

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

Financial Statements  
**December 31, 2014**



April 17, 2015

## **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, 2014 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 of revenue over expenditures, and cash flows from operations for the year ended December 31, 2014, current assets as at December 31, 2014 and fund balances as at January 1, 2014 and December 31, 2014. The predecessor auditor's opinion on the financial statements for the year ended December 31, 2013 was modified because of the possible effect of a similar 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, 2014 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.

**Other matters**

The financial statements of Saskatoon Society for the Prevention of Cruelty to Animals Inc. for the year ended December 31, 2013 were audited by another auditor who expressed a qualified opinion on those financial statements on April 17, 2014 for the reasons described in the basis for qualified opinion paragraph.

*PricewaterhouseCoopers LLP*

**Chartered Accountants**

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

## Statement of Financial Position

As at December 31, 2014

	Operating Fund \$	Capital Fund \$	Restricted Fund \$	2014 \$	2013 \$
<b>Assets</b>					
<b>Current assets</b>					
Cash	430,841	-	29,649	460,490	269,477
Investments (note 4)	-	-	12,897	12,897	12,687
Accounts receivable	42,360	-	-	42,360	20,607
Inventory	6,727	-	-	6,727	44,088
Interfund balances (note 3)	(72,486)	-	72,486	-	-
Prepaid expenses	5,316	-	-	5,316	5,316
	412,758	-	115,032	527,790	352,175
<b>Investments (note 4)</b>	128,102	-	959,444	1,087,546	1,012,915
<b>Tangible capital assets (note 5)</b>	-	102,461	-	102,461	127,174
	540,860	102,461	1,074,476	1,717,797	1,492,264
<b>Liabilities and Fund Balances</b>					
<b>Current liabilities</b>					
Accounts payable and accrued liabilities	76,922	-	-	76,922	33,691
Wages payable	18,433	-	-	18,433	21,096
Spay and neuter deposits	12,947	-	-	12,947	12,947
Deferred revenue	85,845	-	-	85,845	-
	194,147	-	-	194,147	67,734
<b>Fund balances</b>					
Invested in capital assets	-	102,461	-	102,461	127,174
Externally restricted (note 6)	-	-	1,074,476	1,074,476	1,044,061
Unrestricted	346,713	-	-	346,713	253,295
	346,713	102,461	1,074,476	1,523,650	1,424,530
	540,860	102,461	1,074,476	1,717,797	1,492,264

**Subsequent event (note 9)**

**Approved by the Board of Directors**

\_\_\_\_\_  
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, 2014

	Operating Fund \$	Capital Fund \$	Restricted Fund \$	2014 \$	2013 \$
<b>Revenue</b>					
Programs and services	358,844	-	-	358,844	355,805
Fee for services – City of Saskatoon (note 7)	534,785	-	-	534,785	512,586
Fundraising	-	-	-	-	-
Donations	524,577	-	-	524,577	444,650
Events and campaigns	103,786	-	-	103,786	152,912
Lotteries	-	-	88,083	88,083	103,124
Investment income (note 4)	7,037	-	40,132	47,169	64,857
	1,529,029	-	128,215	1,657,244	1,633,934
<b>Expenditures</b>					
Operations					
Salaries and wages and benefits	807,414	-	-	807,414	699,331
Office supplies	59,779	-	-	59,779	56,561
Professional fees and contract services	42,603	-	-	42,603	16,774
Professional development	23,310	-	-	23,310	25,612
Auto expenses	18,982	-	-	18,982	18,146
Debt write offs	15,980	-	-	15,980	-
Telephone	9,424	-	-	9,424	10,388
Bank charges	7,993	-	-	7,993	14,364
Insurance	5,219	-	-	5,219	4,298
Travel	5,130	-	-	5,130	9,098
Computer software and services	4,114	-	-	4,114	3,470
Meals and entertainment	1,348	-	-	1,348	3,303
Facilities					
Utilities	63,741	-	-	63,741	49,800
Grounds keeping and janitorial	20,516	-	-	20,516	23,405
Repairs and maintenance	16,159	-	-	16,159	14,980
Shop supplies and tools	1,525	-	-	1,525	1,325
Animal care	259,739	-	-	259,739	208,635
Animal protection	65,731	-	-	65,731	67,083
Community, education and volunteers	9,019	-	-	9,019	13,249
Fundraising					
Events	55,330	-	-	55,330	88,261
Lotteries	-	-	31,896	31,896	38,626
Campaigns	7,294	-	-	7,294	2,204
Amortization	-	25,878	-	25,878	30,450
	1,500,350	25,878	31,896	1,558,124	1,399,363
<b>Excess (deficiency) of revenue over     expenditures</b>	28,679	(25,878)	96,319	99,120	234,571

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, 2014

	Operating Fund \$	Capital Fund \$	Restricted Fund \$	2014 \$	2013 \$
<b>Fund balance – Beginning of year</b>	253,295	127,174	1,044,061	1,424,530	1,189,959
Excess (deficiency) of revenue over expenditures	28,679	(25,878)	96,319	99,120	234,571
Interfund transfers (note 6)	64,739	1,165	(65,904)	-	-
<b>Fund balances – End of year</b>	<u>346,713</u>	<u>102,461</u>	<u>1,074,476</u>	<u>1,523,650</u>	<u>1,424,530</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, 2014

	Operating Fund \$	Capital Fund \$	Restricted Fund \$	2014 \$	2013 \$
<b>Cash provided by (used in)</b>					
<b>Operating activities</b>					
Excess (deficiency) of revenue over expenditures	28,679	(25,878)	96,319	99,120	234,571
Interfund transfers	64,739	1,165	(65,904)	-	-
Change in fair value of investments	(5,767)	-	(30,522)	(36,289)	(54,957)
Amortization	-	25,878	-	25,878	30,450
	87,651	1,165	( 107)	88,709	210,064
<b>Changes in non-cash working capital items</b>					
Accounts receivable	(21,753)	-	-	(21,753)	(21,351)
Inventory	37,361	-	-	37,361	(21,676)
Prepaid expenses	-	-	-	-	470
Accounts payable and accrued liabilities	43,231	-	-	43,231	(6,051)
Wages payable	(2,663)	-	-	(2,663)	1,846
Spay and neuter deposits	-	-	-	-	3,470
Deferred revenue	85,845	-	-	85,845	(42,301)
Interfund balances	40,125	-	(40,125)	-	-
	182,146	-	(40,125)	142,021	(85,593)
	269,797	1,165	(40,232)	230,730	124,471
<b>Investing activities</b>					
Additions to tangible capital assets	-	(1,165)	-	(1,165)	(15,011)
Purchase of investments, net	(27,178)	-	(11,374)	(38,552)	42,038
	(27,178)	(1,165)	(11,374)	(39,717)	27,027
<b>Net change in cash</b>	242,619	-	(51,606)	191,013	151,498
<b>Cash – Beginning of year</b>	188,222	-	81,255	269,477	117,979
<b>Cash – End of year</b>	430,841	-	29,649	460,490	269,477

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, 2014**

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### **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, 2014**

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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, 2014 were \$43,098 (2013 - \$116,381).

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 12 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, 2014**

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### **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.

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

## Notes to Financial Statements

December 31, 2014

### 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.

	2014 \$	2013 \$
Opening balance	32,361	4,890
Cash transferred during the year	-	-
50% of bequest revenue	40,125	27,471
	<u>72,486</u>	<u>32,361</u>

### 4 Investments

	2014 \$	2013 \$
Operating Fund		
GIC'S (cost: 2014 - \$65,702, 2013 - \$41,150)	66,425	41,193
Pooled fund units (cost: 2014 - \$51,275, 2013 - \$37,275)	60,263	41,277
	<u>126,688</u>	<u>82,470</u>
Ray Duerr Memorial Fund		
GIC's (cost: 2014 - \$384,769, 2013 - \$384,548)	393,738	392,779
Pooled fund units (cost: 2014 - \$466,417, 2013 - \$463,344)	580,017	550,353
	<u>973,755</u>	<u>943,132</u>
	1,100,443	1,025,602
Less: Current investments	<u>12,897</u>	<u>12,687</u>
	<u>1,087,546</u>	<u>1,012,915</u>

Investment income consists of the following:

	2014 \$	2013 \$
Interest income and dividends	10,880	9,900
Changes in fair value of investments	36,289	54,957
	<u>47,169</u>	<u>64,857</u>

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

## Notes to Financial Statements

December 31, 2014

### 5 Tangible capital assets

	2014		2013	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Furniture and fixtures	402,270	327,525	74,745	93,431
Automotive equipment	86,859	78,987	7,872	11,246
Cyr Park improvements	26,226	11,893	14,333	15,925
Computer hardware	31,107	26,178	4,929	6,572
Computer software	10,575	9,993	582	-
	557,037	454,576	102,461	127,174

### 6 Interfund transfers and externally restricted funds

During 2014, a net of \$1,165 (2013 - \$15,011) from the Operating Fund was transferred to the Capital Fund to fund the cash outlays of tangible capital asset acquisitions. \$106,029 (2013 - \$47,739) was transferred from the Raffle and Lottery Fund to the Operating Fund to fund eligible expenditures under Saskatchewan Liquor and Gaming Authority lottery applications and as designated by the auxiliary (emergency vet fund and the Second Chance club). \$40,125 (2013 - \$27,471) was transferred from the Operating Fund to the Ray Duerr Memorial Fund representing 50% of bequest and legacy donations received during the year and nil (2013 - \$25,511) was transferred from the Ray Duerr Memorial Fund to the Operating Fund as proceeds from the closure of a Ray Duerr Memorial Fund bank account to the general bank account, resulting in a net transfer of \$40,125 (2013 - \$1,960) from the Operating Fund to the Ray Duerr Memorial Fund for the year.

The externally restricted fund balances are as follows:

	2014		2013	
	Ray Duerr Memorial Fund \$	Raffle and Lottery Fund \$	Net \$	Net \$
Fund balances – Beginning of year	993,098	50,963	1,044,061	960,514
Revenue	40,132	88,083	128,215	167,980
Expenditures	-	(31,896)	(31,896)	(38,655)
Interfund transfers	40,125	(106,029)	(65,904)	(45,779)
	1,073,355	1,121	1,074,476	1,044,060

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

## **Notes to Financial Statements**

**December 31, 2014**

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### **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 was from May 1, 2009 to April 30, 2014.

The City pays the Society for Poundkeeping services, within the confines of the City, an annual amount of \$350,000, payable in equal instalments on the first day of each month commencing May 1, 2009. The City provides an annual grant of \$135,000 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 commencing May 1, 2009. 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.

Both the payment for the Poundkeeping service and the grant for Animal Protection Agency services are subject to adjustments on an annual basis during the term using the monthly average consumer price index for Saskatoon for January 1 to December 31 of the previous year.

On April 24, 2014 the City offered to temporarily extend Pound Services and Animal Protection Services between the City and the Society. The Society's services were extended based on the existing Agreement, on a month-to-month basis beginning May 1, 2014. Effective May 1, 2014 the City agreed to pay the Society \$42,923 monthly, with the City to provide retroactive pay for the fees from May 1, 2014 upon completion of negotiations for a new Agreement (note 9).

### **8 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.



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

Notes to Financial Statements

**December 31, 2014**

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## **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.

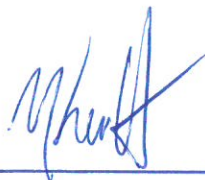
## **Liquidity risk**

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.

## **9 Subsequent event**

Subsequent to December 31, 2014, the City and the Society entered into a new Memorandum of Agreement (the "new Agreement") with a term of May 1, 2014 to December 31, 2018 and including a retroactive adjustment of \$19,715 for the months of May 2014 through December 2014.

Under the new Agreement, the Pound Services amount is based on \$390,285 annually for 2014 and the Animal Protection and Investigation Services amount is based on \$144,500 annually for 2014. The amounts are to be adjusted on an annual basis during the term by 2%.

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Kevin Hordestad  
Chair, Board of Directors  
Saskatoon SPCA