

COCHRANE AND AREA HUMANE SOCIETY

Financial Statements

Years Ended December 31, 2022 and 2021

INDEPENDENT AUDITOR'S REPORT

To the Members of Cochrane and Area Humane Society:

Qualified Opinion

We have audited the accompanying financial statements of Cochrane and Area Humane Society (the "Society"), which comprise the statement of financial position as at December 31, 2022, and the statements of operations and changes in fund balances and cash flow 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 matters 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 the Society as at December 31, 2022, and the results of its operations and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO")

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Society derives revenue from certain fundraising activities, cash sales from retail operations and contributions the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Society and we were not able to determine whether any adjustments might be necessary to contributions, excess of revenue over expenses, current assets, liabilities and fund balances. Our audit opinion on the financial statements for the year ended December 31, 2022 was modified accordingly because of the possible effects of this limitation of scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 the 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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

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 ASNPO, 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 the Society's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society's financial reporting process.

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 GAAS 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 GAAS, 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 the 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 the 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 the 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.



Cochrane, Alberta
March 20, 2023

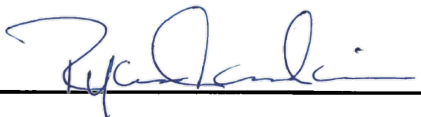
HBM Professional Corporation
Chartered Professional Accountants

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**COCHRANE AND AREA HUMANE SOCIETY
STATEMENTS OF FINANCIAL POSITION
As at December 31, 2022 and 2021**

	General Fund	Capital Fund	2022	2021
ASSETS				
CURRENT ASSETS				
Cash	\$ 726,711	\$ -	\$ 726,711	\$ 1,693,341
Short term investments	900,000	-	900,000	-
Accounts receivable	14,630	-	14,630	12,656
Inventory	8,126	-	8,126	7,066
Prepaid expenses	-	-	-	8,263
	<u>1,649,467</u>	<u>-</u>	<u>1,649,467</u>	<u>1,721,326</u>
CAPITAL ASSETS - Note 3	<u>-</u>	<u>1,742,607</u>	<u>1,742,607</u>	<u>1,782,458</u>
	<u><u>\$ 1,649,467</u></u>	<u><u>\$ 1,742,607</u></u>	<u><u>\$ 3,392,074</u></u>	<u><u>\$ 3,503,784</u></u>
LIABILITIES AND FUND BALANCES				
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	\$ 37,723	\$ -	\$ 37,723	\$ 35,458
Program loan	40,000	-	40,000	40,000
Deferred contributions - Note 5	18,560	729,057	747,617	782,701
	<u>96,283</u>	<u>729,057</u>	<u>825,340</u>	<u>858,159</u>
FUND BALANCES				
Invested in capital assets	-	1,013,550	1,013,550	1,006,727
Internally restricted - Note 6	30,000	-	30,000	30,000
Unrestricted	1,523,184	-	1,523,184	1,608,898
	<u>1,553,184</u>	<u>1,013,550</u>	<u>2,566,734</u>	<u>2,645,625</u>
	<u><u>\$ 1,649,467</u></u>	<u><u>\$ 1,742,607</u></u>	<u><u>\$ 3,392,074</u></u>	<u><u>\$ 3,503,784</u></u>

APPROVED ON BEHALF OF THE BOARD:

 Director

 Director

COCHRANE AND AREA HUMANE SOCIETY
STATEMENTS OF OPERATIONS AND CHANGES IN GENERAL FUND BALANCE
Years ended December 31, 2022 and 2021

	<u>Budget</u> <i>(unaudited)</i>	<u>2022</u>	<u>2021</u>
REVENUE			
Contributions	\$ 527,484	\$ 830,093	\$ 798,529
Programs	439,724	320,886	342,544
Adoptions	396,500	318,055	371,060
Fundraising	189,444	238,673	270,987
Retail	75,756	55,156	65,415
Grants	30,342	37,745	51,136
Interest and sundry	11,353	15,533	5,942
Government programs	-	-	90,871
	<u>1,670,603</u>	<u>1,816,141</u>	<u>1,996,484</u>
EXPENSES			
Salaries and benefits - Note 9	1,206,299	1,054,592	968,855
Donations in kind	90,000	191,218	164,469
Veterinary	135,625	142,307	145,270
Office and general	57,712	71,477	63,526
Programs	151,419	67,318	100,848
Telephone and utilities	45,704	64,275	50,570
Repairs and maintenance	42,614	46,891	38,968
Information technology	50,922	36,685	36,860
Fundraising	27,216	33,222	29,256
Retail	35,000	32,243	34,676
Professional fees	11,000	11,000	10,500
Advertising and promotion	8,818	9,349	18,975
Grants	2,500	1,500	12,500
	<u>1,864,829</u>	<u>1,762,077</u>	<u>1,675,273</u>
Excess (deficiency) of revenue over expenses	(194,226)	54,064	321,211
GENERAL FUND BALANCE			
Beginning of year	-	1,638,898	1,301,711
Inter-fund transfers	-	(139,778)	15,976
	<u>-</u>	<u>-</u>	<u>-</u>
End of year	<u><u>\$ -</u></u>	<u><u>\$ 1,553,184</u></u>	<u><u>\$ 1,638,898</u></u>

COCHRANE AND AREA HUMANE SOCIETY
STATEMENTS OF OPERATIONS AND CHANGES IN CAPITAL FUND BALANCE
Years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
REVENUE		
Amortization of deferred contributions	<u>\$ 70,637</u>	<u>\$ 60,538</u>
EXPENSES		
Amortization	<u>203,592</u>	<u>193,089</u>
Deficiency of revenue over expenses	(132,955)	(132,551)
CAPITAL FUND BALANCE		
Beginning of year	1,006,727	1,155,254
Inter-fund transfers	<u>139,778</u>	<u>(15,976)</u>
End of year	<u><u>\$ 1,013,550</u></u>	<u><u>\$ 1,006,727</u></u>

COCHRANE AND AREA HUMANE SOCIETY
STATEMENTS OF CASH FLOW
Years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOW PROVIDED BY (USED FOR):		
OPERATING ACTIVITIES		
Excess of revenue over expenses - general fund	\$ 54,064	\$ 321,211
Deficiency of revenue over expenses - capital fund	(132,955)	(132,551)
Items not affecting cash		
Amortization expense	203,592	193,089
Amortization of deferred contributions	(70,637)	(60,538)
Net changes in non-cash working capital balances		
Accounts receivable	(1,974)	59,187
Inventory	(1,060)	1,827
Prepaid expenses	8,263	(4,906)
Accounts payable and accrued liabilities	2,265	358
	<u>61,558</u>	<u>377,677</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(163,741)	(68,173)
Short term investments	(900,000)	-
	<u>(1,063,741)</u>	<u>(68,173)</u>
FINANCING ACTIVITIES		
Deferred contributions	<u>35,553</u>	<u>79,102</u>
 Change in cash	 (966,630)	 388,606
Cash, beginning of year	<u>1,693,341</u>	<u>1,304,735</u>
Cash, end of year	<u>\$ 726,711</u>	<u>\$ 1,693,341</u>

**COCHRANE AND AREA HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2022 and 2021**

1. ORGANIZATION

The Cochrane and Area Humane Society (the "Society") is a not-for-profit organization dedicated to promoting and preserving the well-being of animals. The Society is a registered charitable organization and under present legislation, is not subject to income tax.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared by management in accordance with Canadian Accounting Standards for Not-For-Profit Organizations. The most significant accounting policies are summarized below:

Fund accounting

The Society follows the deferral method of fund accounting for contributions.

The General Fund reports the assets, liabilities, revenue and expenses related to program delivery and administrative activities for the Society.

The Capital Fund reports the assets, liabilities, revenue and expenses related to the Society's capital assets.

Revenue recognition

Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Grants and restricted contributions are recognized as revenue in the appropriate fund in the period in which the related expenses are incurred. Grants and restricted contributions received which are unspent or requirements are not met, are recorded as deferred contributions.

Service revenues are recognized when the related service is provided.

Government program revenue is recognized in the fiscal period to which it is earned and approved.

Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand and cash on deposit, net of cheques issued and outstanding at reporting date. Cash is denominated in Canadian dollars and is held with the Society's financial institutions.

**COCHRANE AND AREA HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2022 and 2021**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Short term investments

Short term investments consist of three (2021 – Nil) Guaranteed Investment Certificates (“GIC’s”), which are denominated in Canadian dollars and are all held at the Society’s financial institutions. All three certificates are for \$300,000 each, bear interest rates from 1.25% to 1.65% and mature in March and September 2023. Subsequent to year end, two of the certificates were redeemed with the funds being transferred into new GIC’s bearing higher interest rates.

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined by the first-in, first-out method.

Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization is provided based on the estimated useful lives at the following rates and methods:

Building	20 years	straight line
Equipment	10 years	straight line
Automotive	8 years	straight line
Website	5 years	straight line
Computers	3 years	straight line

Financial instruments

The Society’s financial instruments are measured at fair value when issued or acquired. For financial instruments subsequently measured at cost or amortized cost, fair value is adjusted by the amount of the related financing fees and transaction costs. Transaction costs and financing fees relating to the financial instruments that are measured subsequently at fair value are recognized in operations in the year in which they are incurred.

For financial assets measured at amortized cost, the Society regularly assesses whether there are any indications of impairment. If there is an indication of impairment, and the Society determines that there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it recognizes an impairment loss in the statement of operations. Any reversals of previously recognized impairment losses are recognized in operations in the year the reversal occurs.

Contributed Goods and Services

Volunteers contribute their labour each year to assist the Society in delivering its services. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements. Contributed goods are recorded in the financial statements at fair market value.

COCHRANE AND AREA HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated shares

The Society accepts donations of equity shares and other marketable securities. The valuation of the donated security is determined at the market close on the day of receipt and the donor receives a tax receipt for this amount. Donated securities are liquidated as quickly as possible without causing undue disruption to the value of the security.

Use of estimates

The preparation of 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, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates include the potential impairment of assets, rates for amortization and allowance for doubtful accounts. Differences in actual results from prior estimates are taken into account at the time the differences are determined.

3. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value	
			2022	2021
Land	\$ 193,899	\$ -	\$ 193,899	\$ 193,899
Building	2,779,442	1,611,963	1,167,479	1,223,093
Equipment	767,062	417,389	349,673	335,076
Automotive	48,868	31,743	17,125	14,690
Website	8,650	865	7,785	-
Computers	66,453	59,807	6,646	15,700
	<u>\$ 3,864,374</u>	<u>\$ 2,121,767</u>	<u>\$ 1,742,607</u>	<u>\$ 1,782,458</u>

4. CREDIT FACILITY

The Society has a business MasterCard with a maximum limit of \$20,000 and bears interest at the bank's prime interest rate plus 15.45% per annum. The Society had an amount owing of \$695 (2021 - \$111) on this MasterCard as at December 31, 2022.

**COCHRANE AND AREA HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2022 and 2021**

5. DEFERRED CONTRIBUTIONS

Deferred contributions - Capital Fund - consists of restricted contributions received for the purchase of capital assets. These deferred contributions are recognized as revenue in the year in which the related expenditures are incurred and are recognized as revenue as amortization of deferred contributions. based on the same amortization rate of the related capital assets.

Deferred contributions - General Fund - consists of restricted contributions received for expenses incurred for program delivery and administrative activities. These deferred contributions are recognized as revenue in the year in which the related expenditures are incurred.

6. INTERNALLY RESTRICTED

This amount is internally restricted by the Board of Directors to be held for building and equipment expenditure purposes.

7. FINANCIAL INSTRUMENTS

The Society's financial instruments consist of cash and cash equivalents, short term investments, accounts receivable and accounts payable and accrued liabilities. It is management's opinion that the Society is not exposed to significant currency risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values.

Credit risk

The Society is exposed to credit risk to the extent that its donors may experience financial difficulty and would be unable to meet their obligations. However, the Society has a large number of diverse donors, which minimizes concentration of credit risk.

The Society is exposed to credit risk on accounts receivable from its customers. The Society mitigates credit risk through the regular review of its customer accounts receivable.

Interest rate risk

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates.

The Society is exposed to interest rate risk on its short-term investments given that if the interest rates were to decline, the Society may not be able to reinvest maturing investments at a similar rate to that was initially provided.

Liquidity risk

Liquidity risk is the risk that the Society will be unable to meet a demand for cash or fund its obligations as they come due.

The Society meets its liquidity requirements by preparing and monitoring detailed forecasts of cash flows from operations.

**COCHRANE AND AREA HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2022 and 2021**

8. MANAGEMENT OF CAPITAL

The Society defines its capital as the amounts included in its Fund balances.

The Society sets the amount of the Fund balances in proportion to risk, manages the Fund balance structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets.

The Society's objective when managing capital is to safeguard its ability to sustain itself as a going concern so that it can continue to provide the appropriate level of benefits and services to its beneficiaries and stakeholders.

Management and the Board of Directors carefully considers adoption fees, retail sales, program fees, fundraising campaigns and grants to ensure that sufficient funds will be available to meet the Society's short and long term objectives.

9. SALARIES AND BENEFITS

The Society incurs salaries and benefits to run its operations, veterinary hospital and administrative functions. Details of salaries and benefits for the current and prior year are as follows:

	<u>2022</u>		<u>2021</u>	
Operations	\$	783,948 74%	\$	678,306 70%
Administration		146,923 14%		175,430 18%
Veterinary hospital		<u>123,721 12%</u>		<u>115,119 12%</u>
	\$	<u>1,054,592 100%</u>	\$	<u>968,855 100%</u>

10. FUNDRAISING EXPENSES

As required by the Charitable Fundraising Act of Alberta, the Society reports that for the year ended December 31, 2022, \$53,010 (2021 - \$50,825) was paid as remuneration to employees primarily responsible for fundraising.

11. BUDGET INFORMATION

The budget information is provided for comparative purposes only. This information has not been reviewed, audited or otherwise examined.