

Financial Statements of

**CANADIAN FEDERATION  
OF HUMANE SOCIETIES**

And Independent Auditor's Report thereon

Year ended December 31, 2022



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## INDEPENDENT AUDITORS' REPORT

To the Members of Canadian Federation of Humane Societies

### ***Opinion***

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

- the statement of financial position as at December 31, 2022
- the statement of operations for the year then ended
- the statement of changes in 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 Federation as at December 31, 2022 and its results of operations, its changes in fund balances 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 Federation to cease to continue as a going concern.



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- 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

April 21, 2023

# CANADIAN FEDERATION OF HUMANE SOCIETIES

## Statement of Financial Position

December 31, 2022, with comparative information for 2021

	Operating Fund	Growth Investment Fund	Frederic A McGrand Trust Fund	Internally Restricted Reserve Fund	2022	2021
<b>Assets</b>						
Current assets:						
Cash	\$ 1,091,089	\$ 18,509	\$ 10,286	\$ 30,082	\$ 1,149,966	\$ 431,702
Accounts receivable (note 4)	100,049	-	-	-	100,049	72,264
Prepaid expenses	42,739	-	-	-	42,739	60,131
	1,233,877	18,509	10,286	30,082	1,292,754	564,097
Investments (note 2)	110,373	301,560	188,832	597,369	1,198,134	1,204,044
Tangible capital assets (note 3)	3,353	-	-	-	3,353	895
	\$ 1,347,603	\$ 320,069	\$ 199,118	\$ 627,451	\$ 2,494,241	\$ 1,769,036

## Liabilities and Fund Balances

Current liabilities:						
Accounts payable and accrued liabilities (note 4)	\$ 63,648	\$ -	\$ -	\$ -	\$ 63,648	\$ 86,369
Deferred revenue	646,633	-	-	-	646,633	396,313
	710,281	-	-	-	710,281	482,682
Loan payable (note 5)	30,000	-	-	-	30,000	28,154
Deferred government grant (note 5)	-	-	-	-	-	1,846
	740,281	-	-	-	740,281	512,682
Fund balances:						
Unrestricted	607,322	320,069	-	-	927,391	406,033
Internally restricted	-	-	-	627,451	627,451	645,794
Externally restricted	-	-	199,118	-	199,118	204,527
	607,322	320,069	199,118	627,451	1,753,960	1,256,354
	\$ 1,347,603	\$ 320,069	\$ 199,118	\$ 627,451	\$ 2,494,241	\$ 1,769,036

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, 2022, with comparative information for 2021

	Operating Fund	Growth Investment Fund	Frederic A McGrand Trust Fund	Internally Restricted Reserve Fund	2022	2021
<b>Revenue:</b>						
Bequests	\$ 924,312	\$ -	\$ -	\$ -	924,312	46,415
Donations	424,606	-	-	-	424,606	337,643
Government grants	260,853	-	-	-	260,853	95,155
Other foundations	258,241	-	-	-	258,241	301,730
Summit for Animals Conference	239,810	-	-	-	239,810	201,072
Memberships	86,430	-	-	-	86,430	75,516
Corporate sponsors	66,589	-	-	-	66,589	66,879
Investment income	-	3,841	3,203	12,337	19,381	20,970
Other revenue	6,226	-	-	-	6,226	73,603
Other grants	-	-	-	-	-	47,138
Unrealized gain (loss) on investments	2,650	(14,496)	(8,612)	(30,680)	(51,138)	43,939
	2,269,717	(10,655)	(5,409)	(18,343)	2,235,310	1,310,060
<b>Expenses (schedules):</b>						
Programs	1,046,798	-	-	-	1,046,798	496,835
Administrative	262,985	-	-	-	262,985	260,230
Fund development	216,772	-	-	-	216,772	205,055
Communications	147,344	-	-	-	147,344	373,703
Member services	54,131	-	-	-	54,131	45,052
Other expenses	9,117	-	-	-	9,117	17,284
	1,737,147	-	-	-	1,737,147	1,398,159
Earnings (loss) before the undernoted items	532,570	(10,655)	(5,409)	(18,343)	498,163	(88,099)
<b>Other income (expense):</b>						
Gain on sale of tangible capital assets	-	-	-	-	-	340,263
Amortization	(557)	-	-	-	(557)	(2,116)
	(557)	-	-	-	(557)	338,147
<b>Excess (deficiency) of revenue over expenses</b>	<b>\$ 532,013</b>	<b>\$ (10,655)</b>	<b>\$ (5,409)</b>	<b>\$ (18,343)</b>	<b>497,606</b>	<b>250,048</b>

See accompanying notes to financial statements.

# CANADIAN FEDERATION OF HUMANE SOCIETIES

## Statement of Changes in Fund Balances

Year ended December 31, 2022, with comparative information for 2021

	Operating Fund	Growth Investment Fund	Frederic A McGrand Trust Fund	Internally Restricted Reserve Fund	Investment in tangible capital assets	2022	2021
Fund balances, beginning of year	\$ 74,414	\$ 330,724	\$ 204,527	\$ 645,794	\$ 895	\$ 1,256,354	\$ 1,006,306
Excess (deficiency) of revenue over expenses	532,013	(10,655)	(5,409)	(18,343)	-	497,606	250,048
Amortization of tangible capital assets	557	-	-	-	(557)	-	-
Additions of tangible capital assets	(3,015)	-	-	-	3,015	-	-
<b>Fund balances, end of year</b>	<b>\$ 603,969</b>	<b>\$ 320,069</b>	<b>\$ 199,118</b>	<b>\$ 627,451</b>	<b>\$ 3,353</b>	<b>\$ 1,753,960</b>	<b>\$ 1,256,354</b>

See accompanying notes to financial statements.

# CANADIAN FEDERATION OF HUMANE SOCIETIES

## Statement of Cash Flows

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 497,606	\$ 250,048
Items not involving cash:		
Gain on sale of tangible capital assets	-	(340,263)
Amortization of tangible capital assets	557	2,116
Unrealized investment loss (gain)	51,138	(44,003)
Changes in non-cash operating working capital:		
(Increase) decrease in accounts receivable	(27,785)	7,129
Decrease in prepaid expenses	17,392	1,630
Decrease in accounts payable and accrued liabilities	(22,721)	(64,319)
Increase (decrease) in deferred revenue	250,320	(25,362)
	766,507	(213,024)
Investing activities:		
Proceeds from sale of tangible capital assets	-	447,654
Decrease in deferred government grant	(1,846)	-
Proceeds from loan payable	1,846	-
	-	447,654
Financing activities:		
Net change in investments	(45,228)	(391,127)
Purchase of tangible capital assets	(3,015)	(1,205)
	(48,243)	(392,332)
Increase (decrease) in cash	718,264	(157,702)
Cash, beginning of year	431,702	589,404
Cash, end of year	\$ 1,149,966	\$ 431,702

See accompanying notes to financial statements.



# CANADIAN FEDERATION OF HUMANE SOCIETIES

Notes to Financial Statements

Year ended December 31, 2022

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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.

# CANADIAN FEDERATION OF HUMANE SOCIETIES

Notes to Financial Statements (continued)

Year ended December 31, 2022

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## 1. Significant accounting policies (continued):

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

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:

The Federation recognizes financial instruments when they become party to contractual provisions of the financial instrument. 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, 2022

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## 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. The carrying value of tangible capital assets is tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the tangible capital assets is not recoverable and exceeds their fair value. 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 and is recognized using the half-year rule in the year of acquisition:

Asset	Rate
Furniture and equipment	20%
Computer hardware	55%

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### (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. Estimates of the Federation are related to the recoverable amounts of accounts receivable, the amortization period for and potential impairment of capital assets, accrued liabilities and potential contingencies. 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.

# CANADIAN FEDERATION OF HUMANE SOCIETIES

Notes to Financial Statements (continued)

Year ended December 31, 2022

## 2. Investments:

	2022		2021	
Fixed income/bond pool funds	\$	602,954	\$	220,033
Money market and mutual funds		179,085		209,130
Common shares		348,823		424,605
Common share equity trust funds		56,326		336,957
Foreign securities		10,946		13,319
	\$	1,198,134	\$	1,204,044

Fixed income securities consist of guaranteed investment certificates with interest rate ranges of 2.50% to 4.95% and maturity dates of between February 2025 and July 2027.

## 3. Tangible capital assets:

	2022		2021	
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and equipment	\$ 10,667	\$ 10,329	\$ 338	\$ 676
Computer hardware	15,519	12,504	3,015	219
	\$ 26,186	\$ 22,833	\$ 3,353	\$ 895

At December 31, 2021, cost and accumulated amortization of tangible capital assets were \$23,171 and \$22,276, respectively.

## 4. Accounts payable and accrued liabilities:

As at year end, the Federation had \$Nil (2021 - \$Nil) payable for government remittances.

# CANADIAN FEDERATION OF HUMANE SOCIETIES

Notes to Financial Statements (continued)

Year ended December 31, 2022

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## 5. Loan payable:

During 2020, the Federation obtained a \$40,000 loan from the Canadian Emergency Business Account ("CEBA") program. Under the original terms of the agreement, the loan was non-interest bearing until December 31, 2022. If the loan was repaid by December 31, 2022, up to \$10,000 would be forgiven. In the current year, the CEBA program extended the repayment terms to December 31, 2023.

During the year, the Federation recorded interest expense of \$1,846 (2021 - \$1,846) related to accretion of the loan payable and \$1,846 (2021 - \$1,846) of other revenue related to the amortization of the deferred government grant.

## 6. 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, 2021.

## 7. Financial risks:

The Federation is subject to the following risks from its financial instruments.

### (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.

# CANADIAN FEDERATION OF HUMANE SOCIETIES

Notes to Financial Statements (continued)

Year ended December 31, 2022

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## 7. Financial risks (continued):

### (c) 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 risk, interest rate risk and other price risk.

### (i) Currency risk:

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Federation believes that it is not exposed to significant foreign currency as this risk is limited to its investments in corporate bonds as disclosed in note 2.

### (ii) Interest rate and other price risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. 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 Federation is exposed to interest rate and other price risk with respect to its investments as disclosed in note 2. These risks have increased in 2022 due to fluctuations in interest rates and market prices.

There have been no changes from the prior year in the Federation's risk exposures from its financial instruments of the policies, procedures and methods used to manage the risks aside from the changes in interest rate and market price risk.

## 8. Comparative information:

Certain comparative information has been reclassified from that previously presented to conform to the presentation of the 2022 financial statements.

# CANADIAN FEDERATION OF HUMANE SOCIETIES

## Schedule of Operating Fund Expenses

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
<b>Programs:</b>		
National programs	\$ 279,645	\$ 296,840
Personnel	767,153	199,995
	<b>\$ 1,046,798</b>	<b>\$ 496,835</b>
<b>Fund development:</b>		
Personnel	\$ 143,754	\$ 156,981
Direct mail	40,567	31,283
Overhead	32,451	16,791
	<b>\$ 216,772</b>	<b>\$ 205,055</b>
<b>Administrative:</b>		
Office and general	\$ 43,099	\$ 50,704
Other administration	19,658	9,498
Personnel	142,525	145,820
Professional fees	57,703	54,208
	<b>\$ 262,985</b>	<b>\$ 260,230</b>
<b>Communication:</b>		
Personnel	\$ 114,188	\$ 363,401
Public engagement	33,156	10,302
	<b>\$ 147,344</b>	<b>\$ 373,703</b>
<b>Other expenses:</b>		
Board meetings	\$ 9,117	\$ 905
Condominium expenses	-	13,619
In-kind program support	-	2,760
	<b>\$ 9,117</b>	<b>\$ 17,284</b>
<b>Member services:</b>		
Member services	\$ 14,753	\$ 618
Personnel	39,378	44,434
	<b>\$ 54,131</b>	<b>\$ 45,052</b>