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Prince Edward Island Humane Society

Financial Statements
(Unaudited)
March 31, 2023



Member of The AC Group of Independent Accounting Firms

November 29, 2023

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, 2023, 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 Conclusion

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 engagement. 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, 2023 and 2022, current assets as at March 31, 2023 and 2022, and net assets as at April 1 and March 31 for both the 2023 and 2022 years. Our review report conclusion for the year ended March 31, 2022 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 Conclusion* 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, 2023, 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

Chartered Professional Accountants

Prince Edward Island Humane Society

Statement of Financial Position

(Unaudited)

As at March 31, 2023

	2023	2022
	\$	\$
Assets		
Current assets		
Cash	537,912	267,410
Restricted cash	2,017,718	2,017,482
Accounts receivable (note 3)	28,208	37,415
Prepaid expenses	1,570	1,814
Inventory	14,501	13,797
	<u>2,599,909</u>	<u>2,337,918</u>
Capital assets (note 4)	<u>296,527</u>	<u>418,192</u>
	<u>2,896,436</u>	<u>2,756,110</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	100,606	80,600
Government remittances payable	25,956	27,469
	<u>126,562</u>	<u>108,069</u>
Deferred contributions (note 5)	<u>2,007,637</u>	<u>2,017,482</u>
	<u>2,134,199</u>	<u>2,125,551</u>
Net Assets		
Unrestricted assets	386,380	254,702
Restricted assets - capital campaign	<u>375,857</u>	<u>375,857</u>
	<u>762,237</u>	<u>630,559</u>
	<u>2,896,436</u>	<u>2,756,110</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, 2023

			2023	2022
	Unrestricted	Restricted	Total	Total
	\$	capital	\$	\$
		campaign		
		\$		
Balance - Beginning of year	254,702	375,857	630,559	601,677
Excess revenue for the year	131,678	-	131,678	28,882
Balance - End of year	386,380	375,857	762,237	630,559

Prince Edward Island Humane Society

Statement of Operations

(Unaudited)

For the year ended March 31, 2023

	Budget (unaudited)		
	2023	2023	2022
	\$	\$	\$
Revenue			
Donations and memoriams	450,500	628,341	437,842
Contract - Province of Prince Edward Island	214,261	214,261	212,290
Contract - Municipal	160,298	160,691	153,861
Shelter receipts	113,090	151,536	138,974
Special events	55,000	31,379	42,043
Licenses and ID tags	6,000	6,191	5,794
Miscellaneous and memberships	48,220	24,463	28,651
Donations in kind	4,000	3,078	4,076
	1,051,369	1,219,940	1,023,531
Expenses			
Advertising	11,142	12,767	13,029
Animal care supplies	31,500	31,166	32,632
Bad debts	50	1,284	1,941
Electricity	12,000	13,234	12,490
Fundraising	1,000	17,295	12,156
Heat	8,000	13,888	9,822
Insurance	4,000	9,248	8,105
Interest and bank charges	10,000	12,240	11,365
Office	47,000	32,497	31,538
Professional fees	12,400	15,051	15,646
Property taxes	18,491	19,081	18,308
Rescue contracts	500	-	-
Shelter and kennels - maintenance	19,860	29,727	17,215
Staff training and travel	61,368	18,820	2,987
Telephone	12,460	10,827	10,581
Vehicle	24,900	32,368	22,449
Veterinary supplies and services	82,500	128,975	102,625
Wages and wage levies	743,163	819,138	755,611
Amortization	15,000	14,762	16,995
	1,115,334	1,232,368	1,095,495
Excess expenses over revenues from operations	(63,965)	(12,428)	(71,964)
Other income			
Government assistance	-	24,591	43,029
Bequests	50,000	58,226	50,643
Interest	3,000	61,289	7,174
	53,000	144,106	100,846
Excess revenue (expenses) for the year		(10,965)	131,678
28,882			

Prince Edward Island Humane Society

Statement of Cash Flows

(Unaudited)

For the year ended March 31, 2023

	2023	2022
	\$	\$
Cash provided by (used in)		
Operating activities		
Excess revenue for the year	131,678	28,882
Item not affecting cash		
Amortization	14,762	16,995
	<u>146,440</u>	<u>45,877</u>
Net change in non-cash working capital items		
Decrease in accounts receivable	9,207	39,309
Decrease (increase) in inventory	(704)	30,762
Decrease in prepaid expenses	244	295
Increase (decrease) in accounts payable and accrued liabilities	20,006	(10,276)
Increase (decrease) in government remittances payable	(1,513)	21,057
	<u>173,680</u>	<u>127,024</u>
Financing activity		
Deferred contributions	274,427	9,763
Investing activity		
Purchase of capital assets	(177,369)	(110,596)
Increase in cash	270,738	26,191
Net cash - Beginning of year	<u>2,284,892</u>	<u>2,258,701</u>
Net cash - End of year	<u>2,555,630</u>	<u>2,284,892</u>
Net cash consists of		
Cash	537,912	267,410
Restricted cash	2,017,718	2,017,482
	<u>2,555,630</u>	<u>2,284,892</u>

Prince Edward Island Humane Society

Notes to Financial Statements

(Unaudited)

March 31, 2023

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:

Building	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, 2023

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. No amortization is recorded on buildings while still under construction.

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 nil (2022 - \$15,890) from the Government of Canada and \$24,591 (2022 - \$27,139) 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 (2022 - nil) in goods were donated.

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 capital assets. Actual results could differ from those estimates.

Prince Edward Island Humane Society

Notes to Financial Statements

(Unaudited)

March 31, 2023

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) **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 receivables.
- ii) **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, 2023

3 Accounts receivable

	2023	2022
	\$	\$
Trade receivable	3,036	19,812
HST receivable	25,172	17,603
	28,208	37,415

4 Capital assets

				2023	2022
	Cost	Government assistance and contributions	Accumulated amortization	Net	Net
	\$	\$	\$	\$	\$
Land	97,249	-	-	97,249	97,249
Building	496,101	48,783	272,771	174,547	290,373
Paving	22,840	-	17,127	5,713	6,209
Fencing	14,269	-	12,429	1,840	2,044
Equipment	116,103	-	110,761	5,342	6,170
Vehicles	77,128	50,000	17,667	9,461	13,516
Computer equipment	19,411	-	17,036	2,375	2,631
Computer software	13,804	-	13,804	-	-
Website	5,863	-	5,863	-	-
Building under construction	1,264,542	1,264,542	-	-	-
	2,127,310	1,363,325	467,458	296,527	418,192

Prince Edward Island Humane Society

Notes to Financial Statements

(Unaudited)

March 31, 2023

5 Deferred contributions

	2023	2022
	\$	\$
Capital building fund	1,949,768	1,959,613
Restricted bequests	57,869	57,869
	<u>2,007,637</u>	<u>2,017,482</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.

6 Lease commitments

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

	\$
Year ending March 31, 2024	4,739
2025	4,739
2026	4,739
2027	4,739
2028	4,739

7 Subsequent events

In April 2023, construction began on a new stand-alone shelter. The construction costs are estimated to be \$6,400,000.