

Financial Statements of

**CANADIAN FEDERATION OF
HUMANE SOCIETIES**

Year ended December 31, 2014



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the Canadian Federation of Humane Societies

We have audited the accompanying financial statements of the Canadian Federation of Humane Societies, which comprise the statement of financial position as at December 31, 2014, the statements of operations, changes in fund balances and cash flows for the year then ended, and notes, comprising 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.

Auditors' 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 our 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, we consider 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 audit opinion.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Canadian Federation of Humane Societies as at December 31, 2014, and its results of operations, changes in fund balances and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slanted style. Below the signature is a long, horizontal, slightly curved line that extends to the right.

Chartered Professional Accountants, Licensed Public Accountants

March 25, 2015

Ottawa, Canada

CANADIAN FEDERATION OF HUMANE SOCIETIES

Statement of Financial Position

December 31, 2014, with comparative information for 2013

				2014	2013
	Operating Fund	Frederic A. McGrand Trust Fund	Internally Restricted Reserve Fund	Total	Total
Assets					
Current assets:					
Cash	\$ 129,493	\$ 77,653	\$ 21,774	\$ 228,920	\$ 177,725
Accounts receivable	49,930	-	-	49,930	29,077
Inventories	5,933	-	-	5,933	-
Prepaid expenses	7,130	-	-	7,130	1,488
	192,486	77,653	21,774	291,913	208,290
Investments (note 2)	-	162,887	533,786	696,673	727,076
Tangible capital assets (note 3)	129,932	-	-	129,932	134,712
	\$ 322,418	\$ 240,540	\$ 555,560	\$ 1,118,518	\$ 1,070,078

Liabilities and Fund Balances

Current liabilities:					
Accounts payable and accrued liabilities (note 4)	\$ 25,575	\$ 6,105	\$ -	\$ 31,680	\$ 18,872
Deferred revenue	101,839	-	-	101,839	38,694
	127,414	6,105	-	133,519	57,566
Fund balances:					
Unrestricted	65,072	-	-	65,072	58,982
Internally restricted	-	-	555,560	555,560	551,518
Externally restricted	-	234,435	-	234,435	267,300
Investment in tangible capital assets	129,932	-	-	129,932	134,712
	195,004	234,435	555,560	984,999	1,012,512
	\$ 322,418	\$ 240,540	\$ 555,560	\$ 1,118,518	\$ 1,070,078

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

CANADIAN FEDERATION OF HUMANE SOCIETIES

Statement of Operations

Year ended December 31, 2014, with comparative information for 2013

				2014	2013
	Operating Fund	Frederic A. McGrand Trust Fund	Internally Restricted Reserve Fund	Total	Total
Revenue:					
Donations	\$ 279,308	\$ -	\$ -	\$ 279,308	\$ 241,156
Corporate sponsors	26,728	-	-	26,728	45,393
Memberships	54,694	-	-	54,694	39,003
Other revenue	5,401	-	-	5,401	17,792
Other foundations	39,556	-	-	39,556	41,488
Investment income realized	-	2,151	9,505	11,656	12,782
Investment gain/loss unrealized	-	8,089	34,537	42,626	45,203
Bequests	74,401	-	-	74,401	83,818
Other grants	43,105	-	-	43,105	7,983
National Animal Welfare Conference	139,764	-	-	139,764	-
Government grants	24,536	-	-	24,536	-
National Cat Festival	62,103	-	-	62,103	-
	749,596	10,240	44,042	803,878	534,618
Expenses (schedule):					
Fund development	181,708	-	-	181,708	158,278
Member services	25,383	-	-	25,383	33,421
National programs	309,181	-	-	309,181	133,301
Communications	82,019	-	-	82,019	68,434
Administrative	111,640	-	-	111,640	108,612
Other expenses	73,575	-	-	73,575	94,805
Grants	-	43,105	-	43,105	7,000
	783,506	43,105	-	826,611	603,851
Excess (deficiency) of revenue over expenses before the undernoted					
	(33,910)	(32,865)	44,042	(22,733)	(69,233)
Other income (expenses):					
Amortization of tangible capital assets	(4,780)	-	-	(4,780)	(5,771)
Excess (deficiency) of revenue over expenses					
	\$ (38,690)	\$ (32,865)	\$ 44,042	\$ (27,513)	\$ (75,004)

See accompanying notes to financial statements.

CANADIAN FEDERATION OF HUMANE SOCIETIES

Statement of Changes in Fund Balances

Year ended December 31, 2014, with comparative information for 2013

					2014	2013
	Investment in tangible capital assets	Frederic A. McGrand Trust Fund	Internally Restricted Reserve Fund	Operating Fund	Total	Total
Balance, beginning of year	\$ 134,712	\$ 267,300	\$ 551,518	\$ 58,982	\$ 1,012,512	\$ 1,087,516
Excess (deficiency) of revenue over expenses	-	(32,865)	44,042	(38,690)	(27,513)	(75,004)
Interfund transfers	-	-	(40,000)	40,000	-	-
Amortization of tangible capital assets	(4,780)	-	-	4,780	-	-
Balance, end of year	\$ 129,932	\$ 234,435	\$ 555,560	\$ 65,072	\$ 984,999	\$ 1,012,512

See accompanying notes to financial statements.

CANADIAN FEDERATION OF HUMANE SOCIETIES

Statement of Cash Flows

Year ended December 31, 2014, with comparative information for 2013

	2014	2013
Cash provided by (used in):		
Operations:		
Deficiency of revenue over expenses	\$ (27,513)	\$ (75,004)
Items not involving cash:		
Amortization of tangible capital assets	4,780	5,771
Unrealized investment gain	(42,626)	(45,203)
Change in non-cash operating working capital:		
Decrease (increase) in accounts receivable	(20,853)	37,188
Increase in inventories	(5,933)	-
Decrease (increase) in prepaid expenses	(5,642)	312
Increase (decrease) in accounts payable and accrued liabilities	12,808	(4,662)
Increase in deferred revenue	63,145	33,694
	(21,834)	(47,904)
Financing:		
Net withdrawals from investments	73,029	130,090
Increase in cash	51,195	82,186
Cash, beginning of year	177,725	95,539
Cash, end of year	\$ 228,920	\$ 177,725

See accompanying notes to financial statements.

CANADIAN FEDERATION OF HUMANE SOCIETIES

Notes to Financial Statements

Year ended December 31, 2014

The Canadian Federation of Humane Societies (the "Federation") is the national body comprising animal welfare organizations and individuals whose purpose is to promote humane treatment for animals. The Federation was incorporated without share capital under the Canada Business Corporations Act on August 7, 1957. Effective January 31, 2014, the Federation continued their articles of incorporation from the Canada Corporations Act to the Canada Not-for-profit Corporations Act. The Federation is a registered charity under paragraph 149(1)(f) of the Income Tax Act (Canada), and, accordingly, is exempt from income taxes provided certain requirements of the Income Tax Act are met.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook – Accounting and include the following significant accounting policies:

(a) Basis of presentation:

The Federation uses the restricted fund method of accounting for contributions for not-for-profit organizations.

(b) Fund accounting:

The operating fund reflects the operating activities of the Federation, including the Federation's investment in capital assets.

The Frederic A. McGrand trust fund represents assets turned over to the Federation in 1987 on the condition that income generated by the assets of the fund be directed to animal welfare societies in the Atlantic provinces of Canada.

The internally restricted reserve fund represents assets turned over to the Federation from the dissolution of the CFHS Foundation.

(c) Revenue recognition:

Contributions are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Because of the uncertainty of the collectability of pledges, the Federation recognizes pledges as donation revenue in the year received.

CANADIAN FEDERATION OF HUMANE SOCIETIES

Notes to Financial Statements (continued)

Year ended December 31, 2014

1. Significant accounting policies (continued):

(d) Expenses:

In the statement of operations, the Federation presents its expenses by function, with the exception of amortization of capital assets, which is presented separately. The Federation does not allocate expenses between functions subsequent to initial recognition.

(e) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Federation has elected to carry its investments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Federation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Federation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

CANADIAN FEDERATION OF HUMANE SOCIETIES

Notes to Financial Statements (continued)

Year ended December 31, 2014

1. Significant accounting policies (continued):

(f) Tangible capital assets:

Tangible capital assets are stated at cost. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Federation's ability to provide services, its carrying amount is written down to its residual value. Amortization is provided on the declining balance basis using the following annual rates:

Asset	Rate
Condominium office unit	2 1/2%
Furniture and equipment	20%
Computer hardware	55%

(g) Use of estimates:

The preparation of the financial statements 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 revenue and expenses during the year. Actual results could differ from those estimates. These estimates are reviewed annually and as adjustments become necessary, they are recognized in the financial statements in the period in which they become known.

2. Investments:

	2014	2013
Corporate bonds	\$ 250,943	\$ 146,420
Money market and mutual funds	232,378	283,138
Equities	213,352	191,282
Guaranteed investment certificates	-	106,236
	<u>\$ 696,673</u>	<u>\$ 727,076</u>

CANADIAN FEDERATION OF HUMANE SOCIETIES

Notes to Financial Statements (continued)

Year ended December 31, 2014

3. Tangible capital assets:

			2014	2013
	Cost	Accumulated amortization	Net book value	Net book value
Condominium office unit	\$ 173,607	\$ 48,241	\$ 125,366	\$ 128,580
Furniture and equipment	10,667	6,537	4,130	5,163
Computer hardware	2,968	2,532	436	969
	<u>\$ 187,242</u>	<u>\$ 57,310</u>	<u>\$ 129,932</u>	<u>\$ 134,712</u>

At December 31, 2013, the cost and accumulated amortization of tangible capital assets was \$187,242 and \$52,530 respectively.

4. Accounts payable and accrued liabilities:

As at year end, the Federation had \$Nil (2013 - \$Nil) payable for government remittances.

5. Fund balances:

Management's objective when managing its fund balances is to safeguard the Federation's ability to continue as a going concern so that it can continue to provide services in accordance with its mission.

The Federation is not subject to externally imposed capital requirements and its overall strategy with respect to net assets remains unchanged from the year ended December 31, 2013.

6. Financial risks:

(a) Liquidity risk:

Liquidity risk is the risk that the Federation will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Federation manages its liquidity risk by monitoring its operating requirements. The Federation prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

CANADIAN FEDERATION OF HUMANE SOCIETIES

Notes to Financial Statements (continued)

Year ended December 31, 2014

6. Financial risks (continued):

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Federation is exposed to credit risk with respect to the accounts receivable. The Federation assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. At year-end, there were no amounts allowed for in accounts receivable.

(c) Interest rate and currency risks:

The Federation believes it is not subject to significant interest rate or currency risk arising from its financial instruments, as this risk is limited to its investments in corporate bonds as disclosed in note 2.

There has been no change to the risk exposures from 2013.

CANADIAN FEDERATION OF HUMANE SOCIETIES

Schedule of Operating Fund Expenses

Year ended December 31, 2014, with comparative information for 2013

	2014	2013
Fund development:		
Direct mail	\$ 36,217	\$ 40,162
Personnel	86,328	98,305
Overhead	12,152	13,926
Direct mail audit	10,238	-
Acquisition	31,161	-
Bequest promotion	5,612	5,885
	\$ 181,708	\$ 158,278
Member services:		
Personnel	23,750	23,750
Travel	1,633	9,671
	\$ 25,383	\$ 33,421
Programs:		
National programs	\$ 184,952	\$ 40,302
Personnel	115,728	90,718
Travel	8,501	2,281
	\$ 309,181	\$ 133,301
Communications:		
Public engagement	\$ 4,623	\$ 4,633
Personnel	75,241	63,038
Web site	2,155	763
	\$ 82,019	\$ 68,434
Administrative:		
Office and general	\$ 10,680	\$ 11,356
Professional fees	52,346	43,784
Personnel	37,165	41,835
Other administration	11,449	11,637
	\$ 111,640	\$ 108,612
Other expenses:		
AGM and board meeting	\$ 4,078	\$ 6,991
Condominium expenses	27,405	25,669
Graphic Services (In-Kind)	2,860	2,145
In Kind Program Support	39,232	60,000
	\$ 73,575	\$ 94,805