

**Saskatoon Society for the
Prevention of Cruelty to
Animals Inc.**

Financial Statements
December 31, 2015



April 25, 2016

Independent Auditor's Report

To the Board of Directors of Saskatoon Society for the Prevention of Cruelty to Animals Inc.

We have audited the accompanying financial statements of Saskatoon Society for the Prevention of Cruelty to Animals Inc., which comprise the statement of financial position as at December 31, 2015 and the statements of revenue and expenditures, changes in fund balances and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

**Basis for qualified opinion**

In common with many not-for-profit organizations, Saskatoon Society for the Prevention of Cruelty to Animals Inc. derives revenues from donations, events and campaigns and lotteries, 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 Saskatoon Society for the Prevention of Cruelty to Animals Inc. Therefore, we were not able to determine whether any adjustments might be necessary to donations, events and campaigns and lotteries, excess (deficiency) of revenue over expenditures, and cash flows from operations for the years ended December 31, 2015 and 2014, current assets as at December 31, 2015 and 2014 and fund balances as at January 1 and December 31 for both the 2015 and 2014 years. Our audit opinion on the financial statements for the year ended December 31, 2014 was modified accordingly because of the possible effects of this limitation in scope.

Qualified opinion

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Saskatoon Society for the Prevention of Cruelty to Animals Inc. as at December 31, 2015 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Saskatoon Society for the Prevention of Cruelty to Animals Inc.

Statement of Financial Position

As at December 31, 2015

	Operating Fund \$	Capital Fund \$	Restricted Fund \$	2015 \$	2014 \$
Assets					
Current assets					
Cash	266,799	-	25,434	292,233	460,490
Investments (note 4)	22,601	-	150,168	172,769	12,897
Accounts receivable	18,378	-	-	18,378	42,360
Inventory	28,148	-	-	28,148	6,727
Interfund balances (note 3)	(47,601)	-	47,601	-	-
Prepaid expenses	6,885	-	-	6,885	5,316
	295,210	-	223,203	518,413	527,790
Investments (note 4)	84,864	-	939,321	1,024,185	1,087,546
Tangible capital assets (note 5)	-	126,737	-	126,737	102,461
	380,074	126,737	1,162,524	1,669,335	1,717,797
Liabilities and Fund Balances					
Current liabilities					
Accounts payable and accrued liabilities	99,602	-	-	99,602	76,922
Wages payable	34,154	-	-	34,154	18,433
Spay and neuter deposits	20,196	-	-	20,196	12,947
Deferred revenue	-	-	-	-	85,845
	153,952	-	-	153,952	194,147
Fund balances					
Invested in capital assets	-	126,737	-	126,737	102,461
Externally restricted (note 6)	-	-	1,162,524	1,162,524	1,074,476
Unrestricted	226,122	-	-	226,122	346,713
	226,122	126,737	1,162,524	1,515,383	1,523,650
	380,074	126,737	1,162,524	1,669,335	1,717,797

Commitments and contingencies (note 8)

Approved by the Board of Directors



Director

Director

Erica Spracklin

The accompanying notes are an integral part of these financial statements.

Saskatoon Society for the Prevention of Cruelty to Animals Inc.

Statement of Revenue and Expenditures

For the year ended December 31, 2015

	Operating Fund \$	Capital Fund \$	Restricted Fund \$	2015 \$	2014 \$
Revenue					
Fundraising		-	-		
Donations	491,044	-	-	491,044	524,577
Events and campaigns	114,329	-	-	114,329	103,786
Lotteries	-	-	105,627	105,627	88,083
Fee for services – City of Saskatoon (note 7)	562,740	-	-	562,740	534,785
Programs and services	283,364	-	-	283,364	358,844
Investment income (note 4)	2,227	-	20,054	22,281	47,169
	1,453,704	-	125,681	1,579,385	1,657,244
Expenditures					
Operations					
Salaries and wages and benefits	862,905	-	-	862,905	807,414
Professional fees and contract services	73,507	-	-	73,507	42,603
Office supplies	52,786	-	-	52,786	59,779
Vehicle operations	15,975	-	-	15,975	18,982
Bank charges	12,759	-	-	12,759	7,993
Computer software and services	9,145	-	-	9,145	4,114
Professional development	6,211	-	-	6,211	23,310
Telephone	5,894	-	-	5,894	9,424
Meals and entertainment	2,999	-	-	2,999	1,348
Insurance	1,117	-	-	1,117	5,219
Travel	111	-	-	111	5,130
Debt write offs	-	-	-	-	15,980
Animal care and protection	300,135	-	-	300,135	325,470
Fundraising					
Events	62,193	-	-	62,193	55,330
Lotteries	-	-	38,366	38,366	31,896
Campaigns	15,868	-	-	15,868	7,294
Facilities					
Utilities	63,253	-	-	63,253	63,741
Grounds keeping and janitorial	21,070	-	-	21,070	20,516
Repairs and maintenance	12,651	-	-	12,651	16,159
Shop supplies and tools	1,259	-	-	1,259	1,525
Community, education and volunteers	2,300	-	-	2,300	9,019
Amortization	-	27,148	-	27,148	25,878
	1,522,138	27,148	38,366	1,587,652	1,558,124
Excess (deficiency) of revenue over expenditures	(68,434)	(27,148)	87,315	(8,267)	99,120

The accompanying notes are an integral part of these financial statements.

Saskatoon Society for the Prevention of Cruelty to Animals Inc.

Statement of Changes in Fund Balances

For the year ended December 31, 2015

	Operating Fund \$	Capital Fund \$	Restricted Fund \$	2015 \$	2014 \$
Fund balance – Beginning of year	346,713	102,461	1,074,476	1,523,650	1,424,530
Excess (deficiency) of revenue over expenditures	(68,434)	(27,148)	87,315	(8,267)	99,120
Interfund transfers	(52,157)	51,424	733	-	-
Fund balances – End of year	<u>226,122</u>	<u>126,737</u>	<u>1,162,524</u>	<u>1,515,383</u>	<u>1,523,650</u>

The accompanying notes are an integral part of these financial statements.

Saskatoon Society for the Prevention of Cruelty to Animals Inc.

Statement of Cash Flows

For the year ended December 31, 2015

	Operating Fund \$	Capital Fund \$	Restricted Fund \$	2015 \$	2014 \$
Cash provided by (used in)					
Operating activities					
Excess (deficiency) of revenue over expenditures	(68,434)	(27,148)	87,315	(8,267)	99,120
Interfund transfers	(52,157)	51,424	733	-	-
Change in fair value of investments	794	-	(6,244)	(5,450)	(36,289)
Amortization	-	27,148	-	27,148	25,878
	(119,797)	51,424	81,804	13,431	88,709
Changes in non-cash working capital items					
Accounts receivable	23,982	-	-	23,982	(21,753)
Inventory	(21,421)	-	-	(21,421)	37,361
Interfund balances	(24,885)	-	24,885	-	-
Prepaid expenses	(1,569)	-	-	(1,569)	-
Accounts payable and accrued liabilities	22,680	-	-	22,680	43,231
Wages payable	15,721	-	-	15,721	(2,663)
Spay and neuter deposits	7,249	-	-	7,249	-
Deferred revenue	(85,845)	-	-	(85,845)	85,845
	(64,088)	-	24,885	(39,203)	142,021
	(183,885)	51,424	106,689	(25,772)	230,730
Investing activities					
Additions to tangible capital assets	-	(51,424)	-	(51,424)	(1,165)
Redemptions (purchases) of investments	19,843	-	(110,904)	(91,061)	(38,552)
	19,843	(51,424)	(110,904)	(142,485)	(39,717)
Net change in cash	(164,042)	-	(4,215)	(168,257)	191,013
Cash – Beginning of year	430,841	-	29,649	460,490	269,477
Cash – End of year	266,799	-	25,434	292,233	460,490

The accompanying notes are an integral part of these financial statements.

Saskatoon Society for the Prevention of Cruelty to Animals Inc.

Notes to Financial Statements

December 31, 2015

1 Purpose of the organization

The Saskatoon Society for the Prevention of Cruelty to Animals Inc. (the "Society") is a charitable organization incorporated in 1968. The Society helps prevent cruelty to animals, investigates incidents of animal cruelty, delivers animal health care, provides education to the public on the ethical and humane treatment of animals and provides kennelling and bylaw enforcement services for the City of Saskatoon. As a registered charity, the Society is not subject to income taxes.

2 Summary of significant accounting policies

Basis of presentation

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO").

Fund accounting

The accounts of the Society are maintained in accordance with the principles of fund accounting. Resources are classified for accounting purposes into funds according to the activity or objective specified by outside restrictions or determinations made by the Board of Directors. 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 tangible capital assets. Expenses consist primarily of amortization and gains or losses on disposition of tangible 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 Memorial Fund accumulates capital from legacies, bequest, 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. Investment income earned on these contributions is recognized as revenue of the Ray Duerr Memorial Fund and any appropriations of these earnings must be authorized by the Society's Board of Directors.

Saskatoon Society for the Prevention of Cruelty to Animals Inc.

Notes to Financial Statements

December 31, 2015

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

Revenue

The Society follows the restricted fund method of accounting for contributions.

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 recorded 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 value when received if the amount can be reasonably estimated. Donations of materials and services recognized in the financial statements for the year ended December 31, 2015 were \$87,945 (2014 - \$43,098).

Investment income earned on unrestricted and restricted investments is recorded as earned.

Investments

Investments consist of amounts invested in both individual securities and pooled fund units. The investments consist of short-term notes, bonds and debentures as well as marketable equity securities.

Investment income comprises the Society's share of interest, dividends, and realized and unrealized gains and losses on the underlying assets.

Unrestricted investments are classified as current assets when they are capable of reasonably prompt liquidation or have terms of less than twelve months. Restricted investments are classified as current assets only when they have terms to maturity of less than twelve months. All investments are carried at market value.

Inventory

Inventory is carried at the lower of cost and current replacement cost. Inventory consists of animal medication and feed, office supplies and items held in stock to support merchandise sales operations.

Saskatoon Society for the Prevention of Cruelty to Animals Inc.

Notes to Financial Statements

December 31, 2015

Tangible capital assets

Tangible 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 estimated useful economic lives:

Furniture and fixtures	20% declining balance
Automotive equipment	30% declining balance
Cyr Park improvements	10% 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.

Financial instruments

The Society's financial instruments consist of cash, unrestricted and restricted investments, accounts receivable, accounts payable, and wages payable.

Cash, accounts receivable, accounts payable and wages payable are initially measured at fair value and subsequently carried at amortized cost. Unrestricted and restricted investments are initially measured at, and subsequently carried at, fair value.

Financial assets are tested for impairment at the end of each reporting period when there are indications that an asset may be impaired.

Use of estimates

The preparation of financial statements in accordance with ASNPO 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 revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items requiring the use of management estimates include recognition of accrued liabilities, amortization periods and rates relating to furniture and fixtures and automotive equipment, and claims relating to contingencies.

3 Interfund balances

The balance represents amounts owing from one fund to another and generally represents the 50% of the bequest revenue recognized in the Operating Fund which is to be transferred to the Ray Duerr Memorial Fund.

Saskatoon Society for the Prevention of Cruelty to Animals Inc.

Notes to Financial Statements

December 31, 2015

4 Investments

	2015 \$	2014 \$
Operating Fund		
GIC'S (cost: 2015 - \$66,473, 2014 - \$65,702)	67,180	66,425
Pooled fund units (cost: 2015 - \$38,135, 2014 - \$51,275)	40,285	60,263
	<u>107,465</u>	<u>126,688</u>
Ray Duerr Memorial Fund		
GIC's (cost: 2015 - \$285,318, 2014 - \$384,769)	293,571	393,738
Pooled fund units (cost: 2015 - \$733,259, 2014 - \$466,417)	795,918	580,017
	<u>1,089,489</u>	<u>973,755</u>
	1,196,954	1,100,443
Less: Current investments	<u>172,769</u>	<u>12,897</u>
	<u>1,024,185</u>	<u>1,087,546</u>

Investment income consists of the following:

	2015 \$	2014 \$
Interest income and dividends	16,831	10,880
Changes in fair value of investments	5,450	36,289
	<u>22,281</u>	<u>47,169</u>

5 Tangible capital assets

	2015			2014
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Furniture and fixtures	404,363	342,892	61,471	74,745
Automotive equipment	106,669	58,681	47,988	7,872
Cyr Park improvements	26,226	13,327	12,899	14,333
Computer hardware	32,017	27,638	4,379	4,929
Computer software	10,575	10,575	-	582
	579,850	453,113	126,737	102,461

Saskatoon Society for the Prevention of Cruelty to Animals Inc.

Notes to Financial Statements

December 31, 2015

6 Externally restricted funds

	2015		2014	
	Ray Duerr Memorial Fund \$	Raffle and Lottery Fund \$	Net \$	Net \$
Fund balances – Beginning of year	1,073,355	1,121	1,074,476	1,044,061
Revenue	20,054	105,627	125,681	128,215
Expenditures	-	(38,366)	(38,366)	(31,896)
Interfund transfers	23,733	(23,000)	733	(65,904)
	1,117,142	45,382	1,162,524	1,074,476

7 Fee for services – City of Saskatoon

The City of Saskatoon (the “City”) and the Society have a Memorandum of Agreement (the “Agreement”) whereby the City appoints the Society as Poundkeeper for the City and provides a grant to the Society to permit it to provide Animal Protection Agency services within the confines of the City. The term of the Agreement is from May 1, 2014 to December 31, 2018.

The City pays the Society for Poundkeeping services, within the confines of the City, an annual amount of \$390,000, payable in equal instalments on the first day of each month and increased on an annual basis during the term by 2%. The City provides an annual grant of \$144,500 to the Society in each year of the term to permit the Society to be the Animal Protection Agency within the confines of the City. The grant is payable in annual instalments and increased on an annual basis during the term by 2%. The grant is to be provided so long as the Society, with the support of the City, continues to make reasonable efforts to seek alternate funding for the provision of Animal Protection Agency services. The grant is to be reduced, on a dollar for dollar basis, if any alternate funding for the provision of Animal Protection Agency services is received.

8 Commitments and contingencies

The Society has a legal claim against it of \$148,000 as of December 31, 2015. The estimated amount of loss is \$70,000, which has been accrued in the financial statements.

Saskatoon Society for the Prevention of Cruelty to Animals Inc.

Notes to Financial Statements

December 31, 2015

9 Financial instruments

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Society is not exposed to significant currency risk.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Society is exposed to interest rate risk on cash and cash equivalents and guaranteed investment certificates. Management uses professional investment management services to mitigate interest rate risk.

Market risk and other price risk

Market risk and other price risk are the risk that the value of a financial instrument will fluctuate as the result of changes in market price. The Society's investments are subject to market risk through its pooled fund units. The Society mitigates these risks by using professional investment management services.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur financial loss. The Society is not exposed to significant credit risk and does not have a significant concentration of credit risk in any single counterparty or group of parties.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Society's approach to managing liquidity risk is to ensure that it has sufficient cash flows to fund its operations and to meet its obligations when due, under both normal and stressed conditions. The Society does not consider itself to have significant exposure to liquidity risk. The Society also has access to a line of credit with a \$60,000 limit.



Erica Spracklin
Board Chair
Saskatoon SPCA, Inc.