

Financial Statements of

**CANADIAN FEDERATION OF
HUMANE SOCIETIES**

Year ended December 31, 2018



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the Canadian Federation of Humane Societies

Opinion

We have audited the financial statements of the Canadian Federation of Humane Societies (the Federation), which comprise:

- the statement of financial position as at December 31, 2018
- the statement of operations for the year then ended
- the statement of changes fund balances for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at December 31, 2018, and its results 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 “***Auditors’ Responsibilities for the Audit of the Financial Statements***” section of our auditors’ report.

We are independent of the Federation 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 Federation'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 Federation or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 the 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 Federation'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 Federation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.
- 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.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

March 28, 2019

CANADIAN FEDERATION OF HUMANE SOCIETIES

Statement of Financial Position

December 31, 2018, with comparative information for 2017

	Operating Fund	Frederic A. McGrand Trust Fund	Internally Restricted Reserve Fund	2018 Total	2017 Total
Assets					
Current assets:					
Cash	\$ 20,383	\$ 27	\$ 82	\$ 20,492	\$ 145,744
Accounts receivable	124,395	–	–	124,395	39,207
Prepaid expenses	50,484	–	–	50,484	25,884
	195,262	27	82	195,371	210,835
Investments (note 2)	–	231,882	626,122	858,004	961,011
Tangible capital assets (note 3)	116,683	–	–	116,683	119,867
	\$ 311,945	\$ 231,909	\$ 626,204	\$ 1,170,058	\$ 1,291,713

Liabilities and Fund Balances

Current liabilities:					
Accounts payable and accrued liabilities (note 4)	\$ 24,103	\$ –	\$ –	\$ 24,103	\$ 42,632
Deferred revenue	208,944	–	–	208,944	246,810
	233,047	–	–	233,047	289,442
Fund balances:					
Unrestricted	78,898	–	–	78,898	40,984
Internally restricted	–	–	626,204	626,204	720,309
Externally restricted	–	231,909	–	231,909	240,978
	78,898	231,909	626,204	937,011	1,002,271
	\$ 311,945	\$ 231,909	\$ 626,204	\$ 1,170,058	\$ 1,291,713

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

CANADIAN FEDERATION OF HUMANE SOCIETIES

Statement of Operations

Year ended December 31, 2018, with comparative information for 2017

	Operating Fund	Frederic A. McGrand Trust Fund	Internally Restricted Reserve Fund	2018 Total	2017 Total
Revenue:					
Donations	\$ 239,078	\$ –	\$ –	\$ 239,078	\$ 249,168
Other foundations	282,802	–	–	282,802	72,515
Corporate sponsors	93,525	–	–	93,525	33,918
Government grants	–	–	–	–	5,339
Bequests	9,463	–	–	9,463	42,100
National Animal Welfare Conference	328,320	–	–	328,320	239,573
Other revenue	46,042	–	–	46,042	33,064
Violence link conference	–	–	–	–	147,285
Memberships	59,650	–	–	59,650	57,611
National Cat Festival	–	–	–	–	68
Investment income	–	4,647	13,141	17,788	14,110
Realized gain on investments	–	(1,239)	(4,529)	(5,768)	74,862
Unrealized loss on investments	–	(7,893)	(22,717)	(30,610)	(56,559)
	1,058,880	(4,485)	(14,105)	1,040,290	913,054
Expenses (schedule):					
National programs	599,478	–	–	599,478	517,285
Fund development	182,228	–	–	182,228	198,912
Administrative	155,752	–	–	155,752	159,184
Communications	103,984	–	–	103,984	99,568
Other expenses	39,665	–	–	39,665	73,527
Member services	19,880	–	–	19,880	55,412
	1,100,987	–	–	1,100,987	1,103,888
Deficiency of revenue over expenses before the undernoted					
	(42,107)	(4,485)	(14,105)	(60,697)	(190,834)
Other expense:					
Amortization of tangible capital assets	(4,563)	–	–	(4,563)	(5,410)
Deficiency of revenue over expenses					
	\$ (46,670)	\$ (4,485)	\$ (14,105)	\$ (65,260)	\$ (196,244)

See accompanying notes to financial statements.

CANADIAN FEDERATION OF HUMANE SOCIETIES

Statement of Changes in Fund Balances

Year ended December 31, 2018, with comparative information for 2017

	Investment in tangible capital assets	Frederic A. McGrand Trust Fund	Internally Restricted Reserve Fund	Operating Fund	2018 Total	2017 Total
Balance, beginning of year	\$ 119,867	\$ 240,978	\$ 720,309	\$ (78,883)	\$ 1,002,271	\$ 1,198,515
Deficiency of revenue over expenses	–	(4,485)	(14,105)	(46,670)	(65,260)	(196,244)
Interfund transfers	–	(4,584)	(80,000)	84,584	–	–
Amortization of tangible capital assets	(4,563)	–	–	4,563	–	–
Tangible capital asset additions	1,379	–	–	(1,379)	–	–
Balance, end of year	\$ 116,683	\$ 231,909	\$ 626,204	\$ (37,785)	\$ 937,011	\$ 1,002,271

See accompanying notes to financial statements.

CANADIAN FEDERATION OF HUMANE SOCIETIES

Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operations:		
Deficiency of revenue over expenses	\$ (65,260)	\$ (196,244)
Items not involving cash:		
Amortization of tangible capital assets	4,563	5,410
Unrealized investment loss	30,610	56,559
Change in non-cash operating working capital:		
Decrease (increase) in accounts receivable	(85,188)	10,169
Decrease in inventories	-	1,658
Decrease (increase) in prepaid expenses	(24,600)	515
Increase (decrease) in accounts payable and accrued liabilities	(18,529)	13,771
Increase (decrease) in deferred revenue	(37,866)	76,521
	(196,270)	(31,641)
Investments:		
Tangible capital asset additions	(1,379)	-
Financing:		
Net change in investments	72,397	(138,186)
Decrease in cash	(125,252)	(169,827)
Cash, beginning of year	145,744	315,571
Cash, end of year	\$ 20,492	\$ 145,744

See accompanying notes to financial statements.

CANADIAN FEDERATION OF HUMANE SOCIETIES

Notes to Financial Statements

Year ended December 31, 2018

The Canadian Federation of Humane Societies (the "Federation") is the national body comprising animal welfare organizations and individuals whose purpose is to promote humane treatment for animals. The Federation was incorporated without share capital under the Canada Business Corporations Act on August 7, 1957. Effective January 31, 2014, the Federation continued their articles of incorporation from the Canada Corporations Act to the Canada Not-for-profit Corporations Act. The Federation is a registered charity under paragraph 149(1)(f) of the Income Tax Act (Canada), and, accordingly, is exempt from income taxes provided certain requirements of the Income Tax Act are met.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook – Accounting and include the following significant accounting policies:

(a) Basis of presentation:

The Federation uses the restricted fund method of accounting for contributions for not-for-profit organizations.

(b) Fund accounting:

The operating fund reflects the operating activities of the Federation, including the Federation's investment in capital assets.

The Frederic A. McGrand trust fund represents assets turned over to the Federation in 1987 with the desire that income generated by the assets of the fund be prioritized for animal welfare societies in Atlantic Canada.

The internally restricted reserve fund represents assets turned over to the Federation from the dissolution of the CFHS Foundation.

(c) Revenue recognition:

Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Because of the uncertainty of the collectability of pledges, the Federation recognizes pledges as donation revenue in the year received.

Restricted contributions are deferred and recognized in the year in which the specified purpose occurs.

CANADIAN FEDERATION OF HUMANE SOCIETIES

Notes to Financial Statements (continued)

Year ended December 31, 2018

1. Significant accounting policies (continued):

(c) Revenue recognition (continued):

Revenue from fundraising is recorded when received.

Revenue from bequests is recognized as revenue when received.

Revenue from membership fees are recorded in the membership year to which they relate.

Revenue from conferences are recognized when earned.

Investment income is recognized as revenue when earned.

(d) Expenses:

In the statement of operations, the Federation presents its expenses by function, with the exception of amortization of tangible capital assets, which is presented separately. The Federation does not allocate expenses between functions subsequent to initial recognition.

(e) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Federation has elected to carry its investments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Federation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Federation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

CANADIAN FEDERATION OF HUMANE SOCIETIES

Notes to Financial Statements (continued)

Year ended December 31, 2018

1. Significant accounting policies (continued):

(f) Tangible capital assets:

Tangible capital assets are stated at cost. Betterments which extend the estimated life of an asset are capitalized. When a tangible capital asset no longer contributes to the Federation's ability to provide services, its carrying amount is written down to its residual value. Amortization is provided on the declining balance basis using the following annual rates:

Asset	Rate
Condominium office unit	2 1/2%
Furniture and equipment	20%
Computer hardware	55%

(g) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates. These estimates are reviewed annually and as adjustments become necessary, they are recognized in the financial statements in the period in which they become known.

2. Investments:

	2018	2017
Fixed income/bond pool funds	\$ 428,232	\$ 433,657
Money market and mutual funds	42,764	163,440
Common shares	153,421	154,114
Common share equity trust funds	233,587	181,187
Preferred shares equity trust fund	–	28,613
	\$ 858,004	\$ 961,011

Fixed income securities consist of guaranteed investment certificates with interest rate ranges of 1.65 to 3.18% and maturity dates of between March 3, 2019 and July 23, 2021.

CANADIAN FEDERATION OF HUMANE SOCIETIES

Notes to Financial Statements (continued)

Year ended December 31, 2018

3. Tangible capital assets:

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Condominium office unit	\$ 173,607	\$ 60,315	\$ 113,292	\$ 116,197
Furniture and equipment	10,667	8,976	1,691	2,114
Computer hardware	9,461	7,761	1,700	1,556
	<u>\$ 193,735</u>	<u>\$ 77,052</u>	<u>\$ 116,683</u>	<u>\$ 119,867</u>

At December 31, 2017, the cost and accumulated amortization of tangible capital assets was \$192,356 and \$72,489, respectively.

4. Accounts payable and accrued liabilities:

As at year end, the Federation had \$Nil (2017 - \$Nil) payable for government remittances.

5. Fund balances:

Management's objective when managing its fund balances is to safeguard the Federation's ability to continue as a going concern so that it can continue to provide services in accordance with its mission.

The Federation is not subject to externally imposed capital requirements and its overall strategy with respect to net assets remains unchanged from the year ended December 31, 2017.

6. Financial risks:

(a) Liquidity risk:

Liquidity risk is the risk that the Federation will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Federation manages its liquidity risk by monitoring its operating requirements. The Federation prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

CANADIAN FEDERATION OF HUMANE SOCIETIES

Notes to Financial Statements (continued)

Year ended December 31, 2018

6. Financial risks (continued):

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Federation is exposed to credit risk with respect to the accounts receivable. The Federation assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. At year-end, there were no amounts allowed for in accounts receivable.

(c) Interest rate and currency risks:

The Federation believes it is not subject to significant interest rate or currency risk arising from its financial instruments, as this risk is limited to its investments in corporate bonds as disclosed in note 2.

There has been no change to the risk exposures from 2017.

7. Comparative information:

Certain 2017 comparative information has been reclassified to conform to the presentation of the 2018 financial statements.

CANADIAN FEDERATION OF HUMANE SOCIETIES

Schedule of Operating Fund Expenses

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Fund development:		
Acquisition	\$ 167	\$ 201
Bequest promotion	1,282	–
Direct mail	59,414	41,037
Overhead	10,085	22,129
Personnel	111,280	135,545
	\$ 182,228	\$ 198,912
Member services:		
CEO summit	\$ –	\$ 24,865
Personnel	19,750	30,821
Travel (recovery)	130	(274)
	\$ 19,880	\$ 55,412
Programs:		
National programs	\$ 341,821	\$ 302,320
Personnel	246,205	203,124
Travel	11,452	7,653
	\$ 599,478	\$ 513,097
Communications:		
Personnel	\$ 72,192	\$ 83,152
Public engagement	24,867	7,883
Web site	6,925	8,533
	\$ 103,984	\$ 99,568
Administrative:		
Office and general	\$ 17,305	\$ 24,372
Other administration	12,019	10,241
Personnel	92,881	100,335
Professional fees	33,547	22,736
	\$ 155,752	\$ 157,684
Other expenses:		
AGM and board meeting	\$ 11,587	\$ 7,773
Condominium expenses	28,078	29,754
In Kind Program Support	–	36,000
	\$ 39,665	\$ 73,527