

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

Financial Statements
December 31, 2017



April 13, 2018

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, 2017 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.

*PricewaterhouseCoopers LLP
128 4th Avenue South, Suite 600, Saskatoon, Saskatchewan, Canada S7K 1M8
T: +1 306 668 5900, F: +1 306 652 1315*

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, 2017 and 2016, current assets as at December 31, 2017 and 2016 and fund balances as at January 1 and December 31 for both the 2017 and 2016 years. Our audit opinion on the financial statements for the year ended December 31, 2016 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, 2017 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

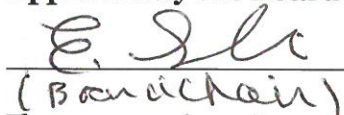
Saskatoon Society for the Prevention of Cruelty to Animals Inc.

Statement of Financial Position

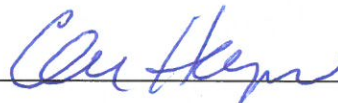
As at December 31, 2017

	Operating and Capital Funds \$	Restricted Funds \$	2017 \$	2016 \$
Assets				
Current assets				
Cash and cash equivalents	541,088	29,190	570,278	427,422
Investments (note 4)	80,088	-	80,088	299,461
Accounts receivable	15,387	-	15,387	2,997
Inventory	33,402	-	33,402	25,865
Prepaid expenses	9,560	-	9,560	13,404
Interfund balances (notes 3 and 7)	(153,407)	153,407	-	-
	526,118	182,597	708,715	769,149
Investments (note 4)	-	682,810	682,810	873,596
Tangible capital assets (note 5)	702,880	-	702,880	102,073
	1,228,998	865,407	2,094,405	1,744,818
Liabilities and Fund Balances				
Current liabilities				
Accounts payable	91,800	-	91,800	30,325
Wages payable	48,381	-	48,381	45,780
Spay and neuter deposits	3,295	-	3,295	20,394
Deferred revenue (note 6)	542,204	-	542,204	267,293
	685,680	-	685,680	363,792
Fund balances				
Externally restricted assets (note 7)	-	865,407	865,407	1,194,802
Invested in tangible capital assets	455,566	-	455,566	102,073
Unrestricted net assets	87,752	-	87,752	84,151
	543,318	865,407	1,408,725	1,381,026
	1,228,998	865,407	2,094,405	1,744,818

Approved by the Board of Directors


(Barrick)

Director



Director

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, 2017

	Operating and Capital Funds \$	Restricted Funds \$	2017 \$	2016 \$
Revenue				
Fundraising				
Donations	653,646	-	653,646	429,298
Events and campaigns	205,914	-	205,914	174,267
Lotteries	-	90,688	90,688	93,568
Grants	33,382	-	33,382	15,000
City of Saskatoon (notes 6 and 8)	592,821	-	592,821	574,685
Programs and services	346,635	-	346,635	352,959
Investment income (note 4)	891	45,124	46,015	38,190
	<u>1,833,289</u>	<u>135,812</u>	<u>1,969,101</u>	<u>1,677,967</u>
Expenditures				
Operations				
Salaries and wages and benefits	1,009,518	-	1,009,518	942,850
Professional fees and contracts	69,688	-	69,688	74,172
Office and communications costs	53,561	-	53,561	43,731
Merchandise and clothing	22,871	-	22,871	23,174
Vehicle operations	19,568	-	19,568	15,285
Bank charges	13,001	-	13,001	11,826
Computer software and services	6,442	-	6,442	5,023
Telephone	5,490	-	5,490	4,870
Insurance	5,316	-	5,316	4,910
Meals and entertainment	2,131	-	2,131	1,821
Professional development	1,318	-	1,318	279
Travel	-	-	-	143
Animal care and protection	341,708	-	341,708	397,060
Fundraising				
Events	134,543	-	134,543	104,048
Lotteries	-	36,177	36,177	37,122
Campaigns	19,317	-	19,317	14,441
Facilities				
Utilities	44,779	-	44,779	56,855
Grounds keeping and janitorial	24,750	-	24,750	21,037
Repairs and maintenance	20,280	-	20,280	7,094
Shop supplies and tools	4,551	-	4,551	2,892
Community, education and volunteers	20,073	-	20,073	14,463
Amortization	86,320	-	86,320	29,228
	<u>1,905,225</u>	<u>36,177</u>	<u>1,941,402</u>	<u>1,812,324</u>
Excess (deficiency) of revenue over expenditures	<u>(71,936)</u>	<u>99,635</u>	<u>27,699</u>	<u>(134,357)</u>

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, 2017

	Unrestricted net assets \$	Invested in tangible capital assets \$	Externally restricted assets \$	2017 \$	2016 \$
Fund balance – Beginning of year	84,151	102,073	1,194,802	1,381,026	1,515,383
Excess (deficiency) of revenue over expenditures	14,384	(86,320)	99,635	27,699	(134,357)
Additions to tangible capital assets	(687,127)	687,127	-	-	-
Capital grants received	266,339	(266,339)	-	-	-
Capital grants recognized	(19,025)	19,025	-	-	-
Interfund transfers (note 7)	429,030	-	(429,030)	-	-
Fund balance – End of year	87,752	455,566	865,407	1,408,725	1,381,026

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, 2017

	Operating and Capital Funds \$	Restricted Funds \$	2017 \$	2016 \$
Cash provided by (used in)				
Operating activities				
Excess (deficiency) of revenue over expenditures	(71,936)	99,635	27,699	(134,357)
Interfund transfers	429,030	(429,030)	-	-
Change in fair value of investments	-	(18,574)	(18,574)	(24,563)
Amortization	86,320	-	86,320	29,228
	<u>443,414</u>	<u>(347,969)</u>	<u>95,445</u>	<u>(129,692)</u>
Changes in non-cash working capital				
Accounts receivable	(12,390)	-	(12,390)	15,381
Inventory	(7,537)	-	(7,537)	2,283
Prepaid expenses	3,844	-	3,844	(6,519)
Interfund balances	108,488	(108,488)	-	-
Accounts payable	61,475	-	61,475	(69,277)
Wages payable	2,601	-	2,601	11,626
Spay and neuter deposits	(17,099)	-	(17,099)	198
Deferred revenue	274,911	-	274,911	267,293
	<u>414,293</u>	<u>(108,488)</u>	<u>305,805</u>	<u>220,985</u>
	<u>857,707</u>	<u>(456,457)</u>	<u>401,250</u>	<u>91,293</u>
Investing activities				
Additions to tangible capital assets	(687,127)	-	(687,127)	(4,564)
Redemptions of investments	1,180	427,553	428,733	48,460
	<u>(685,947)</u>	<u>427,553</u>	<u>(258,394)</u>	<u>43,896</u>
Net change in cash and cash equivalents	<u>171,760</u>	<u>(28,904)</u>	<u>142,856</u>	<u>135,189</u>
Cash and cash equivalents – Beginning of year	<u>369,328</u>	<u>58,094</u>	<u>427,422</u>	<u>292,233</u>
Cash and cash equivalents – End of year	<u>541,088</u>	<u>29,190</u>	<u>570,278</u>	<u>427,422</u>
Cash and cash equivalents are comprised of:				
Cash	303,531	29,168	332,699	387,984
Investment savings account (note 4)	237,557	22	237,579	39,438
	<u>541,088</u>	<u>29,190</u>	<u>570,278</u>	<u>427,422</u>

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, 2017

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 and Capital Funds

The Operating and Capital Funds account for the Society's program delivery and administrative activities, which includes the purchase and construction of tangible capital assets used in the Society's operations and the annual amortization thereon. This fund reports unrestricted resources and restricted operating and capital grants.

ii) 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, 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. 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.

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.

Saskatoon Society for the Prevention of Cruelty to Animals Inc.

Notes to Financial Statements

December 31, 2017

Revenue

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

Unrestricted contributions are recognized as revenue in the operating and capital 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 until received.

Restricted contributions related to general operations and capital activities are recognized as revenue of the operating and capital 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, 2017 were \$148,487 (2016 - \$82,355).

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

Investments

Investments consist of amounts invested in guaranteed investment certificates (GIC's) and pooled fund units. 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. Unrestricted and restricted investments are included in cash and cash equivalents when they represent balances held in investment savings accounts or have terms to maturity of three months or less. All investments are carried at market value.

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

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, 2017

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:

Automotive equipment	30% declining balance
Building	4% declining balance
Computer hardware	25% declining balance
Computer software	100% declining balance
Cyr Park improvements	10% declining balance
Data network and systems	30% declining balance
Furniture and fixtures	20% declining balance

Leasehold improvements are amortized over the term of the related lease. 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, 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. 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.

3 Interfund balances

The balance represents amounts owing from one fund to another and includes 50% of the annual bequest revenue recognized in the Operating and Capital 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, 2017

4 Investments

	2017 \$	2016 \$
Operating Fund		
Cash	237,557	419
GIC's (cost: 2017 - \$nil, 2016 - \$44,196)	-	44,578
Pooled fund units (cost: 2017 - \$75,160, 2016 - \$35,993)	80,088	36,690
	<u>317,645</u>	<u>81,687</u>
Ray Duerr Memorial Fund		
Cash	22	39,019
GIC's (cost: 2017 - \$72,074, 2016 - \$171,445)	79,203	178,755
Pooled fund units (cost: 2017 - \$577,298, 2016 - \$880,202)	603,607	913,034
	<u>682,832</u>	<u>1,130,808</u>
	1,000,477	1,212,495
Less: current investments	80,088	299,461
Less: cash and cash equivalents	<u>237,579</u>	<u>39,438</u>
	<u>682,810</u>	<u>873,596</u>

Investment income consists of the following:

	2017 \$	2016 \$
Interest income and dividends	27,441	13,627
Changes in fair value of investments	18,574	24,563
	<u>46,015</u>	<u>38,190</u>

Saskatoon Society for the Prevention of Cruelty to Animals Inc.

Notes to Financial Statements

December 31, 2017

5 Tangible capital assets

	2017		2016
	Cost \$	Accumulated amortization \$	Net \$
Leasehold improvements	328,615	23,473	305,142
Furniture and fixtures	672,372	391,942	280,430
Data network and systems	86,389	12,958	73,431
Automotive equipment	106,669	83,154	23,515
Cyr Park improvements	26,226	15,778	10,448
Computer hardware	36,925	30,706	6,219
Building	3,770	75	3,695
Computer software	10,575	10,575	-
	1,271,541	568,661	702,880
			102,073

6 Deferred revenue

	December 31, 2016 \$	Payment received \$	Revenue recognized \$	December 31, 2017 \$
City of Saskatoon (note 8)	47,293	568,463	567,517	48,239
Restricted grants				
Private grant – education	20,000	-	12,500	7,500
Private grant – spay/neuter clinic	200,000	15,000	-	215,000
Canada 150 grant – shelter renovations	-	266,339	19,025	247,314
Other restricted grants and donations	-	26,008	1,857	24,151
	267,293	875,810	600,899	542,204

Saskatoon Society for the Prevention of Cruelty to Animals Inc.

Notes to Financial Statements

December 31, 2017

	December 31, 2015 \$	Payment received \$	Revenue recognized \$	December 31, 2016 \$
City of Saskatoon (note 8)	-	603,386	556,093	47,293
Restricted grants				
Private grant – education	-	25,000	5,000	20,000
Private grant – spay/neuter clinic	-	200,000	-	200,000
	-	828,386	561,093	267,293

7 Externally restricted funds

	2017		2016	
	Ray Duerr Memorial Fund \$	Raffle and Lottery Fund \$	Net \$	Net \$
Fund balances –				
Beginning of year	1,175,293	19,509	1,194,802	1,162,524
Revenue	45,124	90,688	135,812	127,986
Expenditures	-	(36,177)	(36,177)	(37,122)
Interfund transfers	(378,960)	(50,070)	(429,030)	(58,586)
	841,457	23,950	865,407	1,194,802

During the year ended December 31, 2017, there were transfers of \$488,730 from the Ray Duerr Memorial Fund to the Operating and Capital Fund to finance capital outlays related to the Society's facilities. During the year ended December 31, 2017, there were transfers of \$50,070 from the Raffle and Lottery Fund to the Operating and Capital Fund representing the net proceeds from lotteries held during the year.

During the year ended December 31, 2017, bequests were received in the amount of \$219,541. The Society's policy is to transfer 50% of the annual bequest revenue from the Operating and Capital Fund to the Ray Duerr Memorial Fund. For the year ended December 31, 2017, a transfer of \$109,770 has been reflected in interfund transfers, and as the cash transfer did not occur prior to December 31, 2017, this amount is also reflected within the interfund balances on the statement of financial position as at December 31, 2017.

Saskatoon Society for the Prevention of Cruelty to Animals Inc.

Notes to Financial Statements

December 31, 2017

8 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.

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.

Saskatoon Society for the Prevention of Cruelty to Animals Inc.

Notes to Financial Statements

December 31, 2017

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.

