

Financial Statements of

**CANADIAN FEDERATION  
OF HUMANE SOCIETIES**

(Operating as Humane Canada)

And Independent Auditors' Report thereon

Year ended December 31, 2019



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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, 2019
- 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, 2019, 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.

*KPMG LLP*

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Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

July 8, 2020

# CANADIAN FEDERATION OF HUMANE SOCIETIES

## Statement of Financial Position

December 31, 2019, with comparative information for 2018

	Operating Fund	Frederic A. McGrand Trust Fund	Internally Restricted Reserve Fund	2019 Total	2018 Total
<b>Assets</b>					
Current assets:					
Cash	\$ 104,056	\$ 5,222	\$ 7,929	\$ 117,207	\$ 20,492
Accounts receivable	65,425	–	–	65,425	124,395
Prepaid expenses	47,303	–	–	47,303	50,484
	216,784	5,222	7,929	229,935	195,371
Investments (note 2)	–	181,870	579,370	761,240	858,004
Tangible capital assets (note 3)	113,910	–	–	113,910	116,683
	\$ 330,694	\$ 187,092	\$ 587,299	\$ 1,105,085	\$ 1,170,058

## Liabilities and Fund Balances

### Current liabilities:

Accounts payable and accrued liabilities (note 4)	\$ 152,187	\$ –	\$ –	\$ 152,187	\$ 24,103
Deferred revenue	87,667	–	–	87,667	208,944
	239,854	–	–	239,854	233,047

### Fund balances:

Unrestricted	90,840	–	–	90,840	78,898
Internally restricted	–	–	587,299	587,299	626,204
Externally restricted	–	187,092	–	187,092	231,909
	90,840	187,092	587,299	865,231	937,011

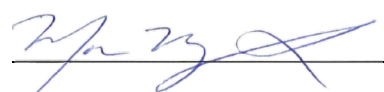
Subsequent event (note 9)

	\$ 330,694	\$ 187,092	\$ 587,299	\$ 1,105,085	\$ 1,170,058
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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, 2019, with comparative information for 2018

	Operating Fund	Frederic A. McGrand Trust Fund	Internally Restricted Reserve Fund	2019 Total	2018 Total
<b>Revenue:</b>					
National Animal Welfare					
Conference	\$ 307,295	\$ –	\$ –	\$ 307,295	\$ 328,320
Donations	246,648	–	–	246,648	\$ 239,078
Other foundations	184,757	–	–	184,757	282,802
Corporate sponsors	153,472	–	–	153,472	93,525
Violence link conference	145,438	–	–	145,438	–
Other revenue	101,587	–	–	101,587	46,042
Memberships	58,777	–	–	58,777	59,650
Unrealized gain (loss) on investments	–	8,255	23,913	32,168	(56,559)
Bequests	30,465	–	–	30,465	9,463
Government grants	28,486	–	–	28,486	–
Investment income	–	4,959	14,027	18,986	17,788
Realized gain on investments	–	(2,429)	(6,845)	(9,274)	(5,768)
	1,256,925	10,785	31,095	1,298,805	1,040,290
<b>Expenses (schedule):</b>					
National programs	707,217	–	–	707,217	599,478
Fund development	251,295	–	–	251,295	182,228
Administrative	173,368	–	–	173,368	155,752
Communications	158,764	–	–	158,764	103,984
Other expenses	44,134	–	–	44,134	39,665
Member services	31,196	–	–	31,196	19,880
	1,365,974	–	–	1,365,974	1,100,987
<b>Excess (deficiency) of revenue over expenses before the undernoted</b>					
	(109,049)	10,785	31,095	(67,169)	(60,697)
<b>Other expense:</b>					
Amortization of tangible capital assets	(4,611)	–	–	(4,611)	(4,563)
<b>Excess (deficiency) of revenue over expenses</b>					
	\$ (113,660)	\$ 10,785	\$ 31,095	\$ (71,780)	\$ (65,260)

See accompanying notes to financial statements.

# CANADIAN FEDERATION OF HUMANE SOCIETIES

## Statement of Changes in Fund Balances

Year ended December 31, 2019, with comparative information for 2018

	Investment in tangible capital assets	Frederic A. McGrand Trust Fund	Internally Restricted Reserve Fund	Operating Fund	2019 Total	2018 Total
Balance, beginning of year	\$ 116,683	\$ 231,909	\$ 626,204	\$ (37,785)	\$ 937,011	\$ 1,002,271
Excess (deficiency) of revenue over expenses	–	10,785	31,095	(113,660)	(71,780)	(65,260)
Interfund transfers	–	(55,602)	(70,000)	125,602	–	–
Amortization of tangible capital assets	(4,611)	–	–	4,611	–	–
Tangible capital asset additions	1,838	–	–	(1,838)	–	–
Balance, end of year	\$ 113,910	\$ 187,092	\$ 587,299	\$ (23,070)	\$ 865,231	\$ 937,011

See accompanying notes to financial statements.

# CANADIAN FEDERATION OF HUMANE SOCIETIES

## Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operations:		
Deficiency of revenue over expenses	\$ (71,780)	\$ (65,260)
Items not involving cash:		
Amortization of tangible capital assets	4,611	4,563
Unrealized investment loss (gain)	(32,168)	30,610
Change in non-cash operating working capital:		
Decrease (increase) in accounts receivable	58,970	(85,188)
Decrease (increase) in prepaid expenses	3,181	(24,600)
Increase (decrease) in accounts payable and accrued liabilities	128,084	(18,529)
Decrease in deferred revenue	(121,277)	(37,866)
	(30,379)	(196,270)
Investments:		
Tangible capital asset additions	(1,838)	(1,379)
Financing:		
Net change in investments	128,932	72,397
Increase (decrease) in cash	96,715	(125,252)
Cash, beginning of year	20,492	145,744
Cash, end of year	\$ 117,207	\$ 20,492

See accompanying notes to financial statements.



# CANADIAN FEDERATION OF HUMANE SOCIETIES

Notes to Financial Statements

Year ended December 31, 2019

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The Canadian Federation of Humane Societies (operating as Humane Canada) (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. On January 1, 2019, the Federation officially changed its trade name to Humane Canada. 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.

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.

# CANADIAN FEDERATION OF HUMANE SOCIETIES

Notes to Financial Statements (continued)

Year ended December 31, 2019

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## 1. Significant accounting policies (continued):

### (c) Revenue recognition (continued):

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.

### (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 ½%
Furniture and equipment	20%
Computer hardware	55%

# CANADIAN FEDERATION OF HUMANE SOCIETIES

Notes to Financial Statements (continued)

Year ended December 31, 2019

## 1. Significant accounting policies (continued):

(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:

	2019	2018
Fixed income/bond pool funds	\$ 341,572	\$ 428,232
Money market and mutual funds	110,417	42,764
Common shares	180,437	153,421
Common share equity trust funds	128,814	233,587
	\$ 761,240	\$ 858,004

Fixed income securities consist of guaranteed investment certificates with interest rate ranges of 2.55 to 3.18% and maturity dates of between November 2, 2020 and March 25, 2022.

## 3. Tangible capital assets:

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Condominium office unit	\$ 173,607	\$ 63,148	\$ 110,459	\$ 113,292
Furniture and equipment	10,667	9,314	1,353	1,691
Computer hardware	11,299	9,201	2,098	1,700
	\$ 195,573	\$ 81,663	\$ 113,910	\$ 116,683

At December 31, 2018, cost and accumulated amortization of tangible capital assets was \$193,735 and \$77,052, respectively.

# CANADIAN FEDERATION OF HUMANE SOCIETIES

Notes to Financial Statements (continued)

Year ended December 31, 2019

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## 4. Accounts payable and accrued liabilities:

As at year end, the Federation had \$10,699 (2018 - \$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, 2018.

## 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.

### (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 2018.

## 7. Comparative information:

Certain 2018 comparative information has been reclassified to conform to the presentation of the 2019 financial statements.

# CANADIAN FEDERATION OF HUMANE SOCIETIES

Notes to Financial Statements (continued)

Year ended December 31, 2019

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## **8. Adoption of new accounting policies:**

The Federation has adopted the following new Canadian Not-for-Profit Accounting Standards effective on January 1, 2019:

- Section 4433, to replace Section 4431, Tangible Capital Assets Held by Not-for-Profit Organizations
- Section 4434, to replace Section 4432, Intangible Assets Held by Not-for-Profit Organizations
- Section 4441, to replace Section 4440, Collections Held by Not-for-Profit Organizations

The Federation has adopted these standards on a prospective basis.

The Federation will apply the componentization approach for capitalization and amortization to significant tangible capital assets acquired in future years, as required under Section 4433.

The Federation does not have assets that meet the definition of intangible assets under Section 4434.

The Federation does not have assets that meet the definition of a collection under Section 4441.

The adoption of these new accounting standards did not result in any adjustments to the amounts reported in the financial statements for the year ended December 31, 2019 and the comparative figures.

## **9. Subsequent event:**

Subsequent to December 31, 2019 the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian federal and provincial governments, enacting emergency measures to combat the spread of the virus. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Association is not known at this time. These impacts could include future declines in revenue, and the use of accumulated net assets to sustain operations.

# HUMANE CANADA

## Schedule of Operating Fund Expenses

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
<b>Programs:</b>		
National programs	\$ 497,269	\$ 341,821
Personnel	209,948	246,205
Travel	–	11,452
	<b>\$ 707,217</b>	<b>\$ 599,478</b>
<b>Fund development:</b>		
Acquisition	\$ 75	\$ 167
Bequest promotion	41,677	1,282
Direct mail	40,546	59,414
Overhead	13,095	10,085
Personnel	155,902	111,280
	<b>\$ 251,295</b>	<b>\$ 182,228</b>
<b>Administrative:</b>		
Office and general	\$ 34,870	\$ 17,305
Other administration	18,134	12,019
Personnel	85,345	92,881
Professional fees	35,019	33,547
	<b>\$ 173,368</b>	<b>\$ 155,752</b>
<b>Communications:</b>		
Personnel	\$ 57,602	\$ 72,192
Public engagement	97,258	24,867
Web site	3,904	6,925
	<b>\$ 158,764</b>	<b>\$ 103,984</b>
<b>Other expenses:</b>		
AGM and board meeting	\$ 11,660	\$ 11,587
Condominium expenses	32,474	28,078
	<b>\$ 44,134</b>	<b>\$ 39,665</b>
<b>Member services:</b>		
CEO summit	\$ 2,158	\$ –
Personnel	29,038	19,750
Travel	–	130
	<b>\$ 31,196</b>	<b>\$ 19,880</b>