

Prince Edward Island Humane Society

Financial Statements

March 31, 2024

Member of The AC Group of Independent Accounting Firms

November 14, 2024

Independent Auditor's Report

To the Board of Directors of Prince Edward Island Humane Society

Qualified Opinion

We have audited the financial statements of Prince Edward Island Humane Society, which comprise the statement of financial position as at March 31, 2024, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Prince Edward Island Humane Society as at March 31, 2024, 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.

Basis of Qualified Opinion

In common with many not-for-profit organizations, Prince Edward Island Humane Society derives revenue from donations and special events, 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 Prince Edward Island Humane Society. Therefore, we were not able to determine whether any adjustments might be necessary to donations revenue, special events revenue, excess revenue (expenses) and cash flows from operations for the years ended March 31, 2024 and 2023, current assets as at March 31, 2024 and 2023, and net assets as at April 1 and March 31 for both the 2024 and 2023 years. Our review report conclusion for the year ended March 31, 2023 was modified accordingly because of the possible effects of this limitation in scope.

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

Other Matter

The financial statements for the year ended March 31, 2023 were performed under a review engagement and the review engagement report dated November 29, 2023 expressed a qualified conclusion for the same reasons described in the Basis of Qualified Opinion section.

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

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing 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 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.

Member of The AC Group of Independent Accounting Firms

Auditor's Responsibilities for the Audit of the Financial Statements

Our 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 auditor's report that includes our 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, we exercise professional judgment and maintain professional skepticism throughout the audit. We 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 our 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 we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's 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 presentation.

We 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 we identify during our audit.

Arsenault Best Cameron Ellis

Chartered Professional Accountants

Prince Edward Island Humane Society

Statement of Financial Position

As at March 31, 2024

	2024	2023
	\$	\$
Assets		
Current assets		
Cash	750,101	537,912
Restricted cash	167,379	2,017,718
Accounts receivable (note 3)	635,326	28,208
Inventory	15,028	14,501
Prepaid expenses	17,954	1,570
	<u>1,585,788</u>	<u>2,599,909</u>
Capital assets (note 4)	<u>4,006,469</u>	<u>1,618,666</u>
	<u>5,592,257</u>	<u>4,218,575</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	375,387	100,606
Government remittances payable	21,725	25,956
Deferred revenue (note 5)	26,250	-
	<u>423,362</u>	<u>126,562</u>
Deferred contributions (note 6)	722,793	2,007,637
Deferred capital contributions (note 7)	<u>3,720,868</u>	<u>1,322,139</u>
	<u>4,867,023</u>	<u>3,456,338</u>
Net Assets		
Unrestricted assets	349,377	386,380
Restricted assets - capital campaign	<u>375,857</u>	<u>375,857</u>
	<u>725,234</u>	<u>762,237</u>
	<u>5,592,257</u>	<u>4,218,575</u>

Approved by the Board of Directors

_____ Director

_____ Director

Prince Edward Island Humane Society

Statement of Changes in Net Assets

For the year ended March 31, 2024

			2024	2023
	Unrestricted \$	Restricted capital campaign \$	Total \$	Total \$
Balance - Beginning of year	386,380	375,857	762,237	630,559
Excess revenue (expenses) for the year	(37,003)	-	(37,003)	131,678
Balance - End of year	349,377	375,857	725,234	762,237

Prince Edward Island Humane Society

Statement of Operations

For the year ended March 31, 2024

	Budget (unaudited) 2024 \$	2024 \$	2023 \$
Revenue			
Donations and memoriams	389,150	283,464	391,241
Contract - Province of Prince Edward Island	281,434	278,934	214,261
Contract - Municipal	174,049	169,704	160,691
Other grants	100,000	156,854	237,100
Shelter receipts	186,000	191,500	151,536
Special events	50,000	25,428	31,379
Licenses and ID tags	5,000	7,207	6,191
Miscellaneous and memberships	11,700	44,254	24,463
Donations in kind	3,500	4,582	3,078
	1,200,833	1,161,927	1,219,940
Expenses			
Advertising	18,200	23,124	12,767
Animal care supplies	30,500	40,274	31,166
Bad debts	-	-	1,284
Electricity	12,000	17,272	13,234
Fundraising	3,050	16,227	17,295
Heat	12,000	8,187	13,888
Insurance	5,246	6,191	9,248
Interest and bank charges	15,000	13,155	12,240
Office	69,008	30,991	32,497
Professional fees	10,748	12,346	15,051
Property taxes	22,095	22,152	19,081
Shelter and kennels - maintenance	34,365	40,989	29,727
Staff training and travel	50,188	15,137	18,820
Telephone	11,049	10,726	10,827
Vehicle	36,371	26,840	32,368
Veterinary supplies and services	151,000	140,367	128,975
Wages and wage levies	875,408	927,539	819,138
Amortization	18,000	20,802	25,219
	1,374,228	1,372,319	1,242,825
Excess expenses over revenues from operations	(173,395)	(210,392)	(22,885)
Other income			
Government assistance	8,848	10,411	24,591
Bequests	120,000	102,826	58,226
Interest	45,000	52,434	61,289
Amortization of deferred capital contributions	-	7,718	10,457
	173,848	173,389	154,563
Excess revenue (expenses) for the year		453	(37,003)
131,678			

Prince Edward Island Humane Society

Statement of Cash Flows

For the year ended March 31, 2024

	2024	2023
	\$	\$
Cash provided by (used in)		
Operating activities		
Excess revenue (expenses) for the year	(37,003)	131,678
Items not affecting cash		
Amortization	20,802	25,219
Amortization of deferred capital contributions	(7,718)	(10,457)
	(23,919)	146,440
Net change in non-cash working capital items		
Decrease (increase) in accounts receivable	(607,118)	9,207
Increase in inventory	(527)	(704)
Decrease (increase) in prepaid expenses	(16,384)	244
Increase in accounts payable and accrued liabilities	274,781	20,006
Decrease in government remittances payable	(4,231)	(1,513)
Increase in deferred revenue	26,250	-
	(351,148)	173,680
Financing activity		
Deferred capital contributions	1,121,601	274,427
Investing activity		
Purchase of capital assets	(2,408,603)	(177,369)
Increase (decrease) in cash	(1,638,150)	270,738
Net cash - Beginning of year	2,555,630	2,284,892
Net cash - End of year	917,480	2,555,630
Net cash consists of		
Cash	750,101	537,912
Restricted cash	167,379	2,017,718
	917,480	2,555,630

Prince Edward Island Humane Society

Notes to Financial Statements

March 31, 2024

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%

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.

Prince Edward Island Humane Society

Notes to Financial Statements

March 31, 2024

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 \$7,345 (2023 - \$24,591) 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 represents 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.

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

March 31, 2024

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 (expenses). 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 (expenses).

(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

March 31, 2024

3 Accounts receivable

	2024	2023
	\$	\$
Trade receivable	13,097	3,036
HST receivable	57,698	25,172
Grants receivable	564,531	-
	<u>635,326</u>	<u>28,208</u>

4 Capital assets

			2024	2023
	Cost	Accumulated amortization	Net	Net
	\$	\$	\$	\$
Land	97,249	-	97,249	97,249
Building	496,101	293,235	202,866	211,319
Paving	22,840	17,584	5,256	5,713
Fencing	14,269	12,613	1,656	1,840
Equipment	116,103	111,829	4,274	5,342
Vehicles	77,128	55,927	21,201	30,286
Computer equipment	21,567	18,589	2,978	2,375
Computer software	13,804	13,804	-	-
Website	5,863	5,863	-	-
Building under construction	3,670,989	-	3,670,989	1,264,542
	<u>4,535,913</u>	<u>529,444</u>	<u>4,006,469</u>	<u>1,618,666</u>

5 Deferred revenue

	2024	2023
	\$	\$
Balance - beginning of year	-	-
Contribution received	35,000	-
Amounts recognized as revenue	(8,750)	-
	<u>26,250</u>	<u>-</u>

The Organization received a grant for \$35,000 to support activities related to preparing animals for adoption. The expenditures for this program are expected to be incurred evenly over the term of the grant.

Prince Edward Island Humane Society

Notes to Financial Statements

March 31, 2024

6 Deferred contributions

	2024	2023
	\$	\$
Capital building fund	664,924	1,949,768
Restricted bequests	57,869	57,869
	<hr/>	<hr/>
	722,793	2,007,637
	<hr/>	<hr/>

The Organization has received a number of grants, 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.

7 Deferred capital contributions

			2024	2023
	Cost	Accumulated	Net	Net
	\$	amortization	\$	\$
		\$		
Building	48,783	13,482	35,301	36,772
Vehicles	50,000	35,422	14,578	20,825
Building under construction	3,670,989	-	3,670,989	1,264,542
	<hr/>	<hr/>	<hr/>	<hr/>
	3,769,772	48,904	3,720,868	1,322,139
	<hr/>	<hr/>	<hr/>	<hr/>

During the year, \$200,000 (2023 - nil) was received in government contributions and \$1,840,257 (2023 - \$284,273) in previous government contributions received were transferred from deferred contributions to deferred capital contributions.

Prince Edward Island Humane Society

Notes to Financial Statements

March 31, 2024

8 Commitments

- a) The Organization entered into a contract for the construction of a building for \$5,073,266 plus HST. There were change orders to the contract during the 2024 fiscal year which resulted in a new contract price of \$5,205,507 plus HST. The value of work performed and products delivered at March 31, 2024 totaled \$2,297,047, leaving \$2,908,460 yet to be disbursed by the Organization.
- b) The Organization has entered into a lease agreement for the lease of a photocopier. The minimum lease payments due over the next four years are as follows:

	\$
Year ending March 31, 2025	4,739
2026	4,739
2027	4,739
2028	4,739
2029	1,185

9 Subsequent events

On June 17, 2024, the organization entered into a 7.20% fixed, \$2,000,000 term loan agreement with Finance PEI, due 5 years from the date of first disbursement. The loan is payable in interest only payments for the first 12 months after the first disbursement, and then payable in monthly installments of \$14,392 including principal and interest. As at March 31, 2024, no funds have been disbursed.

10 Comparative figures

Certain comparative figures presented for the 2023 fiscal year have been restated to conform with the financial statement presentation adopted in the current year.