

**EDMONTON HUMANE SOCIETY FOR THE
PREVENTION OF CRUELTY TO ANIMALS**

Financial Statements

Year Ended December 31, 2017

EDMONTON HUMANE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
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Year Ended December 31, 2017

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April 30, 2018
Edmonton, Alberta

INDEPENDENT AUDITOR'S REPORT

To the Members of Edmonton Humane Society for the Prevention of Cruelty to Animals

We have audited the accompanying financial statements of Edmonton Humane Society for the Prevention of Cruelty to Animals, which comprise the statement of financial position as at December 31, 2017 and the statements of revenues and expenditures, changes in net assets and cash flow 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 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.

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 for our qualified audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, the Society derives some of its revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amount recorded in the records of the Society and we were not able to determine whether any adjustments might be necessary to contributions, excess of revenue over expenses, current assets and net assets.

Qualified Opinion

In our opinion, except for the possible effect of the matter in the Basis of Qualified Opinion paragraph above, these financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2017, its financial performance and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Kingston Ross Pasnak LLP

Kingston Ross Pasnak LLP
Chartered Professional Accountants

EDMONTON HUMANE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
Statement of Revenues and Expenditures
For the Year Ended December 31, 2017

	2017	2016
REVENUE		
Fundraising and sponsorships <i>(Note 10)</i>	\$ 3,572,369	\$ 3,597,332
Shelter operations	2,551,158	2,987,218
Bequests	1,880,522	1,318,241
Amortization of deferred capital contributions <i>(Note 8)</i>	262,200	277,565
Donated shares	101,402	85,339
Investment income	87,644	79,824
	8,455,295	8,345,519
EXPENSES		
Shelter operations	4,015,063	4,258,243
Fundraising and sponsorship	1,312,841	1,387,430
Program and service delivery	1,204,776	1,037,297
Amortization of property and equipment	671,049	704,343
	7,203,729	7,387,313
EXCESS OF REVENUE OVER EXPENSES FROM OPERATIONS	1,251,566	958,206
OTHER INCOME (EXPENSES)		
Unrealized gain on investments	4,435	87,330
EXCESS OF REVENUE OVER EXPENSES	\$ 1,256,001	\$ 1,045,536

EDMONTON HUMANE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
Statement of Changes in Net Assets
Year Ended December 31, 2017

	Unrestricted	Invested in Property and Equipment	Internally Restricted	2017	2016
NET ASSETS - BEGINNING OF YEAR	\$ 4,435,852	\$ 8,857,654	\$ 2,514,176	\$ 15,807,682	\$ 14,762,146
Excess of revenue over expenses	1,664,850	(408,849)	-	1,256,001	1,045,536
Investment in property and equipment	(187,077)	187,077	-	-	-
NET ASSETS - END OF YEAR	\$ 5,913,625	\$ 8,635,882	\$ 2,514,176	\$ 17,063,683	\$ 15,807,682

EDMONTON HUMANE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
Statement of Financial Position
December 31, 2017

	2017	2016
ASSETS		
CURRENT		
Cash	\$ 3,040,187	\$ 2,760,248
Short-term investments (Note 3)	4,139,181	2,405,755
Accounts receivable	92,983	177,800
Inventory (Note 4)	113,771	92,603
Prepaid expenses	74,459	57,642
	7,460,581	5,494,048
LONG TERM INVESTMENTS (Note 5)	2,865,953	3,186,459
PROPERTY AND EQUIPMENT (Note 6)	14,700,587	15,184,560
	\$ 25,027,121	\$ 23,865,067
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	\$ 311,670	\$ 456,953
Goods and Services Tax payable	21,226	21,626
Deferred contributions (Note 7)	1,565,837	1,251,901
Current portion of deferred capital contributions (Note 8)	249,359	262,598
	2,148,092	1,993,078
DEFERRED CAPITAL CONTRIBUTIONS	5,815,346	6,064,307
	7,963,438	8,057,385
NET ASSETS		
Invested in property and equipment	8,635,882	8,857,654
Internally restricted (Note 9)	2,514,176	2,514,176
Unrestricted	5,913,625	4,435,852
	17,063,683	15,807,682
	\$ 25,027,121	\$ 23,865,067

APPROVED BY THE BOARD

_____ Director

_____ Director

EDMONTON HUMANE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS**Statement of Cash Flow****Year Ended December 31, 2017**

	2017	2016
OPERATING ACTIVITIES		
Cash receipts	\$ 8,023,731	\$ 7,619,127
Cash paid to suppliers and employees	(6,694,487)	(6,568,892)
Interest and dividends received	87,644	79,824
Cash flow from operating activities	1,416,888	1,130,059
INVESTING ACTIVITIES		
Purchase of property and equipment	(187,077)	(219,173)
Cash contributed to capital campaign	480,498	899,321
Purchase of investments	(5,936,844)	(940,225)
Proceeds on disposal of investments	4,506,474	556,484
Cash flow from (used by) investing activities	(1,136,949)	296,407
INCREASE IN CASH	279,939	1,426,466
CASH - BEGINNING OF YEAR	2,760,248	1,333,782
CASH - END OF YEAR	\$ 3,040,187	\$ 2,760,248

EDMONTON HUMANE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

Notes to Financial Statements

Year Ended December 31, 2017

1. DESCRIPTION OF BUSINESS

Edmonton Humane Society for the Prevention of Cruelty to Animals (the "Society") is a humane society that provides temporary shelter and humane care to homeless and unwanted companion animals from Edmonton and surrounding communities, investigates reports of animal abuse and neglect within Edmonton city limits, adopts animals to homes and operates related programs. The Society is incorporated under the Societies Act of Alberta as a not-for-profit organization and is a registered charity under the Income tax Act (Canada), and thereby is exempt from taxation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations. Significant accounting policies observed in the preparation of the financial statements are summarized below.

Revenue recognition

Edmonton Humane Society for the Prevention of Cruelty to Animals follows the deferral method of accounting for contributions.

Shelter Operations

Revenue from shelter operations is recognized at the time the goods and services have been provided and collection is reasonably assured.

Fundraising and Sponsorships

Restricted contributions other than those restricted for the purchase of property and equipment are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Bequests

Unrestricted bequests are recognized as contributions at the time the funds are received or receivable and collection is reasonably assured.

Contributions Externally Restricted for the Purchase of Property and Equipment

Contributions that are externally restricted for the purchase of property and equipment are deferred until the amounts are invested in property and equipment. Contributions invested in property and equipment, excluding land, are amortized to revenue on the same basis as the related assets are amortized.

Investment Income

Unrestricted and internally restricted investment income is recognized as revenue when earned.

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EDMONTON HUMANE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
Notes to Financial Statements
Year Ended December 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit, less cheques issued and outstanding, plus cash in the investment portfolio.

Investments

Investments are recorded at fair value. The Society's investments consist of Guaranteed Investment Certificates and common shares. Transactions costs are recognized immediately in the Statement of Revenues and Expenditures.

Inventory

Inventory is measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Inventory includes all costs to purchase, convert, and bring the inventories to their present location and condition. Cost is determined principally on a first-in, first-out basis.

Contributed materials and services

Because of the difficulty and expense of determining the value of contributed materials and services, the Society chooses not to record contributed amounts in the financial statements, unless the item is classified as property and equipment, in which case the property and equipment recognition policy will apply.

Property and equipment

Property and equipment is stated at cost or deemed cost less accumulated amortization. Contributed property and equipment is recorded at fair market value at the date of contribution; where an appraisal is required at a later date to establish fair market value, the asset is recorded at fair market value as of the date of appraisal. Where the fair market value of contributed property and equipment could not be reasonably determined or the cost to determine fair market value would be significant in relation to the fair market value of the asset, the asset is included at a nominal value of \$1 per item.

Property and equipment is amortized over its estimated useful life, using the declining balance method at the following annual rates:

Buildings	4%
Equipment	20%
Computers	30%
Telephones	20%
Vehicles	30%

Property and equipment acquired during the year but not placed into use are not amortized until they are placed into use.

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EDMONTON HUMANE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
Notes to Financial Statements
Year Ended December 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Translation of foreign currency transactions

Foreign currency transactions have been translated to the Canadian dollar equivalent at the average exchange rate for the fiscal year, with the exception assets and liabilities, being translated at the year-end current exchange rate. Any resultant gain or loss has been taken into income.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates. The significant estimates pertain to providing for amortization of property and equipment and collectibility of accounts receivable.

Financial instruments

All financial instruments are initially measured at fair value, and, unless otherwise noted, the Society subsequently measures its financial instruments at amortized cost.

3. SHORT-TERM INVESTMENTS

	2017	2016
Short-term investments	\$ 3,627,852	\$ 1,956,789
Marketable securities	511,329	448,966
	\$ 4,139,181	\$ 2,405,755

The short-term investments are comprised of GICs and are cashable on demand and bear interest at annual rates ranging from 0.95% to 2.010%.

4. INVENTORY

Included in the current year Statement of Revenues and Expenditures is the sale or usage of inventory in the amount of \$339,813; (2016 - \$432,726), which has been recognized as an expense in the current year.

5. LONG-TERM INVESTMENTS

The long-term investments consist of fixed income funds with no fixed redemption or rate of return. As the Society intends to hold these funds for longer than one year, they are classified as long term.

EDMONTON HUMANE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
Notes to Financial Statements
Year Ended December 31, 2017

6. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
Building	\$ 18,993,063	\$ 5,745,641	\$ 13,247,422	\$ 13,678,608
Land	1,014,285	-	1,014,285	1,014,285
Equipment	980,197	755,975	224,222	242,827
Computers	893,774	795,482	98,292	115,862
Telephones	331,506	241,907	89,599	94,739
Vehicles	191,772	165,005	26,767	38,239
	\$ 22,404,597	\$ 7,704,010	\$ 14,700,587	\$ 15,184,560

7. DEFERRED CONTRIBUTIONS

Deferred contributions represent unspent externally restricted grants and donations. Restrictions on contributions are that they be used only in specific programs. The programs are as follows: Injured Animals, Disaster Fund, PALS, CEC, Mobile Adoption Vehicle, Capital Contributions, APO and Equipment.

	2017	2016
Beginning balance	\$ 1,251,901	\$ 969,307
Add amount received in the current year	480,498	899,321
Less amount invested in property and equipment in the year	-	(58,892)
Less amount recognized as revenue in the year	(166,562)	(557,835)
	\$ 1,565,837	\$ 1,251,901

EDMONTON HUMANE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
Notes to Financial Statements
Year Ended December 31, 2017

8. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions include the unamortized portions of contributed property and equipment purchased with restricted contributions. The amortization of capital contributions is recorded as revenue in the Statement of Revenues or Expenditures in accordance with amortization rates of the related assets.

	2017	2016
Balance, beginning of year	\$ 6,326,905	\$ 6,545,578
Contributions and contributed assets	-	58,892
Less amounts amortized to revenue	(262,200)	(277,565)
	6,064,705	6,326,905
Deferred capital contributions - current portion	(249,359)	(262,598)
	\$ 5,815,346	\$ 6,064,307

9. INTERNALLY RESTRICTED NET ASSETS

Internally restricted funds represent amounts restricted for program development and capital expenditures. These internally restricted and reinvested amounts are not available for other purposes without the approval of the Board of Directors.

10. CHARITABLE FUND-RAISING ACT (ALBERTA)

The following supplementary information is disclosed in compliance with the Charitable Fund-raising Act (Alberta) and related Regulations:

	2017	2016
Fundraising and sponsorships	\$ 3,572,369	\$ 3,597,332
Total amount paid as remuneration to employees of the organization whose principal duties involved fundraising	266,072	242,878

11. CASH FLOW SUPPLEMENTARY INFORMATION

The following transactions have been excluded from the Statement of Cash Flow as they did not require the use of cash or cash equivalents.

	2017	2016
Shares donated to the Society	\$ 101,402	\$ 85,339

EDMONTON HUMANE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

Notes to Financial Statements

Year Ended December 31, 2017

12. SUBSEQUENT EVENTS

Subsequent to the year-end, the Society finalized an agreement to acquire the assets of the Grande Prairie Society for the Protection of Cruelty to Animals for \$650,000 on March 28, 2018 with the intention of opening a shelter operation in the region.

13. FINANCIAL INSTRUMENTS

The Society is exposed to various risks through its financial instruments. The following analysis provides information about the Society's risk exposure and concentration as of December 31, 2017. Unless otherwise noted, the Society's risk exposure has not changed from the prior year.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Society is exposed to credit risk from contributors, and the maximum exposure to this risk is the carrying value of accounts receivable on the balance sheet. As at December 31, 2017, 80% of receivables are due from five entities, which represents a concentration of credit risk.

Currency risk

Currency risk is the risk to the Society's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Society is exposed to foreign currency exchange risk on cash held in US dollars. The Society does not use derivative instruments to reduce its exposure to foreign currency risk.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the market interest rates. In seeking to minimize the risks from interest rate fluctuations, the Society manages exposure through its normal operating and financing activities. The Society is exposed to interest rate risk primarily through its fixed interest rate on investments.