

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

Financial Statements

Year Ended December 31, 2019

EDMONTON HUMANE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
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Year Ended December 31, 2019

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April 15, 2020
Edmonton, Alberta

INDEPENDENT AUDITOR'S REPORT

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

Qualified Opinion

We have audited the financial statements of Edmonton Humane Society for the Prevention of Cruelty to Animals (the Society), which comprise the statement of financial position as at December 31, 2019, and the statements of revenues and expenditures, changes in net assets and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2019, and the results of its operations and cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO)

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Society derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Society. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the year ended December 31, 2019, current assets and net assets as at December 31, 2019. Our audit opinion on the financial statements for the year ended December 31, 2018 was modified accordingly because of the possible effects of this limitation of scope.

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 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 qualified audit 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 ASNPO, 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.

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Independent Auditor's Report to the Members of Edmonton Humane Society for the Prevention of Cruelty to Animals *(continued)*

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

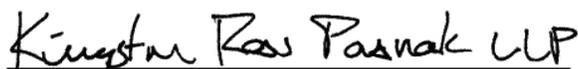
Auditor's Responsibilities for the Audit of the Financial Statements

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.



Kingston Ross Parnak LLP

Chartered Professional Accountants

EDMONTON HUMANE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
Statement of Revenues and Expenditures
Year Ended December 31, 2019

	2019	2018
REVENUE		
Fundraising and sponsorships <i>(Note 10)</i>	\$ 3,429,094	\$ 3,702,182
Shelter operations	2,192,886	2,406,698
Bequests	1,783,397	2,031,021
Amortization of deferred capital contributions <i>(Note 8)</i>	267,125	249,359
Investment income	127,234	93,784
Donated shares	14,333	35,877
	7,814,069	8,518,921
EXPENSES		
Shelter operations	4,814,017	4,623,960
Program and service delivery	1,616,775	1,370,132
Fundraising and sponsorship	1,316,029	1,427,387
Amortization of property and equipment	701,661	647,909
	8,448,482	8,069,388
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES FROM OPERATIONS	(634,413)	449,533
OTHER INCOME (EXPENSES)		
Unrealized gain (loss) on marketable securities	334,436	(165,797)
Gain on disposal of property and equipment	13,810	-
Gain on sale of marketable securities	2,849	-
	351,095	(165,797)
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES	\$ (283,318)	\$ 283,736

EDMONTON HUMANE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
Statement of Changes in Net Assets
Year Ended December 31, 2019

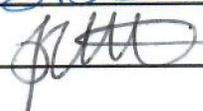
	Unrestricted	Invested in Property and Equipment	Internally Restricted	2019	2018
NET ASSETS - BEGINNING OF YEAR	\$ 5,734,138	\$ 9,099,105	\$ 2,514,176	\$ 17,347,419	\$ 17,063,683
Deficiency of revenue over expenses	139,654	(422,972)	-	(283,318)	283,736
Invested in property and equipment	(182,582)	182,582	-	-	-
NET ASSETS - END OF YEAR	\$ 5,691,210	\$ 8,858,715	\$ 2,514,176	\$ 17,064,101	\$ 17,347,419

EDMONTON HUMANE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
Statement of Financial Position
December 31, 2019

	2019	2018
ASSETS		
CURRENT		
Cash	\$ 7,315,933	\$ 2,012,976
Short-term investments (Note 3)	1,675,233	4,239,358
Accounts receivable	101,706	156,391
Inventory (Note 4)	77,348	67,160
Prepaid expenses	96,688	98,909
	9,266,908	6,574,794
LONG TERM INVESTMENTS (Note 5)	3,134,357	3,723,240
PROPERTY AND EQUIPMENT (Note 6)	14,602,150	14,914,451
	\$ 27,003,415	\$ 25,212,485
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	\$ 435,653	\$ 481,846
Source deductions payable	31,137	31,601
Deferred contributions (Note 7)	3,729,089	1,536,273
Current portion of deferred capital contributions (Note 8)	276,351	237,446
	4,472,230	2,287,166
DEFERRED CAPITAL CONTRIBUTIONS (Note 8)	5,467,084	5,577,900
	9,939,314	7,865,066
NET ASSETS		
Invested in property and equipment	8,858,715	9,099,105
Internally restricted (Note 9)	2,514,176	2,514,176
Unrestricted	5,691,210	5,734,138
	17,064,101	17,347,419
	\$ 27,003,415	\$ 25,212,485

APPROVED BY THE BOARD


 _____ Director


 _____ Director

EDMONTON HUMANE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS**Statement of Cash Flow****Year Ended December 31, 2019**

	2019	2018
OPERATING ACTIVITIES		
Cash receipts	\$ 9,738,264	\$ 8,208,687
Cash paid to suppliers and employees	(7,799,320)	(7,254,270)
Interest and dividends received	251,395	119,345
Cash flow from operating activities	2,190,339	1,073,762
INVESTING ACTIVITIES		
Purchase of property and equipment	(390,375)	(861,773)
Proceeds on disposal of property and equipment	13,500	-
Purchase of investments	(248,385)	(4,737,513)
Proceeds on disposal of investments	3,737,877	3,623,708
Cash flow from (used by) investing activities	3,112,617	(1,975,578)
INCREASE (DECREASE) IN CASH	5,302,956	(901,816)
CASH - BEGINNING OF YEAR	2,012,977	2,914,793
CASH - END OF YEAR (Note 11)	\$ 7,315,933	\$ 2,012,977

During the year, the Society incurred interest expenses of \$53,279 (2018 - \$64,222), which is included in Fundraising and sponsorship and Program and service delivery expenses on the Statement of Revenue and Expenses and in Cash paid to suppliers and employees on the Statement of Cash Flow.

EDMONTON HUMANE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

Notes to Financial Statements

Year Ended December 31, 2019

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, 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.

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.

Shelter Operations

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

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, 2019

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 or investment shares, in which case the property and equipment and investment recognition policy will apply.

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EDMONTON HUMANE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
Notes to Financial Statements
Year Ended December 31, 2019

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

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%
Vehicles	30%
Computers	30%
Furniture and fixtures	20%

Property and equipment acquired during the year but not available for use are not amortized until they are in the location and condition necessary to operate.

Property and equipment acquired during the year and available for use is subject to the half-year rule.

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 of monetary assets and liabilities, being translated at the year-end current exchange rate. Any resulting 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, collectibility of accounts receivable, absorption factor for estimating the liability related to gift cards payable and determination of the fair value of donated property and equipment and investments.

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.

EDMONTON HUMANE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
Notes to Financial Statements
Year Ended December 31, 2019

3. SHORT-TERM INVESTMENTS

	2019	2018
Short-term investments	\$ 1,077,000	\$ 3,737,877
Marketable securities	598,233	501,481
	\$ 1,675,233	\$ 4,239,358

The short-term investments are comprised of GICs and are cashable on demand and bear interest at annual rates ranging from 2.20% to 2.83%.

4. INVENTORY

Included in the current year Statement of Revenues and Expenditures (Shelter Operations) is the sale or usage of inventory in the amount of \$389,061; (2018 - \$446,594), 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 and a GIC bearing interest at an annual rate of 2.25%. As the Society intends to hold these funds for longer than one year, they are classified as long term.

6. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Building	\$ 19,765,305	\$ 6,828,293	\$ 12,937,012	\$ 13,450,594
Land	1,014,285	-	1,014,285	1,014,285
Equipment	1,150,961	841,114	309,847	221,730
Vehicles	316,998	136,959	180,039	20,582
Computers	963,709	873,019	90,690	125,197
Furniture and fixtures	348,185	277,908	70,277	82,063
	\$ 23,559,443	\$ 8,957,293	\$ 14,602,150	\$ 14,914,451

EDMONTON HUMANE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

Notes to Financial Statements

Year Ended December 31, 2019

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, Prevent Another Litter Subsidy, Canine Enrichment Centre, Mobile Veterinary Vehicle, Capital Contributions, and Equipment.

	2019	2018
Beginning balance	\$ 1,536,273	\$ 1,565,837
Add amount received in the current year	2,548,245	242,191
Less amount invested in property and equipment in the year	(195,214)	-
Less amount recognized as revenue in the year	(160,215)	(271,755)
	\$ 3,729,089	\$ 1,536,273

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.

	2019	2018
Balance, beginning of year	\$ 5,815,346	\$ 6,064,705
Contributions and contributed assets	195,214	-
Less amounts amortized to revenue	(267,125)	(249,359)
	5,743,435	5,815,346
Deferred capital contributions - current portion	(276,351)	(237,446)
	\$ 5,467,084	\$ 5,577,900

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.

EDMONTON HUMANE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
Notes to Financial Statements
Year Ended December 31, 2019

10. CHARITABLE FUNDRAISING ACT (ALBERTA)

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

	2019	2018
Fundraising and sponsorships	\$ 3,429,094	\$ 3,702,182
Total amount paid as remuneration to employees of the organization whose principal duties involved fundraising	303,918	310,649

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.

	2019	2018
Unrealized gain (loss) on investment	\$ 334,436	\$ (165,797)
Accrued interest income on investments	22,320	-
Bonus payable at year-end	16,500	-
Shares donated to the Society	14,333	35,877

EDMONTON HUMANE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

Notes to Financial Statements

Year Ended December 31, 2019

12. 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, 2019. 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, 2019, 92% of receivables are due from three entities, which represents a concentration of credit risk.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk. The Society is mainly exposed to market risk through its investment portfolio.

(a) 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.

(b) 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.

(c) 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 Society is exposed to other price risk through its investment in quoted shares.

EDMONTON HUMANE SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

Notes to Financial Statements

Year Ended December 31, 2019

13. SUBSEQUENT EVENTS

Subsequent to year-end, the global outbreak of the Coronavirus disease ("COVID-19") affected Canada, including Edmonton, Alberta. This has resulted in governments worldwide enacting emergency measures to combat the spread of the virus, which has caused material disruption to businesses globally resulting in an economic slowdown. The duration and impact of the COVID-19 outbreak is not known at this time, nor is the efficacy of government and fiscal interventions designed to stabilize economic conditions. As a result, it is not possible to reliably estimate the length and severity of these developments nor the impact on the financial position and financial results of the Society in future periods.

14. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.