

MONTREAL SPCA
Proudly Serving Animals Since 1869



ANNUAL REPORT

2016

GIVING A VOICE TO ANIMALS

Guided by the humane ethic, the Montreal SPCA's mission is to:

Protect animals from negligence,
abuse, and exploitation;

Represent their interests and ensure
their well-being;

Raise public awareness and help
develop compassion for all living
beings.

A WORD FROM THE DIRECTOR

The year 2016 was marked by the adoption of Montreal's breed-specific legislation (BSL) and the battle led by the Montreal SPCA and its allies to invalidate it.

On June 8, 2016, Ms. Christiane Vadnais passed away after being attacked by a dog in her backyard.

In the weeks following this tragic event, the Mayor of Montreal announced that the City would adopt a by-law targeting specific breeds in order to prohibit "pit bulls" on its territory. Despite the Montreal SPCA's efforts – and those of many groups and citizens – to promote a more effective measure, the by-law was adopted on September 26, 2016.

Yet, there is a broad consensus that BSL is expensive, unfair and ineffective in reducing the risks or severity of dog bites. The Montreal SPCA proposes an effective solution to ensure the population's safety: prevention measures, such as pet sterilization and awareness-raising for the public, owner responsibility and clear, fair procedures for defining dogs as "dangerous" on the basis of behaviour and expert opinion.

The adoption of BSL can have disastrous consequences for a shelter such as ours, namely the impossibility of finding new homes in Montreal for dogs targeted by the by-law, even if they are healthy and behaviourally-sound. Furthermore, the definition of targeted dogs is broad and subjective, making it impossible to determine which dogs are banned.

The day after the by-law was adopted, the Montreal SPCA immediately took measures, filing a lawsuit against the City. A judge of the Quebec Superior Court ruled in favour of the SPCA and ordered a stay (suspension) of the application of the sections targeting "pit bull type dogs" until a hearing could be held on the merits. The City appealed this decision and the stay was overturned, allowing the regulation to come into effect. Nonetheless, we remained determined to fight this unjust and ineffective regulation to the end, and we continue preparing for the next stages.

Although the battle against BSL has claimed many resources this year, our teams have continued their work, conducting hundreds of investigations, caring for over 16,000 animals, managing TNRM (trap, neuter, release and maintain) programs, sterilizing the companion animals of low-income families and educating the population with campaigns against horse-drawn carriages and fur.

I'm particularly proud of the work accomplished by our staff and volunteers in 2016 and I'm grateful for the great generosity of our donors, without whom none of this would be possible.

All these animals' lives were saved as the result of an extraordinary collective effort.



Élise Desaulniers

Executive Director of the Montreal SPCA

SPECIAL EVENTS IN 2016

BEASTS OF FASHION

The third edition of the annual *Beasts of Fashion* gala, which took place at the Paradoxe Theatre on November 10th, 2016, took a decidedly brilliant turn with the theme «Love under the stars». During this fundraising evening – where rhinestones and sequins shone brightly – guests had the chance to admire our canine models parading on stage with panache and to taste delicious vegan delights. This gala brought together over 550 people for a celebration of the beauty and spirit of animals and raised more than \$191,000.



© Marilou Photographie

SIA CONCERT

On October 23rd, 2016, the Montreal SPCA had the honor of being invited by singer Sia to her concert at the Bell Center. During this event, we were able to promote the importance of adoption in the company of several wonderful dogs, as well as inform the public about our campaign www.saferkindercommunities.com.

GRIFF

In collaboration with the *Canadian Federation of Humane Societies (CFHS)*, the Montreal SPCA presented the third edition of the *GRIFF, the Just for Cats Video Festival*, on Saturday, August 27th at Molson Park. The event was hosted by TV star and animal lover Karl Hardy. Montrealers got together for the screening of a compilation of the best cat videos during this festive feline day for families.

SNOUT & ABOUT

Despite the rain on June 12th, 2016, the sixth edition of the annual *AnimaPlus Snout & About* walk attracted hundreds of people and their dogs. The event raised \$56,625 to help the Montreal SPCA fight animal cruelty.

The following celebrities generously contributed their talent and influence in support of the Montreal SPCA and its mission to help animals.

PAMELA ANDERSON

actress and animal rights activist

MEAGAN DUHAMEL

athlete and Olympic medalist

KARL HARDY

TV host and blogger

JEAN LABOURDETTE

artist

GEORGES LARAQUE

former hockey player and TV host

SIA

singer and advocate for shelter animal adoption

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A big thank you to our sponsors and partners for their support during our events:

Centre Vétérinaire Laval,
Centre Vétérinaire Rive-Sud,
Clinique Dentaire Ho,
Global News Montréal,
Groupe vétérinaire AnimaPlus,
I Love Tyler Madison,
i24 Image.com,
Le Marché Du Store,
Mondou,
Old Montréal Dog Society,
PWL Capital,
Royal Canin,
Skedaddle.

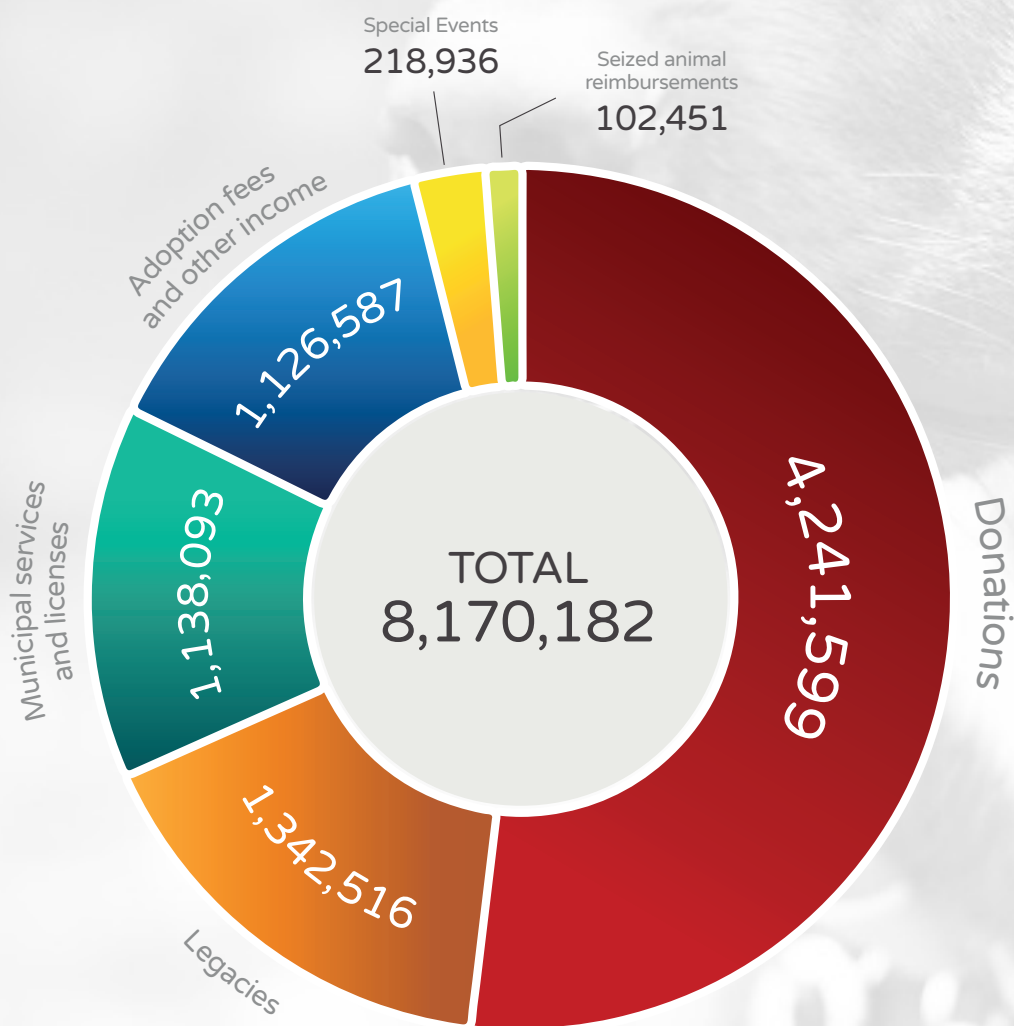
2016 REVENUES

The Montreal SPCA is extremely grateful to all the generous supporters who help us fulfill our mission. In 2016, **30,152** individual donors and **345** charitable organizations and companies lent a helping hand. Our monthly donation program “Paw Partner” continues to be a success, with **4,200** monthly donors.

30,152 individual donors

345 charitable organizations and companies

4,200 “Paw Partner” donors



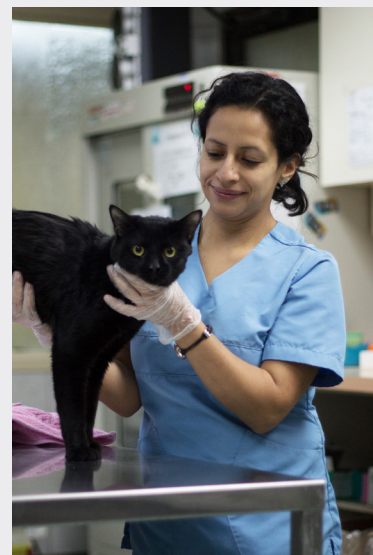
*To view our 2016 financial statements, visit the electronic version of the report available at www.sPCA.com.

ANIMAL CARE

In 2016, we treated and cared for over 16,000 animals, many of whom had been abused, neglected, lost or injured.

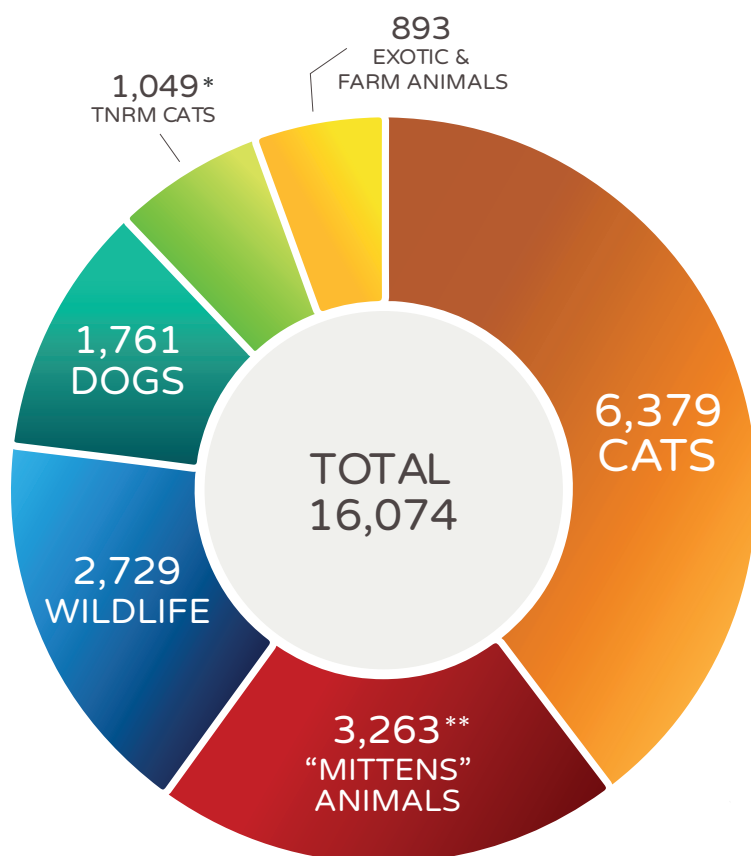
Founded in 1869, the Montreal SPCA was the first animal welfare society founded in Canada and is currently the largest animal-protection organization in Quebec, providing care to a wide variety of animals every year.

Our compassionate veterinarians and animal-health technicians play an essential role in the well-being of our animals. Their main objective is to offer high-quality medical and emergency care to our animals, including physical exams, basic vaccinations, deworming and sterilization services. We are available to receive animals 24 hours a day, seven days a week.



MITTENS

The *Mittens-Montreal SPCA Targeted Permanent Sterilization Clinic* (Gabrielle Carrière, chief veterinarian) has been providing accessible sterilization services for cats and dogs since 2015. Intended exclusively for a specific clientele of low-income pet owners, this clinic is a proactive initiative aimed at helping to counter Quebec's pet overpopulation problem.



TNRM

In 2010, we launched a sterilization program for feral cats called *TNRM* (*trap, neuter, release and maintain*) – to tackle feline overpopulation in Montreal in an effective and ethical way. Thanks to this program, **1,049 feral cats were sterilized in 2016.**

*Number of feral cats sterilized by our TNRM program

**Number of animals treated by our targeted sterilization program

INSPECTION

Inspectors are responsible for enforcing the provisions of the Criminal Code dealing with crimes against animals, as well as Quebec's provincial animal welfare legislation – namely the *Animal Welfare and Safety Act* and the *Regulation Respecting the Safety and Welfare of Cats and Dogs*. In 2016, the Montreal SPCA's Investigations and Inspections Department received over 10,000 complaints and reports, and inspected 18,213 animals, all species combined. A total of 194 animals were seized as a result of these investigations, and several criminal and penal charges were laid.

Over 10,000 complaints and reports

Inspected 18,213 animals

TWO CASES WITH A HAPPY ENDING



On January 14, 2016, the Montreal SPCA seized two dogs, eleven turkeys, two pheasants, and five partridges and removed a number of deceased animals from a property located in the Lanaudière region. An investigation by its inspection department revealed the deplorable conditions in which the animals were being kept and led to their seizure under the Criminal Code. The animals were safely removed from the

premises and received all the attention and veterinary care that they required during their stay at the SPCA. Since this time, all these animals have been placed in adoptive homes or sanctuaries. The offender was sentenced to pay \$1,500 in fines and is now prohibited from owning animals for a five-year period.



Following a complaint from *Mercy For Animals Canada (MFA)*, the Montreal SPCA opened an investigation into allegations of cruelty and neglect at a milk-fed veal farm located in Pont Rouge. MFA had filmed disturbing images that sent shock waves across the province. As a result of the SPCA's investigation, Éric Dame, a former employee of the facility, was found guilty

of subjecting the animals to abuse and mistreatment in 2016. He was sentenced to a \$4,000 fine and will be prohibited from possessing more than five animals at a time for a period of 15 years.

ANIMAL ADVOCACY



© Jo-Anne McArthur | Unbound Project

SAFER, KINDER COMMUNITIES

The Montreal SPCA has been very proactive in fighting Montreal's breed specific legislation. Not only has the organization proposed effective bite prevention and animal control solutions with its *Safer, Kinder Communities* campaign, the SPCA has also filed a lawsuit against the City of Montreal. With the success of its campaign – which has collected over 58,000 signatures – its legal proceedings and informational events explaining the effects of a breed ban to the public, the SPCA did not go unnoticed. The organization is extremely grateful for the support it has received, both locally and internationally. Visit www.SaferKinderCommunities.com for details.

MAKE FUR HISTORY

This year, the SPCA again encouraged the public to participate in its action-oriented *Make Fur History* campaign, which aims to raise awareness of the plight of animals in the commercial fur trade and to encourage consumers to shop cruelty-free when looking to purchase winter coats and accessories. Visit www.MakeFurHistory.com to learn more.

CUT THE CHAIN

The Montreal SPCA continued its *Cut the Chain* campaign, first launched in 2015 and aimed at banning the permanent chaining of dogs in Quebec. The sad reality is that a very large number of dogs in this province live out their entire lives permanently chained outdoors, essentially condemned to life in prison. And at the present time, this is completely legal. On the website www.CutTheChain.ca, citizens have been able to demand that the Quebec Government ban this cruel practice. Over 30,000 people have already participated by sending letters to the *Ministre de l'Agriculture, des Pêcheries et de l'Alimentation du Québec (MAPAQ)*. This campaign will continue until permanent chaining is banned.

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SAVED FROM THE END OF A CHAIN

Rocky is a charming pooch, born in a doghouse to a mother who was chained outdoors. He too spent the first two years of his life at the end of a chain. Fortunately, Rocky was rescued by a Montreal SPCA inspector. Having never experienced life free from a chain, he did not know how to jump into a car, or even how to play with toys. As soon as he arrived at the SPCA, our team gave him all the care and love he deserved. Soon after, a family came to adopt him and he got to know the joys of life in a home!

HOME FOR THE HOLIDAYS

To end 2016, the Montreal SPCA welcomed over 30 dogs rescued from slaughter at the Yulin dog meat festival in China by the *Humane Society International (HSI)/Canada*. Since this time, these dogs have been placed in loving homes where they have the chance to live happily and in good health.

THE MONTREAL SPCA ONLINE



Compassion blog

The Montreal SPCA introduced its new *Compassion* blog, which is a gold mine of information about animals and the different ways to protect them on a daily basis. Readers discover tasty recipes, learn about brands that care about animal welfare, and get tips for caring for animals of various species.

Social media @spcamontreal

Every year, the Montreal SPCA gets thousands of new social media followers. In 2016, nearly 30,000 people joined the SPCA's *Facebook* community. The organization continues to be active on *Twitter* to promote campaigns related to animal advocacy.

This year, the SPCA also increased its presence on social media by launching an *Instagram* page, which highlights daily life behind-the-scenes at the shelter.



Follow the Montreal SPCA
@SPCAMontreal | blog.sPCA.com

VOLUNTEERS

Back in 1869, a group of prominent volunteer citizens got together and founded the Montreal SPCA. Ever since this time, enthusiastic animal lovers have been enriching the organization with their compassion and dedication. The SPCA is fortunate to be able to count on 350 volunteers who assist the shelter seven days a week throughout the year.

We also wish to thank our 2016 Board of Directors for their wonderful support and guidance:

Wendy Adams | Jayne Arden
Don Belic | Isabelle Brodeur
Leonard Freedman | Dr. Kim Langlois
Pierre Lessard | Antonietta Melchiorre
Lucy Modesti | Rick Sala

A HIGHLIGHT FOR HOME CHEFS

The Montreal SPCA's recipe book

Designed with love by SPCA volunteers, the *Kind Foods** cookbook, launched in 2016, features dozens of easy-to-make and delicious vegan dishes like hummus, pizza, burgers and desserts to share with family and friends. In addition to funding the work of the Montreal SPCA, this book is an invitation to take part in the growing community of people who care about their health, the environment and animals.

**Following the success of Kind Foods, the Montreal SPCA released Saveurs Véganes (available in bookstores for \$24.95, in French only).*

MONTREAL SPCA

FINANCIAL STATEMENTS

2016



**THE CANADIAN SOCIETY FOR THE PREVENTION OF
CRUELTY TO ANIMALS
(Serving the Province of Quebec)**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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REVIEW ENGAGEMENT REPORT

To the Members of
THE CANADIAN SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
(Serving the Province of Quebec)

We have reviewed the balance sheet of **THE CANADIAN SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS (Serving the Province of Quebec)** as at **December 31, 2016** and the statements of income, changes in net assets and cash flows for the year then ended. Our review was made in accordance with the Canadian generally accepted standards for review engagements and, accordingly, consisted primarily of inquiry, analytical procedures and discussion related to information supplied to us by the Society.

A review does not constitute an audit and, consequently, we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with Canadian accounting standards for not-for-profit organizations.

¹

Chartered professional accountants Society

Boucherville
June 16, 2017

¹ CPA auditor, CA, public accountancy permit no A128351

THE CANADIAN SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
(Serving the Province of Quebec)

INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	2015
	\$	\$
REVENUE		
Donations, legacies and other contributions	2 796 329	2 770 083
Operations income	2 659 624	2 401 128
Investments income	1 360	1 905
Gains (losses) on disposal of investments	-	(6 729)
Net change in fair value of quoted investments	3 774	2 406
Fundraising campaigns	1 918 994	2 198 402
Phone fundraising	790 101	699 001
	<u>8 170 182</u>	<u>8 066 196</u>
EXPENSES		
Salaries and fringe benefits	3 954 774	3 912 286
Operating expenses	1 157 615	1 177 751
Publications, promotion and special events expenses	359 383	275 250
Fundraising campaigns costs	876 872	1 314 395
Phone fundraising costs	326 094	351 316
Professional fees	164 326	175 368
Communications	101 283	92 604
Interest and bank charges	138 438	123 482
Interest on obligation under capital lease	866	1 364
Interest on short-term debt	-	6 503
Interest on long-term debt	112 870	117 334
Amortization of capital assets	101 790	107 731
Amortization of deferred financing costs	5 486	5 486
Losses on disposal of capital assets	1 410	-
	<u>7 301 207</u>	<u>7 660 870</u>
EXCESS OF REVENUE OVER EXPENSES	<u>868 975</u>	<u>405 326</u>

See accompanying notes and additional information to financial statements.

Unaudited

THE CANADIAN SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
(Serving the Province of Quebec)

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016 \$	2015 \$
BALANCE AT BEGINNING	2 720 068	2 314 742
Excess of revenue over expenses	<u>868 975</u>	<u>405 326</u>
BALANCE AT THE END	<u><u>3 589 043</u></u>	<u><u>2 720 068</u></u>

See accompanying notes to financial statements.

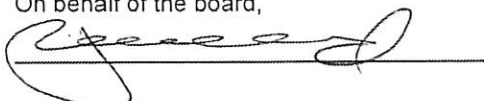
Unaudited

THE CANADIAN SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
(Serving the Province of Quebec)

BALANCE SHEET
AS AT DECEMBER 31, 2016

	2016 \$	2015 \$
ASSETS		
Current assets		
Cash	1 089 455	639 673
Accounts receivable and sales taxes receivable	323 850	519 936
Legacies receivable	1 679 500	1 152 500
Inventories	20 864	15 331
Prepaid expenses	53 926	84 272
	<u>3 167 595</u>	<u>2 411 712</u>
Investments	52 397	35 395
Security deposit	12 895	12 895
Land held for resale	12 000	12 000
Capital assets (note 3)	2 761 935	2 838 342
Restricted investments (note 4)	715 910	660 818
	<u>6 722 732</u>	<u>5 971 162</u>
LIABILITIES		
Current liabilities		
Accounts payable (note 6)	741 685	766 247
Current portion of obligation under capital lease (note 8)	5 970	5 422
Current portion of long-term debt (note 9)	198 000	198 000
	<u>945 655</u>	<u>969 669</u>
Deferred contributions (note 4)	715 910	660 818
Deferred contributions related to capital assets (note 7)	12 000	12 000
Obligation under capital lease (note 8)	-	5 969
Long-term debt (note 9)	1 460 124	1 602 638
	<u>3 133 689</u>	<u>3 251 094</u>
NET ASSETS	<u>3 589 043</u>	<u>2 720 068</u>
	<u>6 722 732</u>	<u>5 971 162</u>

On behalf of the board,

 director

Unaudited

THE CANADIAN SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
(Serving the Province of Quebec)

CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016 \$	2015 \$
OPERATING ACTIVITIES		
Excess of revenue over expenses	868 975	405 326
Items not affecting cash :		
Losses on disposal of investments	-	6 729
Net change in fair value of quoted investments	(3 774)	(2 406)
Losses on disposal of capital assets	1 410	-
Amortization of capital assets	101 790	107 731
Amortization of deferred financing costs	5 486	5 486
	<u>973 887</u>	<u>522 866</u>
Net change in non-cash items related to operating activities (note 13)	<u>(330 663)</u>	<u>(631 712)</u>
	<u>643 224</u>	<u>(108 846)</u>
INVESTING ACTIVITIES		
Addition to capital assets	(29 523)	(168 029)
Acquisition of investments from donations	(13 228)	(24 142)
Proceeds from disposal of capital assets	2 730	1 000
Proceeds on disposal of investments	-	146 000
	<u>(40 021)</u>	<u>(45 171)</u>
FINANCING ACTIVITIES		
Increase (decrease) in bank loan	-	(120 000)
Long-term debt	50 000	275 000
Repayment of long-term debt	(198 000)	(194 500)
Repayment of obligation under capital lease	(5 421)	(4 924)
	<u>(153 421)</u>	<u>(44 424)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	449 782	(198 441)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	639 673	838 114
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>1 089 455</u>	<u>639 673</u>

See accompanying notes to financial statements.

Unaudited

THE CANADIAN SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
(Serving the Province of Quebec)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

1. STATUTES OF INCORPORATION AND PURPOSES OF THE ORGANIZATION

The Society was incorporated April 5, 1869 under the 32 *Victoria Law*, Chapter 81, which was amended on June 6, 1962 by the 10-11 *Elizabeth*, Chapter 97. The Society is engaged in the prevention of cruelty to animals. The Society is a not-for-profit organization exempt from income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

Revenue recognition

The Society follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when they are received.

Revenue from fundraising campaigns and phone fundraising are recorded in the period in which the campaigns were carried out as much as the amount is fixed and collection is reasonably assured.

Legacies received are included in revenue since they are directly used in the operations of the Society. Legacies are recorded at estimated realizable value when persuasive evidence of an arrangement exists as to the fact that assets will be transferred to the Society, the amount is fixed and collection is reasonably assured.

The Society recognizes the other types of revenues when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the price to the buyer is fixed or determinable and collection is reasonably assured.

Investment income

Investment transactions are recorded on the trade date and the resulting revenues are recognized in the year it is earned.

Gains or losses on the disposal of investments are calculated using the average cost method.

Interest income is recorded in the period in which it is earned. Dividends are recorded when declared by the issuing companies.

Unaudited

THE CANADIAN SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
(Serving the Province of Quebec)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed services

Volunteers contribute an important number of hours to assist the Society in carrying out its services. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

A company that produces pet food supplies the Society for free. The fair value of the contributions received in supplies is \$54,234 (\$28,435 in 2015), for which a tax receipt was issued. Another company which sells different kind of animals products supplies the Society with free cat litter. The fair value of the contributions received in supplies is \$9,786 (\$8,390 in 2015), for which a tax receipt was issued. However, these contributions are not recognized in the financial statements.

Inventories

Inventories are measured at the lower of cost and net realizable value. The cost is determined using the first-in, first-out method.

Land held for resale

Land held for resale is valued at the lower of cost and net realizable value.

Capital assets

Capital assets are recorded at cost. Contributed capital assets are recorded at fair market value at the date of contribution.

Amortization of capital assets is based on their estimated useful life using the following methods, periods and annual rates:

Building	Declining balance	5%
Furniture and equipment	Declining balance	20%
Vehicles	Declining balance	30%
Leasehold improvements	Declining balance	50%
Phone system leased under a capital lease	Declining balance	20%

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THE CANADIAN SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
(Serving the Province of Quebec)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of long-lived assets

Long-lived 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 their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

Cash and cash equivalents

The Society's policy is to present bank balances and term deposits with a maturity period of three months or less from the date of acquisition under cash and cash equivalents.

As at December 31, 2016 and 2015, the company's cash and cash equivalents consists only of cash.

Financial instruments

Measurement of financial instruments

The Society initially measures its financial assets and financial liabilities at fair value. It subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured subsequently at amortized cost consist of cash, accounts receivable, sales taxes receivable, legacies receivable and security deposits.

Financial assets measured subsequently at fair value consist of investments and restricted investments.

Financial liabilities subsequently measured at amortized cost consist of accounts payable, obligation under capital lease and long-term debt.

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THE CANADIAN SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
(Serving the Province of Quebec)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down, if any, is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no 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 net income.

Transaction costs

The Society recognizes its transaction costs in net income in the period incurred. However, the carrying amount of the financial instruments that will not be subsequently measured at fair value is reflected in the transaction costs that are directly attributable to their origination, issuance or assumption.

Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses for the periods covered. Actual results could differ from these estimates. The major estimates relate to the useful life of capital assets and to the determination of legacies receivable. These estimates are reviewed periodically and adjustments are made as necessary to net income in the period in which they become known.

Unaudited

THE CANADIAN SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
(Serving the Province of Quebec)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

3. CAPITAL ASSETS

			2016	2015
			\$	\$
	Cost	Accumulated amortization	Net value	Net value Restated
Land	1 510 000	-	1 510 000	1 510 000
Building	1 428 611	334 460	1 094 151	1 136 324
Furniture and equipments	891 524	747 594	143 930	166 134
Vehicles	-	-	-	3 287
Leasehold improvements	14 077	14 077	-	5 279
Phone system leased under a capital lease	21 119	7 265	13 854	17 318
	<u>3 865 331</u>	<u>1 103 396</u>	<u>2 761 935</u>	<u>2 838 342</u>

4. RESTRICTED INVESTMENTS AND DEFERRED CONTRIBUTIONS

	2016	2015
	\$	\$
Balance, beginning of the year	660 818	734 771
Change in fair value of restricted investments	<u>55 092</u>	<u>(73 953)</u>
Balance, end of the year	<u>715 910</u>	<u>660 818</u>

In 1991, the Society received a legacy that is not possible to use before 99 years. Throughout this period, the legacy will be invested in an active market by a broker. The Society accounts for these restricted investments at fair value and the consideration as a deferred contribution.

The revenue, net from management fees and income taxes, generated by these restricted investments is paid quarterly to the Society and recognized in the legacies revenue. In 2016, legacies revenue from this legacy were \$13,500 (\$17,500 in 2015).

In 2090, these investments will have no restriction and the deferred contribution will be recognized in the legacies revenue of that year.

Unaudited

THE CANADIAN SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
(Serving the Province of Quebec)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

5. BANK LOAN

The Society has a \$250,000 line of credit which bears interest at the financial institution's prime rate plus 3%. However, the available balance is limited to 75% of eligible Canadian accounts receivable less the amount of priority liabilities to this line of credit, including also withholdings and sales taxes payable.

6. ACCOUNTS PAYABLE

	2016	2015
	\$	\$
Suppliers and accrued liabilities	376 097	465 787
Salaries and vacations	260 985	233 764
Withholdings	26 987	16 111
Other	77 616	50 585
	<u>741 685</u>	<u>766 247</u>

7. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

Deferred contribution related to capital assets represent contributed capital asset (land). There were no changes in the deferred contribution balance for the year.

	2016	2015
	\$	\$
Contribution received		
Land	<u>12 000</u>	<u>12 000</u>

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8. OBLIGATION UNDER CAPITAL LEASE	2016	2015
	\$	\$
Phone system lease bearing interest at 9,67%, maturing in December 2017	5 970	11 391
Current portion	<u>5 970</u>	<u>5 422</u>
	<u>-</u>	<u>5 969</u>

Minimum lease payments required in the next five years under capital lease are as follows:

	\$
2017	6 287
Interest included in minimum payments	<u>317</u>
	<u><u>5 970</u></u>

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9. LONG-TERM DEBT	2016	2015
	\$	\$
Term loan of \$780,000 bearing interest at 5.50% fixed rate, repayable over 10 years in monthly instalments of \$6,500 plus interests, renewable in December 2018, secured by a first rank movable hypothec (pari passu) of \$780,000 on the building of the Society and a first rank movable hypothec (pari passu) of \$780,000 on the universality of the company's assets.	539 500	617 500
Term loan of \$780,000 bearing interest at 5.50% fixed rate, repayable over 10 years in monthly instalments of \$6,500 plus interests, renewable in December 2018, secured by a first rank movable hypothec (pari passu) of \$780,000 on the building of the Society and a first rank movable hypothec (pari passu) of \$780,000 on the universality of the company's assets.	539 500	617 500
Term loan of an authorized amount of \$487,000, bearing interest at 7.37% fixed rate, repayable in full on November 1st 2028, secured by a second rank movable hypothec of \$237,000 on the building of the Society.	375 000	375 000
Term loan of \$275,000 bearing interest at 6.50% fixed rate, repayable in monthly instalments of \$3,500 plus interests, renewable in February 2018, secured by a second rank movable hypothec (pari passu) of \$420,000 on the building of the Society and a second rank movable hypothec (pari passu) of \$420,000 on the universality of the company's assets.	244 500	236 500
Deferred financing costs (A)	(40 376)	(45 862)
	1 658 124	1 800 638
Current portion of long-term debt	198 000	198 000
	<u>1 460 124</u>	<u>1 602 638</u>

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9. LONG-TERM DEBT (continued)

(A) Financing fees for long-term debts were \$57,292 and are amortized using the straight-line method over the term of the debts.

Assuming renewals under the same repayment terms, the estimated principal payments to be made over the next five years are as follows :

	\$
2017	198 000
2018	198 000
2019	198 000
2020	198 000
2021	198 000
	<u>990 000</u>

10. COMMITMENTS

Commitments related to commercial leases for the next years totalling \$293,686 are as follows:

	\$
2017	116 114
2018	116 114
2019	31 630
2020	22 055
2021	7 773
	<u>293 686</u>

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11. RELATED PARTY TRANSACTIONS

During the year, the Society obtained professional services from a law firm of which one of the partners is an administrator of the Society. The services received during the year represent \$90,203 (\$87,935 in 2015), of which \$25,738 (\$13,433 in 2015) are included in the suppliers and accrued liabilities.

The Society also obtained professional services from a branding and communications firm whose the shareholder is an administrator of the Society. The services received during the year represent \$28,329 (\$28,954 in 2015).

The Society also obtained information technology services and marketing services from two companies owned by administrators's family members. The services received during the year represent respectively \$21,427 (\$10,101 in 2015) and \$3,564 (\$20,351 in 2015).

Last year, the Society had transactions with the SPCA Foundation regarding management fees of \$30,000 (none in 2016) recorded as a reduction of the salaries and fringe benefits and also professional fees of \$51,600 (none in 2016) paid on its behalf. The total of these amounts was included in accounts receivable as at December 31, 2015. (none at December 31, 2016).

The Society also received \$112,200 in donations from the SPCA Foundation (none in 2015).

These operations were concluded in the normal course of business and are measured at the exchange value, which is the consideration agreed to by related parties.

12. FINANCIAL INSTRUMENTS

Risks and concentrations

The Society is mainly exposed to various risks through its financial instruments. The following analysis provides a measure of the Society's risk exposure at the reporting date, i.e. December 31, 2016.

Credit risk

The Society provides credit to its clients in the normal course of business. Customers to whom credit are provided are the boroughs of Montreal, the City of Montreal or ministries. The Society has no bad debts for the year ended December 31, 2016 (none in 2015). As at December 31, 2016, 29% of accounts receivable were from two clients (58% from four clients in 2015).

For the legacies receivable, the Society evaluates, on an ongoing basis, the estimated net realizable value based on the amounts that are almost certain to be received.

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12. FINANCIAL INSTRUMENTS (continued)

Risks and concentrations (continued)

Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities. The Society is exposed to this risk mainly in respect of its long-term debt, obligation under capital lease, accounts payable and bank loan.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Society is mainly subjected to interest rate risk and other price risk.

Interest rate risk

The Society is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed-rate instruments subject the Society to a fair value risk while the floating-rate instruments subject it to a cash flow risk.

Other price risk

Other price risk associated with investments in shares given by donors is the risk their fair value will fluctuate because of changes in market prices. This risk is minimized, the total amount held in such assets is low.

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13. CASH FLOWS

	2016	2015
	\$	\$
Net change in non-cash items related to operating activities		
Accounts receivable and sales taxes receivable	196 086	23 985
Legacies receivable	(527 000)	(600 500)
Inventories	(5 533)	(6 988)
Prepaid expenses	30 346	(76 030)
Accounts payable and accrued liabilities	(24 562)	27 821
	<u>(330 663)</u>	<u>(631 712)</u>

14. COMPARATIVE FIGURES RECLASSIFICATION

Some figures for the previous fiscal year have been reclassified in order to be consistent with the presentation adopted for the financial period ended December 31, 2016.

Unaudited