Contributed materials over $1,000 which are used in the normal course of the Society's operations and would otherwise have been purchased are recorded at their fair value at the date of contribution.

1. **Accounting Policies** (continued)

Allocation of Expenses

The Society records their expenses on a functional program basis. Premises, central services and fleet costs are applicable to more than one function and are allocated to these functions on the following basis:

- Premises costs: prorated to the floor area occupied by each function.
- Central services costs: allocated to the Animal Shelter based on the allowed expenses under the Municipal Animal Shelter Service Agreement with the City of Ottawa and to all other functions based on estimated usage.
- Fleet costs: prorated to the usage of the vehicles by each function.

2. Short-term Investments

	2023	2022
Measured at fair value		
Bonds, 2.38% to 3.25% (2022 - 2.09% to 2.36%), maturing between May 2023 and March 2024 (2022 - April and December 2022).	**$ 1,196,066**	$ 404,325
Measured at amortized cost		
High-interest savings account	**2,508,040**	892,126
Guaranteed investment certificates, matured during the year.	**-**	770,115
Restricted high-interest savings account	**110,754**	535,783
Restricted guaranteed investment certificates, 3.90% to 4.10%, maturing August 2023.	**410,030**	-
	3,028,824	2,198,024
	$ 4,224,890	$ 2,602,349

3. Long-term Investments

	2023	2022
Measured at fair value		
Bonds, 1.94% to 3.95% (2022 - 2.00% to 3.25%), maturing between June 2024 and December 2031 (2022 - May 2023 and June 2030).	**$ 4,000,635**	$ 2,526,082
Canadian equities	**4,196,973**	3,449,071
US and international equities	**3,919,047**	2,891,612
	12,116,655	8,866,765
Measured at amortized cost		
Restricted guaranteed investment certificates, 4.15% to 4.25%, maturing August 2024	**410,351**	-
	$ 12,527,006	$ 8,866,765

The restricted investments from above are restricted as a result of an agreement between the Society and the City of Ottawa. The Capital Replacement funds received are to be placed in an interest-bearing account and to be used for the construction of a new animal shelter or any major renovations to the existing shelter. All expenses require written approval from the City of Ottawa.

4. Tangible Capital Assets

	2023		2022	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Land	**$ 1,744,284**	**$ -**	$ 1,744,284	$ -
Buildings and building improvements	**13,139,612**	**3,795,634**	13,125,476	3,460,934
Computer equipment	**225,517**	**165,591**	181,617	140,016
Furniture and fixtures	**441,909**	**408,637**	431,329	399,177
Machinery and equipment	**1,360,112**	**1,171,900**	1,312,948	1,121,212
Vehicles	**378,334**	**354,320**	378,334	334,967
	$ 17,289,768	**$ 5,896,082**	$ 17,173,988	$ 5,456,306
Net carrying amount		**$ 11,393,686**		$ 11,717,682

5. Intangible Assets

	2023		2022	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Software	**$ 165,623**	**$ 165,623**	$ 165,623	$ 165,623
Time share vacation property	**38,810**	**-**	38,810	-
	$ 204,433	**$ 165,623**	$ 204,433	$ 165,623
Net carrying amount		**$ 38,810**		$ 38,810

The time share vacation property was donated to the Society and consists of points for a Hilton Grand Vacations timeshare that comprises accommodations for a set number of people and nights. The trip is used a prize, raffle or auction item.

6. Bank Loan

The Society has an authorized operating line of credit of $800,000 that is due on demand and bears interest at the bank's prime rate plus 0.75%, calculated and payable monthly. It is secured by a general security agreement covering all assets. At March 31, 2023 and March 31, 2022, this line of credit was unused.

7. Contractual Obligations

The Society regularly enters into agreements for the purchase of various supplies and services including the rental of premises and equipment. The total obligation related to these contracts is $1,041,498 including the following payments over the next five years:

2024	$ 358,302
2025	$ 254,389
2026	$ 237,436
2027	$ 107,916
2028	$ 83,455

8. Interfund Transfers

Amounts of $124,570 (2022 - $37,176) were transferred from the unrestricted operating fund to the property and equipment fund for the purchase of tangible capital assets during the year.

9. Allocation of Expenses

Premises, central services and fleet costs were allocated as follows:

	2023	2022
Premises costs		
Animal shelter	**$ 393,242**	$ 307,147
Central services costs		
Animal shelter	**$ 91,800**	$ 91,488
Fleet costs		
Animal shelter	**$ 5,745**	$ 5,782
Clinic and mobile clinic	**11,884**	5,240
Development	**884**	910
Volunteer and outreach	**6,627**	6,823
	$ 25,140	$ 18,755

10. Fundraising Activities

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

	2023	2022
Operating fund - Development revenue		
Individual support	**$ 6,548,449**	$ 6,449,726
Group support	**307,260**	226,860
Special events	**306,473**	573,844
	7,162,182	7,250,430
Operating Fund - Bequests	**5,788,724**	2,851,721
Total fundraising revenue	**$ 12,950,906**	$ 10,102,151

Furthermore, there are fundraising expenses included in multiple statement of operations categories. These expenses are based on direct costs and are as follows:

	2023	2022
Operating Fund - Development	**$ 2,696,437**	$ 2,469,497

11. Financial Instruments

Currency risk
Approximately 23% of the Society's investments are denominated in US dollars and have been translated into Canadian dollars at year end. Consequently, these investments are exposed to foreign exchange fluctuations.

Interest rate risk
The Society is exposed to interest rate risk on its fixed interest rate financial instruments. Fixed interest instruments subject the Society to a fair value risk, since fair value fluctuates inversely to changes in market interest rates.

Other price risk
Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The organization is exposed to other price risk through its investments in quoted shares.

The interest rate risk has increased in comparison to the previous year due to interest rate increases announced by the Bank of Canada. There have been no changes to the other financial instrument risks since the prior year.