

PRINCE EDWARD ISLAND HUMANE SOCIETY

(Incorporated under the laws of Prince Edward Island)

CHARLOTTETOWN, PRINCE EDWARD ISLAND

FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2021

PRINCE EDWARD ISLAND HUMANE SOCIETY

YEAR ENDED MARCH 31, 2021

CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Changes in Net Assets	4
Statement of Operations	5
Statement of Cash Flow	6
Notes to Financial Statements	7 - 11

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Prince Edward Island Humane Society:

Qualified Opinion

I have audited the accompanying financial statements of Prince Edward Island Humane Society which is comprised of the statement of financial position as at March 31, 2021 and the statements of operations, changes in net assets, and cash flow for the year then ended and a summary of significant accounting policies and other explanatory information.

In my opinion, except for the possible effects of the matter described in the following paragraph, these financial statements present fairly, in all material respects, the financial position of Prince Edward Island Humane Society as at March 31, 2021, and the results of its operations and cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations

Basis for Qualified Opinion

As is common with many charitable organizations, Prince Edward Island Humane Society derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, my verification of these revenues was limited to the amounts recorded in the records of the organization and I am not able to determine whether any adjustments might be necessary to revenues, excess revenues over expenses, assets and net assets.

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described below in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of the report. I am independent of Prince Edward Island Humane Society in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Other information

Management is responsible for other information. The other information comprises the information, other than the financial statements and my auditors' report thereon, in the Annual Report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

I obtained the Annual Report prior to the date of this auditors' report. If, based on the work I have performed on this other information, I conclude that there is a material misstatement of this other information, I am required to report that fact in this auditors' report. I have nothing to report in this regard.

(Continued)

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Canadian accounting standards for not-for-profit organizations and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Prince Edward Island Humane Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Prince Edward Island Humane Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Prince Edward Island Humane Society's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Prince Edward Island Humane Society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Prince Edward Island Humane Society's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditors report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditors' report. However, future events or conditions may cause Prince Edward Island Humane Society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair representation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Rachael A. Mella, CPA, CA

CHARTERED PROFESSIONAL ACCOUNTANT

October 26, 2021

Charlottetown, Prince Edward Island

PRINCE EDWARD ISLAND HUMANE SOCIETY

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2021

ASSETS

	<u>2021</u>	<u>2020</u>
CURRENT		
Cash	\$ 240,983	\$ 24,099
Restricted cash	2,017,718	928,003
Accounts receivable (Note 4)	76,724	66,608
Prepaid expenses	<u>46,668</u>	<u>18,960</u>
	2,382,093	1,037,670
PROPERTY AND EQUIPMENT (Note 5)	<u>324,590</u>	<u>323,950</u>
	<u>\$ 2,706,683</u>	<u>\$ 1,361,620</u>

LIABILITIES


CURRENT		
Accounts payable and accrued liabilities	\$ 90,876	\$ 57,805
Government remittances payable	6,412	10,977
Deferred revenue (Note 6)	<u>10,000</u>	<u>60,000</u>
	107,288	128,782
DEFERRED CONTRIBUTIONS (Note 7)	<u>2,007,718</u>	<u>868,003</u>
	<u>2,115,006</u>	<u>996,785</u>

NET ASSETS

UNRESTRICTED ASSETS	215,820	200,438
RESTRICTED ASSETS - CAPITAL CAMPAIGN	<u>375,857</u>	<u>164,397</u>
	<u>591,677</u>	<u>364,835</u>
	<u>\$ 2,706,683</u>	<u>\$ 1,361,620</u>

LEASE COMMITMENTS (Note 8)

ON BEHALF OF THE BOARD


 _____ **DIRECTOR**

 _____ **DIRECTOR**

PRINCE EDWARD ISLAND HUMANE SOCIETY

STATEMENT OF CHANGES IN NET ASSETS

MARCH 31, 2021

	<u>Unrestricted</u>	<u>Restricted Capital Campaign</u>	<u>2021 TOTAL</u>	<u>2020 TOTAL</u>
Balance, beginning of year	\$ 200,438	\$ 164,397	\$ 364,835	\$ 523,615
Excess (deficiency) of revenues over expenditures	226,842	-	226,842	(158,780)
Transfers	<u>(211,460)</u>	<u>211,460</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 215,820</u>	<u>\$ 375,857</u>	<u>\$ 591,677</u>	<u>\$ 364,835</u>

PRINCE EDWARD ISLAND HUMANE SOCIETY

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2021

	<u>Budget</u>	<u>2021</u>	<u>2020</u>
REVENUES			
Donations and memoriams	\$ 274,800	\$ 337,014	\$ 263,613
Provincial contract	211,441	212,958	209,599
Municipal contracts	147,804	150,954	138,317
Shelter receipts	137,100	87,377	120,588
Special events	65,000	83,168	72,622
Licenses and ID tags	7,600	6,784	9,821
Miscellaneous and memberships	40,075	140,741	32,963
Donations in kind	<u>4,500</u>	<u>8,070</u>	<u>3,824</u>
	<u>888,320</u>	<u>1,027,066</u>	<u>851,347</u>
EXPENSES			
Advertising	10,762	10,556	9,645
Amortization of property and equipment	18,300	19,767	16,236
Animal care supplies	11,812	10,965	23,107
Electricity	12,200	12,102	12,140
Fundraising	1,300	19,315	36,932
Heat	9,400	5,525	9,384
Insurance	4,300	8,151	6,660
Interest and bank charges	5,000	8,986	9,836
Office	37,170	37,550	15,100
Professional fees	20,836	24,777	24,395
Property taxes	19,791	18,974	19,756
Rescue contracts	500	-	434
Shelter and kennels - maintenance	37,345	25,956	20,781
Staff training and travel	8,450	7,418	18,224
Telephone	10,500	8,948	11,797
Vehicle	15,210	16,554	17,329
Veterinary supplies and services	96,300	77,622	107,492
Wages and wage levies	<u>688,637</u>	<u>699,655</u>	<u>661,170</u>
	<u>1,007,813</u>	<u>1,012,821</u>	<u>1,020,418</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES FROM OPERATIONS	<u>(119,493)</u>	<u>14,245</u>	<u>(169,071)</u>
OTHER REVENUES (EXPENSES)			
Bequests	70,000	211,460	14,863
Interest	800	3,513	796
Capital Campaign expense	-	-	(5,368)
Gain (loss) on disposal of vehicles	<u>5,000</u>	<u>(2,376)</u>	<u>-</u>
	<u>75,800</u>	<u>212,597</u>	<u>10,291</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (43,693)</u>	<u>\$ 226,842</u>	<u>\$ (158,780)</u>

PRINCE EDWARD ISLAND HUMANE SOCIETY

STATEMENT OF CASH FLOW

YEAR ENDED MARCH 31, 2021

	<u>2021</u>	<u>2020</u>
CASH PROVIDED FROM (USED FOR)		
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenditures	\$ 226,842	\$ (158,780)
Items not requiring an outlay of cash		
Amortization of property and equipment	19,767	16,236
Loss on disposal of vehicles	<u>2,376</u>	<u>-</u>
	248,985	(142,544)
Changes in non-cash working capital items		
Accounts receivable	(10,116)	(28,985)
Prepaid expense	(27,708)	(5,927)
Accounts payable and accrued liabilities	33,071	29,277
Government remittances payable	(4,565)	(7,882)
Deferred revenues	<u>(50,000)</u>	<u>32,102</u>
	<u>189,667</u>	<u>(123,959)</u>
FINANCING ACTIVITIES		
Repayment of long term debt	-	(898)
Deferred contributions	1,139,715	329,745
Grant used for purchase of vehicles	<u>50,000</u>	<u>-</u>
	<u>1,189,715</u>	<u>328,847</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	(77,783)	(89,487)
Proceeds from disposal of property and equipment	<u>5,000</u>	<u>-</u>
	<u>(72,783)</u>	<u>(89,487)</u>
INCREASE IN CASH	1,306,599	115,401
CASH, BEGINNING OF YEAR	<u>952,102</u>	<u>836,701</u>
CASH, END OF YEAR	<u>\$ 2,258,701</u>	<u>\$ 952,102</u>
CASH CONSISTS OF:		
Operating cash	\$ 240,983	\$ 24,099
Restricted cash	<u>2,017,718</u>	<u>928,003</u>
	<u>\$ 2,258,701</u>	<u>\$ 952,102</u>

PRINCE EDWARD ISLAND HUMANE SOCIETY

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2021

1. NATURE OF OPERATIONS

Prince Edward Island Humane Society was incorporated under Part II of the *Prince Edward Island Companies Act* on July 22, 1974 as a not-for-profit entity and is a registered charity for federal income tax purposes. Incorporating in this manner exempts the Organization from income tax provided ongoing compliance requirements are met. The objective and purpose of the Organization is to promote quality of life for companion animals through responsible ownership, successful adoptions, education and enforcement of companion animal welfare legislation in Prince Edward Island.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations (ASNPO) and include the following significant accounting policies:

CORONAVIRUS (COVID-19) IMPACT

In March 2020, the World Health Organization declared COVID-19 a world-wide pandemic. COVID-19 has since had a significant impact on global economies and equity, debt and commodity markets. Prince Edward Island Humane Society has considered the impact of COVID-19 and other market volatility in preparing its financial statements.

In response to the pandemic, management has implemented social distancing protocols, increased cleaning processes and personal protective equipment for staff and clients at its facilities in accordance with government health and safety requirements. The Organization has also leveraged assistance through the Canada Emergency Wage Subsidy program. Management will continue to monitor programs available to offset additional costs associated with COVID-19 and apply for them as deemed appropriate.

The Organization's assets and liabilities have not been materially impacted by COVID-19. Other than adjusting events that provide evidence of conditions that existed at the end of the reporting period, the impact of events that arise after the reporting period will be accounted for in future reporting periods.

CASH

Cash is comprised of cash on hand and cash in bank.

RESTRICTED CASH

Restricted cash consists of cash in bank accounts that has been designated for specific purposes.

ACCOUNTS RECEIVABLE

Accounts receivable arise from trade receivables, and Harmonized Sales Tax receivable. Any allowance for bad debts has been calculated through discussions with management, assessment of the other circumstances influencing the collectibility of amounts, and using historical loss experience. Amounts deemed uncollectable are written off and deducted from the carrying value of the receivable. Amounts subsequently recovered from accounts previously written off are credited to the allowance account in the period of recovery.

CAPITAL CAMPAIGN RESTRICTED ASSETS

Capital campaign restricted assets are bequests recognized as revenue in the year that have been internally restricted for future building renovations.

PRINCE EDWARD ISLAND HUMANE SOCIETY

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY AND EQUIPMENT

Property and equipment is stated at cost less government assistance, contributions and accumulated amortization. Property and equipment is amortized over its estimated useful life on a declining balance basis at the following rates:

Buildings	4%
Paving	8%
Fencing	10%
Equipment	20%
Vehicles	30%
Computer equipment	45%
Computer software	100%
Website	100%

One-half of the annual rate is recorded in the year of acquisition. No amortization is recorded in the year of disposal.

GOVERNMENT ASSISTANCE

Government grants received for general operations are recorded when there is a reasonable assurance that the Organization had complied with and will continue to comply with, all the necessary conditions to obtain the grants. During the year, the Organization received \$109,337 (2020 - \$3,830) from the Government of Canada and \$13,320 (2020 - \$NIL) from the Province of PEI for wage subsidies included in miscellaneous revenues.

REVENUE RECOGNITION

The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the relate expenditures are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted contributions for the purchase of property and equipment that will be amortized are deferred and recorded as a reduction of the cost of the related assets and amortized at the same rate.

PRINCE EDWARD ISLAND HUMANE SOCIETY

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS

The Organization initially measures its financial assets and financial liabilities at fair value, except for certain related party transactions that are measured at the carrying amount or exchange amount, as appropriate.

The Organization subsequently measures all of its financial assets and financial liabilities at cost or amortized cost, except for investments in equity instruments that are quoted in an active market which are measured at fair value. Changes in fair value of these financial instruments are recognized in excess of revenue over expenditures.

Financial assets measured at amortized cost on a straight-line basis include cash, restricted cash, accounts receivable and investments.

Financial liabilities measured at amortized cost on a straight-line basis include accounts payable and accrued liabilities .

Transaction costs on the acquisition, sale, or issue of financial instruments that are subsequently measured at amortized cost, are shown as an adjustment to the carrying value of the related financial instrument.

DONATED GOODS

Donated goods are recorded at their fair market value at the time of the donation. During the year, \$7,884 in goods were donated and have been included in prepaid expenses.

MEASUREMENT UNCERTAINTY

When preparing financial statements according to Canadian ASNPO, management makes estimated and assumptions relating to:

- Reported amounts of revenues and expenditures;
- Reported amounts of assets and liabilities;
- Disclosure of contingent assets and liabilities.

Estimates are based on a number of factors including historical experience, current events and actions that the Organization may undertake in the future, and other assumptions that management believes are reasonable under the circumstances. By their nature, these estimates are subject to measurement uncertainty and actual results could differ. In particular, estimates are used in accounting for certain items such as revenues, allowance for doubtful accounts, useful lives of property and equipment and accruals.

PRINCE EDWARD ISLAND HUMANE SOCIETY

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2021

3. FINANCIAL INSTRUMENTS

The Organization's financial instruments consist of cash, restricted cash, accounts receivable, investments, accounts payable and accrued liabilities.

The Organization is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Organization's risk exposure and concentration as of March 31, 2021.

INTEREST RISK

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Organization manages exposure through its normal operating and financing activities. The Organization is exposed to interest rate risk primarily through its floating interest rate and credit facilities.

LIQUIDITY RISK

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The organization is exposed to this risk mainly in respect of its receipt of funds from its customers and other related sources, long term debt and accounts payable.

4. ACCOUNTS RECEIVABLE

	<u>2021</u>	<u>2020</u>
Trade receivable	\$ 22,492	\$ 29,556
HST receivable	<u>54,232</u>	<u>37,052</u>
	<u><u>\$ 76,724</u></u>	<u><u>\$ 66,608</u></u>

5. PROPERTY AND EQUIPMENT

	<u>Cost</u>	<u>Government Assistance & Contributions</u>	<u>Accumulated Depreciation</u>	<u>2021 Net Book Value</u>	<u>2020 Net Book Value</u>
Land	\$ 97,249	\$ -	\$ -	\$ 97,249	\$ 97,249
Building	1,476,370	1,029,052	257,923	189,395	197,287
Paving	22,840	-	16,091	6,749	7,336
Fencing	14,269	-	11,997	2,272	2,524
Equipment	115,652	-	107,939	7,713	9,641
Vehicles	77,128	50,000	7,819	19,309	7,376
Computer equipment	16,167	-	14,264	1,903	2,537
Computer software	13,804	-	13,804	-	-
Website	<u>5,863</u>	<u>-</u>	<u>5,863</u>	<u>-</u>	<u>-</u>
	<u><u>\$ 1,839,342</u></u>	<u><u>\$ 1,079,052</u></u>	<u><u>\$ 435,700</u></u>	<u><u>\$ 324,590</u></u>	<u><u>\$ 323,950</u></u>

PRINCE EDWARD ISLAND HUMANE SOCIETY

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2021

6. DEFERRED REVENUE

	<u>2021</u>	<u>2020</u>
Provincial License Pilot Project grant	\$ 10,000	\$ 10,000
Province of Prince Edward Island	<u>-</u>	<u>50,000</u>
	<u>\$ 10,000</u>	<u>\$ 60,000</u>

The Organization received a government grant for \$10,000 towards the development of a Provincial License Pilot Project. The expenditures for this program are expected to be incurred in a subsequent year.

7. DEFERRED CONTRIBUTIONS

	<u>2021</u>	<u>2020</u>
Capital building fund	\$ 1,933,163	\$ 793,448
Restricted bequests	<u>74,555</u>	<u>74,555</u>
	<u>\$ 2,007,718</u>	<u>\$ 868,003</u>

The Organization has received a number of donations and bequests that have been designated for the construction of a new building. These contributions have been deferred and will be recorded as a reduction of the cost of the building and will be amortized at the same rate.

The Organization has received a bequest that is restricted to be used towards improvements to the surgery room. This contribution has been deferred and will be recorded as a reduction of the cost of the related assets and amortized at the same rate.

8. LEASE COMMITMENTS

The Organization has entered into a lease agreement with Konica Minolta for the lease of a photocopier. The minimum lease payments due over the next three years are as follows:

2022	\$2,808
2023	\$2,808
2024	\$1,404

9. SUBSEQUENT EVENTS

The Organization is in the process of redesigning and upgrading their facilities, with Phase I completed. Phase II will require \$1.6 million to \$1.7 million in financing to complete. The organization is currently in discussions with lenders and applying for grants to fund Phase II.

10. BUDGETED FIGURES

Budgeted figures presented on the statement of operations are for information purposes only, and have not been subject to review or audit by the external auditor.