

Financial Statements of

**CANADIAN FEDERATION OF
HUMANE SOCIETIES**

Year ended December 31, 2017



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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, 2017, 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, 2017, 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

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

March 28, 2018

CANADIAN FEDERATION OF HUMANE SOCIETIES

Statement of Financial Position

December 31, 2017, with comparative information for 2016

| | | | | 2017 | 2016 |
|----------------------------------|----------------|--------------------------------|------------------------------------|--------------|--------------|
| | Operating Fund | Frederic A. McGrand Trust Fund | Internally Restricted Reserve Fund | Total | Total |
| Assets | | | | | |
| Current assets: | | | | | |
| Cash | \$ 145,468 | \$ 69 | \$ 207 | \$ 145,744 | \$ 315,571 |
| Accounts receivable | 39,207 | - | - | 39,207 | 49,376 |
| Inventories | - | - | - | - | 1,658 |
| Prepaid expenses | 25,884 | - | - | 25,884 | 26,399 |
| | 210,559 | 69 | 207 | 210,835 | 393,004 |
| Investments (note 2) | - | 240,909 | 720,102 | 961,011 | 879,384 |
| Tangible capital assets (note 3) | 119,867 | - | - | 119,867 | 125,277 |
| | \$ 330,426 | \$ 240,978 | \$ 720,309 | \$ 1,291,713 | \$ 1,397,665 |

Liabilities and Fund Balances

| | | | | | |
|---|------------|------------|------------|--------------|--------------|
| Current liabilities: | | | | | |
| Accounts payable and accrued liabilities (note 4) | \$ 42,632 | \$ - | \$ - | \$ 42,632 | \$ 28,861 |
| Deferred revenue | 246,810 | - | - | 246,810 | 170,289 |
| | 289,442 | - | - | 289,442 | 199,150 |
| Fund balances: | | | | | |
| Unrestricted | 40,984 | - | - | 40,984 | 319,070 |
| Internally restricted | - | - | 720,309 | 720,309 | 640,570 |
| Externally restricted | - | 240,978 | - | 240,978 | 238,875 |
| | 40,984 | 240,978 | 720,309 | 1,002,271 | 1,198,515 |
| | \$ 330,426 | \$ 240,978 | \$ 720,309 | \$ 1,291,713 | \$ 1,397,665 |

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, 2017, with comparative information for 2016

| | | | | 2017 | 2016 |
|--|----------------|--------------------------------|------------------------------------|--------------|------------|
| | Operating Fund | Frederic A. McGrand Trust Fund | Internally Restricted Reserve Fund | Total | Total |
| Revenue: | | | | | |
| Donations | \$ 230,560 | \$ - | \$ - | \$ 230,560 | \$ 240,958 |
| Other foundations | 72,515 | - | - | 72,515 | 73,150 |
| Corporate sponsors | 33,918 | - | - | 33,918 | 62,184 |
| Government grants | 5,339 | - | - | 5,339 | 1,083 |
| Bequests | 42,100 | - | - | 42,100 | 395,956 |
| National Animal Welfare Conference | 239,573 | - | - | 239,573 | 180,763 |
| Other revenue | 51,672 | - | - | 51,672 | 54,897 |
| Violence link conference | 147,285 | - | - | 147,285 | - |
| Memberships | 57,611 | - | - | 57,611 | 51,184 |
| National Cat Festival | 68 | - | - | 68 | 40,266 |
| Investment income | - | 3,670 | 10,440 | 14,110 | 11,745 |
| Realized gain on investments | - | 20,356 | 54,506 | 74,862 | 84,834 |
| Unrealized loss on investments | - | (16,094) | (40,465) | (56,559) | (42,683) |
| | 880,641 | 7,932 | 24,481 | 913,054 | 1,154,337 |
| Expenses (schedule): | | | | | |
| National programs | 513,097 | 4,188 | - | 517,285 | 369,948 |
| Fund development | 198,912 | - | - | 198,912 | 175,014 |
| Administrative | 157,684 | 1,500 | - | 159,184 | 138,009 |
| Communications | 99,568 | - | - | 99,568 | 76,104 |
| Other expenses | 73,527 | - | - | 73,527 | 75,371 |
| Member services | 55,412 | - | - | 55,412 | 31,654 |
| | 1,098,200 | 5,688 | - | 1,103,888 | 866,100 |
| Excess (deficiency) of revenue over expenses before the undernoted | (217,559) | 2,244 | 24,481 | (190,834) | 288,237 |
| Other expense: | | | | | |
| Amortization of tangible capital assets | (5,410) | - | - | (5,410) | (5,336) |
| Excess (deficiency) of revenue over expenses | \$ (222,969) | \$ 2,244 | \$ 24,481 | \$ (196,244) | \$ 282,901 |

See accompanying notes to financial statements.

CANADIAN FEDERATION OF HUMANE SOCIETIES

Statement of Changes in Fund Balances

Year ended December 31, 2017, with comparative information for 2016

| | | | | | 2017 | 2016 |
|--|---|--------------------------------------|--|--------------------|---------------------|---------------------|
| | Investment in tangible capital assets | Frederic A. McGrand Trust Fund | Internally Restricted Reserve Fund | Operating Fund | Total | Total |
| Balance, beginning of year | \$ 125,277 | \$ 238,875 | \$ 640,570 | \$ 193,793 | \$ 1,198,515 | \$ 915,614 |
| Excess (deficiency) of revenue over expenses | - | 2,244 | 24,481 | (222,969) | (196,244) | 282,901 |
| Interfund transfers | - | (141) | 55,258 | (55,117) | - | - |
| Amortization of tangible capital assets | (5,410) | - | - | 5,410 | - | - |
| Balance, end of year | \$ 119,867 | \$ 240,978 | \$ 720,309 | \$ (78,883) | \$ 1,002,271 | \$ 1,198,515 |

See accompanying notes to financial statements.

CANADIAN FEDERATION OF HUMANE SOCIETIES

Statement of Cash Flows

Year ended December 31, 2017, with comparative information for 2016

| | 2017 | 2016 |
|--|--------------|------------|
| Cash provided by (used in): | | |
| Operations: | | |
| Excess (deficiency) of revenue over expenses | \$ (196,244) | \$ 282,901 |
| Items not involving cash: | | |
| Amortization of tangible capital assets | 5,410 | 5,336 |
| Unrealized investment loss | 56,559 | 42,683 |
| Change in non-cash operating working capital: | | |
| Decrease (increase) in accounts receivable | 10,169 | (3,466) |
| Decrease in inventories | 1,658 | 6,623 |
| Decrease (increase) in prepaid expenses | 515 | (17,356) |
| Increase in accounts payable and accrued liabilities | 13,771 | 6,230 |
| Increase in deferred revenue | 76,521 | 128,903 |
| | (31,641) | 451,854 |
| Investments: | | |
| Tangible capital asset additions | - | (4,266) |
| Financing: | | |
| Net change in investments | (138,186) | (243,765) |
| Increase (decrease) in cash | (169,827) | 203,823 |
| Cash, beginning of year | 315,571 | 111,748 |
| Cash, end of year | \$ 145,744 | \$ 315,571 |

See accompanying notes to financial statements.

CANADIAN FEDERATION OF HUMANE SOCIETIES

Notes to Financial Statements

Year ended December 31, 2017

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 with the desire that income generated by the assets of the fund be prioritized for animal welfare societies in Atlantic Canada.

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

(c) Revenue recognition:

Unrestricted 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.

Restricted contributions are deferred and recognized in the year in which the specified purpose occurs.

CANADIAN FEDERATION OF HUMANE SOCIETIES

Notes to Financial Statements (continued)

Year ended December 31, 2017

1. Significant accounting policies (continued):

(c) Revenue recognition (continued):

Revenue from fundraising is recorded when received.

Revenue from bequests is recognized as revenue when received.

Revenue from membership fees are recorded in the membership year to which they relate.

Revenue from conferences are recognized when earned.

Investment income is recognized as revenue when earned.

(d) Expenses:

In the statement of operations, the Federation presents its expenses by function, with the exception of amortization of tangible 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, 2017

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 tangible 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:

| | 2017 | 2016 |
|------------------------------------|------------|------------|
| Fixed income/bond pool funds | \$ 433,657 | \$ 223,749 |
| Money market and mutual funds | 163,440 | 109,917 |
| Common shares | 154,114 | 201,803 |
| Common share equity trust funds | 181,187 | 321,608 |
| Preferred shares equity trust fund | 28,613 | 22,307 |
| | \$ 961,011 | \$ 879,384 |

Fixed income securities consist of guaranteed investment certificates with interest rate ranges of 1.65 to 2.65% and maturity dates of between July 23, 2018 and November 2, 2020.

CANADIAN FEDERATION OF HUMANE SOCIETIES

Notes to Financial Statements (continued)

Year ended December 31, 2017

3. Tangible capital assets:

| | | | 2017 | 2016 |
|-------------------------|------------|--------------------------|----------------|----------------|
| | Cost | Accumulated amortization | Net book value | Net book value |
| Condominium office unit | \$ 173,607 | \$ 57,410 | \$ 116,197 | \$ 119,176 |
| Furniture and equipment | 10,667 | 8,553 | 2,114 | 2,643 |
| Computer hardware | 8,082 | 6,526 | 1,556 | 3,458 |
| | \$ 192,356 | \$ 72,489 | \$ 119,867 | \$ 125,277 |

At December 31, 2016, the cost and accumulated amortization of tangible capital assets was \$192,356 and \$67,079, respectively.

4. Accounts payable and accrued liabilities:

As at year end, the Federation had \$Nil (2016 - \$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, 2016.

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, 2017

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 2016.

7. Comparative information:

Certain 2016 comparative information has been reclassified to conform to the presentation of the 2017 financial statements.

CANADIAN FEDERATION OF HUMANE SOCIETIES

Schedule of Operating Fund Expenses

Year ended December 31, 2017, with comparative information for 2016

| | 2017 | 2016 |
|--------------------------|-------------------|-------------------|
| Fund development: | | |
| Acquisition | \$ 201 | \$ 1,412 |
| Bequest promotion | - | 2,490 |
| Direct mail | 41,037 | 36,878 |
| Overhead | 22,129 | 11,435 |
| Personnel | 135,545 | 122,799 |
| | \$ 198,912 | \$ 175,014 |
| Member services: | | |
| CEO summit | \$ 24,865 | \$ - |
| Personnel | 30,821 | 29,936 |
| Travel (recovery) | (274) | 1,718 |
| | \$ 55,412 | \$ 31,654 |
| Programs: | | |
| National programs | \$ 302,320 | \$ 216,751 |
| Personnel | 203,124 | 150,715 |
| Travel | 7,653 | 2,482 |
| | \$ 513,097 | \$ 369,948 |
| Communications: | | |
| Personnel | \$ 83,152 | \$ 60,969 |
| Public engagement | 7,883 | 7,780 |
| Web site | 8,533 | 7,355 |
| | \$ 99,568 | \$ 76,104 |
| Administrative: | | |
| Office and general | \$ 24,372 | \$ 21,281 |
| Other administration | 10,241 | 11,322 |
| Personnel | 100,335 | 84,855 |
| Professional fees | 22,736 | 20,551 |
| | \$ 157,684 | \$ 138,009 |
| Other expenses: | | |
| AGM and board meeting | \$ 7,773 | \$ 8,851 |
| Condominium expenses | 29,754 | 28,520 |
| In Kind Program Support | 36,000 | 38,000 |
| | \$ 73,527 | \$ 75,371 |