

Prince Edward Island Humane Society

Financial Statements
(Unaudited)
March 31, 2022



September 28, 2022

Independent Practitioner's Review Engagement Report

To the Board of Directors of Prince Edward Island Humane Society

We have reviewed the accompanying financial statements of Prince Edward Island Humane Society that comprise the statement of financial position as at March 31, 2022, and the statements of operations, changes in net assets and cash flows for the year then ended, and 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.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

Basis for Qualified Opinion

In common with many not-for-profit organizations, Prince Edward Island Humane Society derives revenue from donations, the completeness of which is not susceptible to us obtaining evidence we considered necessary for the purpose of the review. Accordingly, the evidence obtained of these revenues was limited to the amounts recorded in the records of Prince Edward Island Humane Society. Therefore, we were not able to determine whether any adjustments might be necessary to donations revenue, excess revenue and cash flows from operations for the years ended March 31, 2022 and 2021, current assets as at March 31, 2022 and 2021, and net assets as at April 1 and March 31 for both the 2022 and 2021 years. The predecessor practitioner's audit opinion for the year ended March 31, 2021 was modified accordingly because of the possible effects of this limitation in scope.

Qualified Conclusion

Based on our review, except for the possible effects of the matter described in the *Basis for Qualified Opinion* paragraphs, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of Prince Edward Island Humane Society as at March 31, 2022, 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.



ArsenaultBestCameronEllis
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Other Matter

The financial statements of Prince Edward Island Humane Society for the year ended March 31, 2021 were audited by another practitioner who expressed a qualified opinion on those financial statements on October 26, 2021 for the reasons described in the *Basis of Qualified Opinion* paragraph.

ArsenaultBestCameronEllis

Chartered Professional Accountants

Prince Edward Island Humane Society

Statement of Financial Position

(Unaudited)

As at March 31, 2022

| | 2022 | 2021 |
|---|------------------|------------------|
| | \$ | \$ |
| Assets | | |
| Current assets | | |
| Cash | 267,410 | 240,983 |
| Restricted cash | 2,017,482 | 2,017,718 |
| Accounts receivable (note 3) | 37,415 | 76,724 |
| Prepaid expenses | 1,814 | 2,109 |
| Inventory | 13,797 | 44,559 |
| | <u>2,337,918</u> | <u>2,382,093</u> |
| Capital assets (note 4) | <u>418,192</u> | <u>324,590</u> |
| | <u>2,756,110</u> | <u>2,706,683</u> |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | 80,600 | 90,876 |
| Government remittances payable | 27,469 | 6,412 |
| | <u>108,069</u> | <u>97,288</u> |
| Deferred contributions (note 5) | <u>2,017,482</u> | <u>2,007,718</u> |
| | <u>2,125,551</u> | <u>2,105,006</u> |
| Net Assets | | |
| Unrestricted assets | 254,702 | 225,820 |
| Restricted assets - capital campaign | <u>375,857</u> | <u>375,857</u> |
| | <u>630,559</u> | <u>601,677</u> |
| | <u>2,756,110</u> | <u>2,706,683</u> |

Approved by the Board of Directors

_____ Director

_____ Director

Prince Edward Island Humane Society

Statement of Changes in Net Assets

(Unaudited)

For the year ended March 31, 2022

| | | | 2022 | 2021 |
|------------------------------------|--------------------|---|-------------|-------------|
| | Unrestricted \$ | Restricted capital campaign \$ | Total \$ | Total \$ |
| Balance - Beginning of year | 225,820 | 375,857 | 601,677 | 374,835 |
| Excess revenue for the year | 28,882 | - | 28,882 | 226,842 |
| Balance - End of year | 254,702 | 375,857 | 630,559 | 601,677 |

Prince Edward Island Humane Society

Statement of Operations

(Unaudited)

For the year ended March 31, 2022

| | Budget (unaudited) | | |
|--|-------------------------------|------------------|------------------|
| | 2022 | 2022 | 2021 |
| | \$ | \$ | \$ |
| Revenue | | | |
| Donations and memoriams | 324,547 | 437,842 | 337,014 |
| Contract - Province of Prince Edward Island | 212,136 | 212,290 | 212,958 |
| Contract - Municipal | 148,466 | 153,861 | 150,954 |
| Shelter receipts | 112,070 | 138,974 | 87,377 |
| Special events | 85,000 | 42,043 | 83,168 |
| Licenses and ID tags | 7,000 | 5,794 | 6,784 |
| Miscellaneous and memberships | 26,891 | 28,651 | 17,280 |
| Donations in kind | 6,000 | 4,076 | 8,070 |
| | <u>922,110</u> | <u>1,023,531</u> | <u>903,605</u> |
| Expenses | | | |
| Advertising | 8,574 | 13,029 | 10,556 |
| Animal care supplies | 8,000 | 32,632 | 10,965 |
| Bad debts | - | 1,941 | - |
| Electricity | 4,000 | 12,490 | 12,102 |
| Fundraising | 800 | 12,156 | 19,315 |
| Heat | 4,000 | 9,822 | 5,525 |
| Insurance | 4,300 | 8,105 | 8,151 |
| Interest and bank charges | 5,000 | 11,365 | 8,986 |
| Office | 75,564 | 31,538 | 37,550 |
| Professional fees | 19,964 | 15,646 | 24,777 |
| Property taxes | 18,491 | 18,308 | 18,974 |
| Rescue contracts | 500 | - | - |
| Shelter and kennels - maintenance | 26,780 | 17,215 | 25,956 |
| Staff training and travel | 7,500 | 2,987 | 7,418 |
| Telephone | 11,256 | 10,581 | 8,948 |
| Vehicle | 15,700 | 22,449 | 16,554 |
| Veterinary supplies and services | 64,000 | 102,625 | 77,622 |
| Wages and wage levies | 688,016 | 755,611 | 699,655 |
| Amortization | 15,000 | 16,995 | 19,767 |
| | <u>977,445</u> | <u>1,095,495</u> | <u>1,012,821</u> |
| Excess expenses over revenues from operations | <u>(55,335)</u> | <u>(71,964)</u> | <u>(109,216)</u> |
| Other income (expense) | | | |
| Government assistance | - | 43,029 | 123,461 |
| Bequests | 25,000 | 50,643 | 211,460 |
| Interest | 700 | 7,174 | 3,513 |
| Loss on disposal of vehicles | - | - | (2,376) |
| | <u>25,700</u> | <u>100,846</u> | <u>336,058</u> |
| Excess revenue for the year | <u>(29,635)</u> | <u>28,882</u> | <u>226,842</u> |

Prince Edward Island Humane Society

Statement of Cash Flows

(Unaudited)

For the year ended March 31, 2022

| | 2022 | 2021 |
|---|------------------|------------------|
| | \$ | \$ |
| Cash provided by (used in) | | |
| Operating activities | | |
| Excess revenue for the year | 28,882 | 226,842 |
| Items not affecting cash | | |
| Amortization | 16,995 | 19,767 |
| Loss on disposal of vehicles | - | 2,376 |
| | <u>45,877</u> | <u>248,985</u> |
| Net change in non-cash working capital items | | |
| Decrease (increase) in accounts receivable | 39,309 | (10,116) |
| Decrease (increase) in inventory | 30,762 | (25,599) |
| Decrease (increase) in prepaid expenses | 295 | (2,109) |
| Increase (decrease) in accounts payable and accrued liabilities | (10,276) | 33,071 |
| Increase (decrease) in government remittances payable | 21,057 | (4,565) |
| Decrease in deferred revenue | - | (50,000) |
| | <u>127,024</u> | <u>189,667</u> |
| Financing activities | | |
| Deferred contributions | 9,763 | 1,139,715 |
| Grant used for purchase of vehicles | - | 50,000 |
| | <u>9,763</u> | <u>1,189,715</u> |
| Investing activities | | |
| Purchase of capital assets | (110,596) | (77,783) |
| Proceeds on disposal of capital assets | - | 5,000 |
| | <u>(110,596)</u> | <u>(72,783)</u> |
| Increase in cash | 26,191 | 1,306,599 |
| Net cash - Beginning of year | <u>2,258,701</u> | <u>952,102</u> |
| Net cash - End of year | <u>2,284,892</u> | <u>2,258,701</u> |
| Net cash consists of | | |
| Cash | 267,410 | 240,983 |
| Restricted cash | <u>2,017,482</u> | <u>2,017,718</u> |
| | <u>2,284,892</u> | <u>2,258,701</u> |

Prince Edward Island Humane Society

Notes to Financial Statements

(Unaudited)

March 31, 2022

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

Basis of accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. These financial statements include the following significant accounting policies:

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 assets

Capital assets are accounted for at cost and amortized on the basis of their useful life using the following rates and methods:

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

Prince Edward Island Humane Society

Notes to Financial Statements

(Unaudited)

March 31, 2022

In the year of acquisition, amortization is recorded at one-half of the normal annual rate; no amortization is recorded in the year of disposal.

Capital assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset is in excess of the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

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 \$15,890 (2021 - \$109,337) from the Government of Canada and \$27,139 (2021 - \$13,320) from the Province of Prince Edward Island 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 related 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 capital assets that will be amortized are deferred and recorded as a reduction of the cost of the related assets and amortized at the same rate.

Capital campaign restricted assets

Capital campaign restricted assets are donations and bequests recognized as revenue in the year they have been received for specific parts of the future building renovations. These funds cannot be used for any other purpose.

Donated goods

Donated goods are recorded at their fair market value at the time of the donation. During the year, nil (2021 - \$7,884) in goods were donated and have been included in prepaid expenses.

Use of estimates

The preparation of these financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the current period. Significant items subject to such estimates and assumptions include the valuation of accounts receivable, inventory, and the estimated useful life of buildings and equipment. Actual results could differ from those estimates.

Prince Edward Island Humane Society

Notes to Financial Statements

(Unaudited)

March 31, 2022

Financial instruments

(a) Measurement of financial instruments

Prince Edward Island Humane Society's financial instruments consist of cash, restricted cash, accounts receivable, accounts payable and accrued liabilities, and government remittances payable.

The Organization initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument. This fair value amount is then deemed to be the amortized cost of the financial instrument.

The Organization subsequently measures all its financial assets and financial liabilities at amortized cost.

(b) Impairment

For financial assets measured at cost or amortized cost, the Organization determines whether there are indications of possible impairment. When there is an indication of impairment, and the Organization determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in excess revenue. A previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may not be greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in excess revenue.

(c) Risks

Transacting in financial instruments exposes the company to certain financial risks and uncertainties. These risks include:

- i) Interest rate risk: The company is exposed to interest rate risk due to the variable rate interest on their bank advances. Changes in the bank lending rates can cause fluctuations in cash flows and interest expense. The company does not use any derivatives to manage this risk.
- ii) Credit risk: The company is exposed to credit risk in connection with the collection of its accounts receivable. The company mitigates this risk by performing continuous evaluation of its accounts and loans receivables.
- iii) Liquidity risk: The company's exposure to liquidity risk is dependent on the sale of inventory, collection of accounts receivable or raising of funds to meet commitments and sustain operations. The company controls liquidity risk by management of working capital, cash flows and availability of borrowing facilities.

Prince Edward Island Humane Society

Notes to Financial Statements

(Unaudited)

March 31, 2022

3 Accounts receivable

| | 2022 | 2021 |
|------------------|--------|--------|
| | \$ | \$ |
| Trade receivable | 19,812 | 22,492 |
| HST receivable | 17,603 | 54,232 |
| | 37,415 | 76,724 |

4 Capital assets

| | | | | 2022 | 2021 |
|--------------------|-----------|---|--------------------------|---------|---------|
| | Cost | Government assistance and contributions | Accumulated amortization | Net | Net |
| | \$ | \$ | \$ | \$ | \$ |
| Land | 97,249 | - | - | 97,249 | 97,249 |
| Building | 1,584,924 | 1,029,052 | 265,499 | 290,373 | 189,395 |
| Paving | 22,840 | - | 16,631 | 6,209 | 6,749 |
| Fencing | 14,269 | - | 12,225 | 2,044 | 2,272 |
| Equipment | 115,652 | - | 109,482 | 6,170 | 7,713 |
| Vehicles | 77,128 | 50,000 | 13,612 | 13,516 | 19,309 |
| Computer equipment | 18,211 | - | 15,580 | 2,631 | 1,903 |
| Computer software | 13,804 | - | 13,804 | - | - |
| Website | 5,863 | - | 5,863 | - | - |
| | 1,949,940 | 1,079,052 | 452,696 | 418,192 | 324,590 |

5 Deferred contributions

| | 2022 | 2021 |
|-----------------------|-----------|-----------|
| | \$ | \$ |
| Capital building fund | 1,959,613 | 1,949,849 |
| Restricted bequests | 57,869 | 57,869 |
| | 2,017,482 | 2,007,718 |

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.

Prince Edward Island Humane Society

Notes to Financial Statements

(Unaudited)

March 31, 2022

6 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 two years are as follows:

| | |
|----------------------------|-------|
| | \$ |
| Year ending March 31, 2023 | 2,808 |
| 2024 | 1,404 |

7 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.

8 Comparative figures

Certain comparative figures presented for the 2021 fiscal year have been restated to conform with the financial statement presentation adopted in the current year.