

**SASKATOON SOCIETY FOR THE PREVENTION
OF CRUELTY TO ANIMALS INC.**

Auditor's Report

Financial Statements

December 31, 2005

AUDITOR'S REPORT

Bill Jensen, C.A. Prof. Corp.

Jeff Stromberg, C.A. Prof. Corp.

To the Board of Directors of

Saskatoon Society for the Prevention of Cruelty to Animals Inc.

We have audited the balance sheet of **Saskatoon Society for the Prevention of Cruelty to Animals Inc.** as at **December 31, 2005** and the statements of revenues, expenditures and fund balances and cash flows for the year then ended. These financial statements are the responsibility of the society's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many not-for-profit organizations, the society derives revenue from donations (including those pertaining to gaming receipts), the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the society.

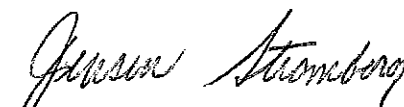
In our opinion, except for the effect of adjustments, if any, which might have been determined to be necessary had we been able to satisfy ourselves concerning the completeness of donations and gaming activities referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the society as at December 31, 2005 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

In our audit report on the 2004 (prior year) financial statements, we expressed a reservation of opinion with respect to the serious deficiencies in the accounting records and internal controls of the society. We were unable to satisfy ourselves that inventories, revenues and expenditures of the society were complete and properly recorded and therefore could not determine whether adjustments were required to the components making up the balance sheet and statements of revenues, expenditures and fund balances and cash flows which have been presented for comparative purposes.

Saskatoon, Saskatchewan

April 10, 2006

528 2nd Avenue North, Saskatoon SK S7K 2C5 T: (306) 665-8191 F: (306) 665-1415


Chartered Accountants

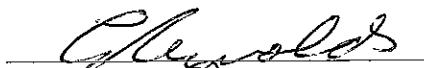
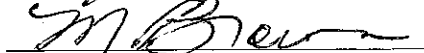
SASKATOON SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS INC.

BALANCE SHEET

December 31, 2005
with comparative figures for 2004

	<u>Operating Fund</u>	<u>Capital Fund</u>	<u>Restricted Funds</u>	<u>Total 2005</u>	<u>Total 2004</u>
<u>ASSETS</u>					(Restated) (Note 6)
Current assets:					
Cash and short-term investments	\$ 27,686	-	156,002	183,688	5,806
Accounts receivable	7,312	-	352	7,664	10,349
Inventory	34,359	-	-	34,359	45,332
Interfund balances	(134,804)	-	134,804	-	-
Prepaid expenses	1,418	-	-	1,418	109
Total current assets	(64,029)	-	291,158	227,129	61,596
Long-term investments	-	-	56,406	56,406	54,184
Capital assets (Note 2)	-	41,152	-	41,152	558,816
	<u>\$ (64,029)</u>	<u>41,152</u>	<u>347,564</u>	<u>324,687</u>	<u>674,596</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 33,393	-	-	33,393	89,791
Accrued vacation payable	1,998	-	-	1,998	18,324
Spay and neuter deposit liability	10,324	-	-	10,324	22,710
Total current liabilities	45,715	-	-	45,715	130,825
Fund Balances:					
Invested in capital assets	-	41,152	-	41,152	558,816
Externally restricted (Note 3)	-	-	347,564	347,564	279,805
Unrestricted	(109,744)	-	-	(109,744)	(294,850)
Total fund balances	(109,744)	41,152	347,564	278,972	543,771
	<u>\$ (64,029)</u>	<u>41,152</u>	<u>347,564</u>	<u>324,687</u>	<u>674,596</u>

APPROVED ON BEHALF OF THE BOARD:

 Director
 Director

See accompanying notes to the financial statements.

SASKATOON SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS INC.

STATEMENT OF REVENUES AND EXPENDITURES

Year ended December 31, 2005
with comparative figures for 2004

	<u>Operating Fund</u>	<u>Capital Fund</u>	<u>Restricted Funds</u>	<u>Total 2005</u>	<u>Total 2004</u> Restated (Note 6)
Revenues:					
Shelter operations (Schedule 1)					
Programs and services	\$ 85,841	-	-	85,841	140,796
Store	18,566	-	-	18,566	41,973
GST rebate	1,723	-	-	1,723	4,246
Miscellaneous	4,158	-	-	4,158	16,008
Funded services (Schedule 2)					
City of Saskatoon:					
Pound services	316,015	-	-	316,015	333,300
Animal control services	-	-	-	-	136,800
Grant	120,000	-	-	120,000	44,561
Fundraising operations (Schedule 3)					
Donor contributions	205,229	-	-	205,229	142,848
Fundraisers	51,082	-	-	51,082	68,745
Gaming	-	-	87,929	87,929	71,572
In trust (Schedule 4)					
In trust - city	33,263	-	-	33,263	48,128
In trust - shelter	95,561	-	-	95,561	110,520
Ray Duerr fund investment revenue	-	-	2,674	2,674	3,171
	<u>931,438</u>	<u>-</u>	<u>90,603</u>	<u>1,022,041</u>	<u>1,162,668</u>
Expenditures:					
Shelter operations (Schedule 1)					
Programs and services	11,554	-	-	11,554	34,094
Store	22,570	-	-	22,570	45,990
Facility	44,110	-	-	44,110	45,154
Health wing	19,765	-	-	19,765	51,048
Kennel	11,007	-	-	11,007	-
Administration	86,747	-	-	86,747	98,913
Payroll	220,092	-	-	220,092	298,370
Funded services (Schedule 2)					
Pound	186,905	-	-	186,905	189,236
Investigative services	119,307	-	-	119,307	221,788
Fundraising (Schedule 3)					
Fundraising and planned giving	2,685	-	-	2,685	2,227
Fundraisers	9,128	-	-	9,128	54,245
Gaming	-	-	44,827	44,827	36,469
In trust (Schedule 4)					
In trust - city	33,370	-	-	33,370	47,915
In trust - shelter	53,205	-	-	53,205	75,272
Ray Duerr fund loss on sale of investments	-	-	-	-	1,242
Capital fund					
Amortization	-	9,593	-	9,593	40,463
Loss on disposal of capital assets	-	411,975	-	411,975	-
	<u>820,445</u>	<u>421,568</u>	<u>44,827</u>	<u>1,286,840</u>	<u>1,242,426</u>
Excess (deficiency) of revenues over expenditures	\$ <u>110,993</u>	<u>(421,568)</u>	<u>45,776</u>	<u>(264,799)</u>	<u>(79,758)</u>

See accompanying notes to the financial statements.

SASKATOON SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS INC.

STATEMENT OF FUND BALANCES

Year ended December 31, 2005
with comparative figures for 2004

	<u>Operating Fund</u>	<u>Capital Fund</u>	<u>Restricted Fund</u>	<u>2005</u>	<u>2004</u> Restated (Note 6)
Fund balances, beginning of year	\$ (294,850)	558,816	279,805	543,771	623,529
Excess (deficiency) of revenues over expenditures	110,993	(421,568)	45,776	(264,799)	(79,758)
Interfund transfers (Note 3)	<u>74,113</u>	<u>(96,096)</u>	<u>21,983</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ (109,744)</u>	<u>41,152</u>	<u>347,564</u>	<u>278,972</u>	<u>543,771</u>

See accompanying notes to the financial statements.

SASKATOON SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS INC.

STATEMENT OF CASH FLOWS

Year ended December 31, 2005
with comparative figures for 2004

			<u>Restricted Funds</u>			
	<u>Operating Fund</u>	<u>Capital Fund</u>	<u>Ray Duerr Memorial Fund</u>	<u>Raffle and Lottery Fund</u>	<u>Total 2005</u>	<u>Total 2004 Restated (Note 6)</u>
Cash provided by (used in):						
Operating activities:						
Excess (deficiency) of revenues over expenditures	\$ 110,993	(421,568)	2,674	43,102	(264,799)	(79,758)
Items not involving an outlay of cash:						
Amortization	-	9,593	-	-	9,593	40,463
Loss on disposal of capital assets	-	411,975	-	-	411,975	-
	110,993	-	2,674	43,102	156,769	(39,295)
Changes in non-cash working capital:						
Accounts receivable	2,424	-	261	-	2,685	73,524
Inventories	10,973	-	-	-	10,973	34,293
Prepaid expenses	(1,308)	-	-	-	(1,308)	3,352
Accounts payable and accrued liabilities	(56,398)	-	-	-	(56,398)	(91,869)
Accrued vacation payable	(16,327)	-	-	-	(16,327)	(10,421)
Spay and neuter deposit liability	(12,386)	-	-	-	(12,386)	(21,616)
Interfund transfers	74,113	(96,096)	50,500	(28,517)	-	-
Interfund balances	(49,500)	-	49,500	-	-	-
	62,584	(96,096)	102,935	14,585	84,008	(52,032)
Investing activities:						
Additions to capital assets	-	(17,904)	-	-	(17,904)	(545)
Proceeds on disposal of capital assets	-	114,000	-	-	114,000	-
Long-term investments	-	-	(2,222)	-	(2,222)	37,597
	-	96,096	(2,222)	-	93,874	37,052
Financing activities:						
Net change in cash during the year	62,584	-	100,713	14,585	177,882	(14,980)
Cash position, beginning of year	(34,898)	-	24,596	16,108	5,806	20,786
Cash position, end of year	\$ 27,686	-	125,309	30,693	183,688	5,806
Cash position consists of cash in bank, less outstanding cheques, plus short-term investments.						

See accompanying notes to the financial statements.

SASKATOON SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations.

(a) Fund Accounting

The accounts of the Society are maintained in accordance with the principles of fund accounting. For financial reporting purposes, accounts with similar characteristics have been combined into the following major funds:

(i) Operating Fund

The operating fund accounts for the Society's program delivery and administrative activities. This fund reports unrestricted resources and restricted operating grants.

(ii) Capital Fund

The capital fund reports the assets, liabilities, revenues and expenses related to the Society's capital assets. Expenses consist primarily of amortization or loss on disposition of capital assets.

(iii) Restricted Funds

The restricted funds consist of two funds: the Ray Duerr Memorial Fund and the Raffle and Lottery Fund.

The Ray Duerr Fund accumulates capital from legacies, bequests, memorials and special donations. Any appropriations from the original contributions to this fund must be authorized by the Society's membership according to Society Bylaw 20.2. Any appropriation of interest earned on the original contributions to the Ray Duerr Fund must be authorized by the Society's Board of Directors.

The Raffle and Lottery Fund accumulates and disperses the revenue from raffle and lottery activities as dictated by the applications for lottery licensing filed with the Saskatchewan Liquor and Gaming Commission.

(b) Revenue

Unrestricted contributions are recognized as revenue in the operating fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Pledges are not recorded in the records of the society until received.

Restricted contributions related to general operations are recognized as revenue of the operating fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

Donations of materials and services are recorded at fair market value when received if the amount can be reasonably estimated. These donations are disclosed in the financial statements as "Donations-in-kind".

SASKATOON SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) **Short-term Investments**

Short-term investments are valued at the lower of cost and market value.

(d) **Inventory**

Inventory is carried at the lesser of cost and net realizable value. Cost is determined using the first in, first out method.

(e) **Long-term Investments**

Long-term investments are recorded at cost and are only written down to market value if there has been a decline in value which is felt to be other than temporary.

(f) **Capital Assets**

Capital assets are recorded at cost. Amortization is calculated using the following annual rates and methods and is designed to amortize the assets over their useful lives:

Buildings	5% - straight line
Furniture and fixtures	20% - declining balance
Automotive equipment	30% - declining balance
Computer hardware	25% - declining balance
Computer software	100% - declining balance

In the year of acquisition, amortization is taken at one-half of the above rates.

2. CAPITAL ASSETS

		<u>2005</u>		<u>2004</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land	\$ -	-	-	50,408
Buildings	-	-	-	457,663
Furniture and fixtures	227,514	206,880	20,634	25,792
Automotive equipment	80,331	65,311	15,020	17,621
Computer hardware	21,585	16,087	5,498	7,332
Computer software	<u>7,975</u>	<u>7,975</u>	<u>-</u>	<u>-</u>
	<u>\$ 337,405</u>	<u>296,253</u>	<u>41,152</u>	<u>558,816</u>

SASKATOON SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005

3. INTERFUND TRANSFERS AND EXTERNALLY RESTRICTED FUNDS

During 2005, \$17,904 from the Operating Fund was transferred to the Capital Fund to fund the cash outlays of capital asset acquisitions while \$114,000 in proceeds on the sale of capital assets were transferred from the Capital Fund to the Operating Fund. \$28,517 was transferred from the Raffle and Lottery Fund to the Operating Fund to fund eligible expenditures under Saskatchewan Liquor and Gaming lottery applications and as designated by the auxiliary (emergency vet fund and the Second Chance club). \$50,500 was transferred from the Operating Fund to the Ray Duerr fund representing 50% of bequest and legacy donations received during 2005.

The externally restricted fund balances are as follows:

	Ray Duerr Memorial Fund	Raffle and Lottery Fund	2005	2004
Fund balances, beginning of year	\$ 263,698	16,107	279,805	261,769
Revenues	2,674	87,929	90,603	74,742
Expenditures	-	(44,827)	(44,827)	(37,711)
Interfund transfers	<u>50,500</u>	<u>(28,517)</u>	<u>21,983</u>	<u>(18,995)</u>
Fund balances, end of year	\$ <u>316,872</u>	<u>30,692</u>	<u>347,564</u>	<u>279,805</u>

4. LEASE COMMITMENTS

The Society has operating lease commitments for building rental, vehicles, office and computer equipment. Minimum annual rentals are as follows:

2006	\$ 12,035
2007	7,318
2008	600
2009	600

SASKATOON SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005

5. FINANCIAL INSTRUMENTS

a) Significant terms and conditions

There are no significant terms and conditions related to financial instruments classified as current assets or current liabilities that may affect the amount, timing, or certainty of future cash flows. Significant terms and conditions for the other financial instruments are disclosed separately in these financial statements.

b) Credit risk

The Society is exposed to credit risk from the potential non-payment of accounts receivable.

c) Fair Value

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

- The carrying amounts of these financial instruments approximate fair value due to their immediate or short-term nature:

Cash and short-term investments
Accounts receivable
Prepaid expenses
Accounts payable and accrued liabilities
Accrued salaries and vacation payable

- The fair value of long-term investments is \$56,406 (2004 - \$54,184).

6. COMPARATIVE FIGURES

The prior year's comparative figures have been restated to reflect a decrease of \$37,936 to the prior year's revenue which correctly belonged to the 2005 fiscal year. As a result, prior year cash, deficit of revenue over expenditures and ending fund balances have been restated accordingly. Other prior year balances have been reclassified to conform to the current year's method of presentation without affecting excess of revenues over expenditures.

SASKATOON SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS INC.

SCHEDULE OF SHELTER OPERATIONS

Year ended December 31, 2005
with comparative figures for 2004

	<u>2005</u>	<u>2004</u>
Revenues:		
Programs and services		
Adoptions	\$ 31,210	43,468
Shelter services	<u>54,631</u>	<u>97,328</u>
Total programs and services	85,841	140,796
Store	18,566	41,973
GST rebate	1,723	4,246
Miscellaneous		
Donation in kind	3,851	13,372
Miscellaneous	<u>307</u>	<u>2,636</u>
Total miscellaneous	<u>4,158</u>	<u>16,008</u>
	110,288	203,023
Expenditures:		
Programs and Services		
Adoptions	1,555	11,444
Humane education	155	52
Marketing and promotions	-	12,616
Shelter services	8,947	8,093
Volunteer and foster care program	<u>897</u>	<u>1,889</u>
Total programs and services	11,554	34,094
Store	22,570	45,990
Facility		
Contracts	5,816	1,381
Repair and maintenance	4,510	11,035
Utilities	16,895	18,839
Vehicles	<u>16,889</u>	<u>13,899</u>
Total facility	44,110	45,154
Health wing		
Animal supplies	2,374	22,201
Office supplies	176	556
Veterinary	<u>17,215</u>	<u>28,291</u>
Total health wing	19,765	51,048
Kennel		
Animal supplies	11,007	-
Administration		
Accounting and audit	8,794	11,941
Bad debt	163	12,400
Bank charges	8,577	21,413
Business plan	22,400	-
Equipment maintenance, lease and purchase	14,380	19,637
Insurance	11,943	7,183
Meetings	2,663	2,051
Miscellaneous	2,728	5,376
Office supplies	2,356	4,218
Postage and courier	2,568	3,538
Telephone	<u>10,175</u>	<u>11,156</u>
Total administration	86,747	98,913
Payroll	<u>220,092</u>	<u>298,370</u>
	<u>415,845</u>	<u>573,569</u>
Deficiency of revenues over expenditures	\$ <u>(305,557)</u>	<u>(370,546)</u>

See accompanying notes to the financial statements.

SASKATOON SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS INC.

SCHEDULE OF FUNDED SERVICES

Year ended December 31, 2005
with comparative figures for 2004

	<u>2005</u>	<u>2004</u> Restated (Note 6)
Revenues:		
City of Saskatoon		
Pound services	\$ 316,015	333,300
Animal control services	-	136,800
Grant	<u>120,000</u>	<u>44,561</u>
	436,015	514,661
Expenditures:		
Pound		
Answering service	878	1,058
Repair and maintenance	7,291	13,089
Animal supplies	3,603	1,560
Bad debt	448	-
Contracts	3,492	361
Office	17,908	158
Payroll	128,527	134,089
Utilities	14,001	18,039
Vehicles	2,974	5,192
Veterinary	<u>7,783</u>	<u>15,690</u>
Total Pound	186,905	189,236
Investigative services		
Animal care	9,882	9,380
Equipment	93	2,598
Bad debt	6,709	-
Insurance	-	1,819
Litigation	4,158	8,415
Meetings and travel	-	3,980
Office supplies	148	6,754
Overhead	8,844	-
Payroll	74,970	162,521
Telephone	4,502	7,282
Vehicles	<u>10,001</u>	<u>19,039</u>
Total investigative services	<u>119,307</u>	<u>221,788</u>
	<u>306,212</u>	<u>411,024</u>
Excess of revenue over expenditures	<u>\$ 129,803</u>	<u>103,637</u>

See accompanying notes to the financial statements.

SASKATOON SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS INC.

SCHEDULE OF FUNDRAISING OPERATIONS

Year ended December 31, 2005
with comparative figures for 2004

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total 2005</u>	<u>Total 2004</u>
Revenues:				
Donor contributions				
General	\$ 83,655	-	83,655	62,640
Legacies and bequests	101,000	-	101,000	61,834
Memorial	6,771	-	6,771	13,749
Second chance	9,193	-	9,193	1,020
Memberships	<u>4,610</u>	<u>-</u>	<u>4,610</u>	<u>3,605</u>
Total donor contributions	205,229	-	205,229	142,848
Fundraisers				
Campaign fundraising	26,289	-	26,289	51,335
Events and activities	21,492	-	21,492	14,432
Auxilliary	3,301	-	3,301	1,922
Janey's fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,056</u>
Total fundraisers	51,082	-	51,082	68,745
Gaming				
Signature Lottery	-	38,390	38,390	-
Countdown to Christmas	-	24,670	24,670	13,590
Spring lottery	-	23,410	23,410	46,360
50 - 50 lottery	-	1,459	1,459	442
Fun N Sun lottery	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,180</u>
Total gaming	<u>-</u>	<u>87,929</u>	<u>87,929</u>	<u>71,572</u>
	256,311	87,929	344,240	283,165
Expenditures:				
Fundraising and planned giving				
Computers	1,615	-	1,615	1,572
Office supplies	<u>1,070</u>	<u>-</u>	<u>1,070</u>	<u>655</u>
Total fundraising and planned giving	2,685	-	2,685	2,227
Fundraisers				
Campaigns	7,725	-	7,725	42,203
Events and activities	<u>1,403</u>	<u>-</u>	<u>1,403</u>	<u>12,042</u>
Total fundraisers	9,128	-	9,128	54,245
Gaming				
Countdown to Christmas	-	7,830	7,830	8,354
50 - 50 lottery	-	820	820	251
Fun n Sun lottery	-	4,730	4,730	16,782
Signature lottery	-	19,158	19,158	-
Spring lottery	<u>-</u>	<u>12,289</u>	<u>12,289</u>	<u>11,082</u>
Total gaming	<u>-</u>	<u>44,827</u>	<u>44,827</u>	<u>36,469</u>
	11,813	44,827	56,640	92,941
Excess of revenues over expenses	<u>\$ 244,498</u>	<u>43,102</u>	<u>287,600</u>	<u>190,224</u>

See accompanying notes to the financial statements.

SASKATOON SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS INC.

SCHEDULE OF IN-TRUST RECEIPTS

Year ended December 31, 2005
with comparative figures for 2004

	<u>2005</u>	<u>2004</u>
Revenues:		
In trust - city		
Licenses	\$ 17,370	25,370
Pound fees	<u>15,895</u>	<u>22,758</u>
Total in trust - city	33,265	48,128
In trust - shelter		
Spay and neuter	<u>95,561</u>	<u>110,520</u>
	<u>128,826</u>	<u>158,648</u>
Expenditures:		
In trust - city		
Licenses	17,770	23,750
Pound fees	<u>15,600</u>	<u>24,165</u>
Total in trust - city	33,370	47,915
In trust - shelter		
Spay and neuter	<u>53,205</u>	<u>75,272</u>
	<u>86,575</u>	<u>123,187</u>
Excess (deficiency) of revenues over expenditures	\$ <u>42,251</u>	<u>35,461</u>

See accompanying notes to the financial statements.