The Canadian Society for the Prevention of Cruelty to Animals (Serving the Province of Quebec)

Financial Statements
December 31, 2021

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Raymond Chabot Grant Thornton

Independent Auditor's Report

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To the Directors of
The Canadian Society for the Prevention
of Cruelty to Animals
(Serving the Province of Quebec)

Opinion

We have audited the financial statements of The Canadian Society for the Prevention of Cruelty to Animals (Serving the Province of Quebec) (hereafter "the Organization"), which comprise the statement of financial position as at December 31, 2021, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization'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 generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization’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 Organization’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 Organization 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.

Raymond Chabot Grant Thornton LLP[1]

Montréal
March 28, 2022

[1] CPA auditor, CA public accountancy permit no. A117472

The Canadian Society for the Prevention of Cruelty to Animals (Serving the Province of Quebec)
Operations
Year ended December 31, 2021

	2021	2020
	$	$
Revenues		
Contributions		
Donations and other contributions (Note 4)	**3,385,279**	3,041,135
Fundraising campaigns (Note 4)	**1,052,072**	1,182,664
Legacies	**2,201,282**	656,875
Revenue from operations	**2,761,022**	2,792,577
Unrestricted net investment income	**60,197**	23,961
	9,459,852	7,697,212
Expenses		
Salaries and employee benefits	**5,627,728**	4,673,402
Operating expenses	**1,525,181**	1,193,738
Publications, promotions and special event expenses	**158,025**	146,054
Fundraising campaign costs and legacy fees	**704,354**	622,907
Professional fees	**128,731**	98,564
Interest and bank charges	**118,949**	105,242
Interest on long-term debt	**22,962**	32,316
Amortization of tangible capital assets	**136,447**	119,950
Amortization of transaction costs related to long-term debt	**5,486**	5,486
	8,427,863	6,997,659
Excess of revenues over expenses	**1,031,989**	699,553

The accompanying notes are an integral part of the financial statements.

The Canadian Society for the Prevention of Cruelty to Animals
(Serving the Province of Quebec)
Changes in Net Assets
Year ended December 31, 2021

	2021	2020
	$	$
Balance, beginning of year	**6,839,907**	6,140,354
Excess of revenues over expenses	**1,031,989**	699,553
Balance, end of year	**7,871,896**	6,839,907

The accompanying notes are an integral part of the financial statements.

The Canadian Society for the Prevention of Cruelty to Animals
(Serving the Province of Quebec)
Cash Flows
Year ended December 31, 2021

	2021	2020
	$	$
OPERATING ACTIVITIES		
Excess of revenues over expenses	**1,031,989**	699,553
Non-cash items		
Net change in fair value of investments	**(47,401)**	(7,529)
Donations in shares	**(110,341)**	
Gain on disposal of land held for resale	**(140,000)**	
Amortization of tangible capital assets	**136,447**	119,950
Amortization of transaction costs relating to long-term debt	**5,486**	5,486
Amortization of deferred contribution related to tangible capital assets	**(1,392)**	(1,393)
	874,788	816,067
Net change in working capital items (Note 5)	**324,380**	651,549
Cash flows from operating activities	**1,199,168**	1,467,616
INVESTING ACTIVITIES		
Acquisition of tangible capital assets	**(70,003)**	(310,963)
Disposal of land held for resale	**140,000**	
Acquisition of investments	**(1,000,071)**	
Cash flows from investing activities	**(930,074)**	(310,963)
FINANCING ACTIVITIES		
Repayment of long-term debt and cash flows from financing activities	**(198,000)**	(168,000)
Net increase in cash	**71,094**	988,653
Cash, beginning of year	**3,958,326**	2,969,673
Cash, end of year	**4,029,420**	3,958,326

The accompanying notes are an integral part of the financial statements.

The Canadian Society for the Prevention of Cruelty to Animals
(Serving the Province of Quebec)
Financial Position
December 31, 2021

	2021	2020
	$	$
ASSETS		
Current		
Cash	**4,029,420**	3,958,326
Trade, legacies and other receivables (Note 6)	**507,799**	610,383
Inventories	**57,679**	72,102
Prepaid expenses	**69,019**	68,883
Land held for resale		12,000
	4,663,917	4,721,694
Long-term		
Tangible capital assets (Note 7)	**3,175,540**	3,241,984
Investments	**1,265,218**	107,405
Restricted investments (Note 8)	**937,321**	922,435
	10,041,996	8,993,518
LIABILITIES		
Current		
Trade payables and other operating liabilities (Note 10)	**858,494**	650,985
Deferred contribution related to land held for resale		12,000
Current portion of long-term debt	**198,000**	198,000
	1,056,494	860,985
Long-term		
Long-term debt (Note 11)	**152,554**	345,068
Deferred contributions related to restricted investments (Note 8)	**937,321**	922,435
Deferred contribution related to tangible capital assets (Note 12)	**23,731**	25,123
	2,170,100	2,153,611
NET ASSETS		
Unrestricted	**7,871,896**	6,839,907
	10,041,996	8,993,518

The accompanying notes are an integral part of the financial statements.

On behalf of the Board,

Director

Director

The Canadian Organization for the Prevention of Cruelty to Animals
(Serving the Province of Quebec)
Notes to Financial Statements
December 31, 2021

1 - GOVERNING STATUTES AND PURPOSE OF THE ORGANIZATION

The Organization was incorporated on April 5, 1869 under the Act 32 Victoria, Chapter 81, which was amended on June 6, 1962 by the Act 10-11 Elizabeth II, Chapter 97, and is a registered charity under the Income Tax Act. The Organization is engaged in the prevention of cruelty to animals.

2 – ACCOUNTING CHANGE

On January 1, 2021, the Organization applied the changes to Section 3856, Financial Instruments, of Part II of the *CPA Canada Handbook – Accounting* and Section 4460, Disclosure of Related Party Transactions by Not-for-Profit Organizations, of Part III of the *CPA Canada Handbook – Accounting.* The purpose of these changes is to provide additional recommendations on the accounting treatment of financial instruments originated or exchanged in a related party transaction.

The changes require that financial assets originated or acquired and financial liabilities issued or assumed in a related party transaction be initially measured at cost, with the exception of certain specific financial instruments that are initially measured at fair value. The cost of a financial asset originated or acquired or of a financial liability issued or assumed in these circumstances depends on whether the instrument has repayment terms. When the financial instrument has repayment terms, its cost is determined using the undiscounted cash flows, excluding interest and dividend payments, and less any impairment losses previously recognized by the transferor. The cost of a financial instrument that does not have repayment terms is determined using the consideration transferred or received in the transaction.

The changes generally require that financial assets and liabilities from related party transactions be subsequently measured using the cost method, except for investments in equity instruments that are quoted in an active market which are measured at fair value.

The changes provide additional guidance on how to measure the impairment loss of a financial asset originated or acquired in a related party transaction subsequently measured using the cost method.

The changes also require that an organization recognize the effect of the forgiveness of a financial asset originated or created in a related party transaction or the extinguishment of a financial liability issued or assumed in a related party transaction in operations or in accordance with the accounting method used to recognize contributions.

In accordance with the transitional provisions, these changes, that are applicable for fiscal years beginning on or after January 1, 2021, have been applied retrospectively taking certain relief measures into account.

Application of the changes did not have any impact on the financial statements for the year ended December 31, 2020.

3 - SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The Organization's financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Accounting estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. These estimates are based on management's knowledge of current events and actions that the Organization may undertake in the future. Actual results may differ from these estimates.

Revenue recognition

Contributions

The Organization follows the deferral method of accounting for contributions. Under this method, contributions restricted for future period expenses are recognized as revenues in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenues when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Moreover, the Organization has chosen not to recognize contributed supplies and services.

Volunteers contribute an important number of hours to assist the Organization in carrying out its services.

Companies that produce and sell pet food and various other pet products supplied the Organization with free pet food and supplies during the year ended December 31, 2021. The Organization received a contribution of supplies with a fair value of $91,492 in 2021 ($174,677 in 2020).

Revenue from operations

Revenue from operations is recognized when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the price is fixed or determinable and collection is reasonably assured.

Net investment income

Investment transactions are recorded on the transaction date and resulting revenues are recognized using the accrual method of accounting.

Net investment income includes interest income, dividend income and changes in fair value.

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest income is recognized on a time apportionment basis. Dividend income is recorded when dividends are acquired by the Organization. Changes in fair value are recognized when they occur.

With respect to investments measured at fair value, the Organization has elected to include investment income in the net change in fair value.

Net investment income that is not subject to externally imposed restrictions is recognized in the statement of operations under Net investment income.

Net investment income subject to externally imposed restrictions is recognized as deferred contributions.

During the year, the Organization received donations of shares with a fair value of $110,341 (nil in 2020).

Financial assets and liabilities

Initial measurement

Upon initial measurement, the Organization's financial assets and liabilities from transactions not concluded with related parties and those from transactions with parties whose sole relationship with the entity is in the capacity of management (and members of the immediate family) are measured at fair value, which, in the case of financial assets or financial liabilities that will be measured subsequently at amortized cost, is increased or decreased by the amount of the related financing fees and transaction costs. The Organization's financial assets and liabilities from related party transactions are measured at cost.

Transactions costs relating to financial assets and liabilities that will be measured subsequently at fair value and those relating to financial assets and liabilites from related party transactions are recognized in operations in the year they are incurred.

Subsequent measurement

At each reporting date, the Organization measures its financial assets and liabilities from transactions not concluded with related parties at amortized cost (including any impairment in the case of financial assets), except for restricted investments which are measured at fair value. With respect to the financial assets and liabilities from related party transactions, the Organization measures them using the cost method (including any impairment in the case of financial assets).

Transaction costs relating to financial assets and liabilities that are measured at amortized cost and any difference resulting from their initial measurement at fair value are amortized on a straight-line basis over the term of the related financial instrument. Amortization of transaction costs related to long-term debt is recognized in the statement of operations under a separate item.

The Canadian Organization for the Prevention of Cruelty to Animals (Serving the Province of Quebec)
Notes to Financial Statements
December 31, 2021

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

With respect to financial assets measured at amortized cost, the Organization assesses whether there are any indications of impairment. When there is an indication of impairment, and if the Organization determines that, during the year, there was a significant adverse change in the expected timing or amount of future cash flows from a financial asset, it will then recognize a reduction as an impairment loss in operations. The reversal of a previously recognized impairment loss on a financial asset measured at amortized cost is recognized in operations in the year the reversal occurs.

Inventory valuation

Inventories are valued at the lower of cost and net realizable value.

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.

The cost of the land corresponds to the fair value as at the date of receipt.

Tangible capital assets

Tangible capital assets acquired are recorded at cost. When the Organization receives contributions of tangible capital assets, their cost is equal to their fair value at the contribution date plus all costs directly attributable to the acquisition of the tangible capital assets, or at a nominal value if fair value cannot be reasonably determined.

Amortization

Tangible capital assets are amortized on a diminishing balance basis over their estimated useful lives at the following annual rates:

	Rates
Building	5%
Furniture and equipment	20%
Automobile	30%

Write-down

When conditions indicate that a tangible capital asset or an intangible asset is impaired, the net carrying amount of the tangible capital asset or intangible asset is written down to the tangible capital asset's or intangible asset's fair value or replacement cost. The write-down is accounted for in the statement of operations and cannot be reversed.

The Canadian Organization for the Prevention of Cruelty to Animals
(Serving the Province of Quebec)
Notes to Financial Statements
December 31, 2021

4 - CONTRIBUTIONS

	2021	2020
	$	$
Donations and other contributions		
Individuals	**3,017,539**	2,742,476
Businesses	**182,955**	155,707
Other not-for-profit organizations	**184,785**	142,952
	3,385,279	3,041,135
Fundraising campaigns		
Individuals	**1,042,416**	1,177,434
Businesses	**9,456**	4,230
Other not-for-profit organizations	**200**	1,000
	1,052,072	1,182,664

5 - INFORMATION INCLUDED IN CASH FLOWS

The net change in working capital items is detailed as follows:

	2021	2020
	$	$
Trade, legacies and other receivables	**102,584**	843,647
Inventories	**14,423**	(43,921)
Prepaid expenses	**(136)**	(28,909)
Trade payables and other operating liabilities	**207,509**	(119,268)
	324,380	651,549

6 - TRADE, LEGACIES AND OTHER RECEIVABLES

	2021	2020
	$	$
Trade accounts receivable		
Montréal SPCA Foundation		6,036
Other	**486,548**	352,310
Sales taxes receivable	**21,251**	44,037
Legacies receivable		208,000
	507,799	610,383

The Canadian Organization for the Prevention of Cruelty to Animals (Serving the Province of Quebec)
Notes to Financial Statements
December 31, 2021

7 - TANGIBLE CAPITAL ASSETS

	2021			2020
	Cost	Accumulated amortization	Net carrying amount	Net carrying amount
	$	$	$	$
Land	**1,510,000**		**1,510,000**	1,510,000
Building (a)	**2,008,397**	**643,552**	**1,364,845**	1,399,739
Furniture and equipment	**1,301,270**	**1,013,458**	**287,812**	321,196
Automobile	**16,741**	**3,858**	**12,883**	11,049
	4,836,408	**1,660,868**	**3,175,540**	3,241,984

(a) During a previous year, renovations were conducted to improve the reception area and Organization's store. The fair value of the renovations was $42,351; however, the Organization only disbursed $14,500. The difference of $27,851 between the fair value of the renovations and the amount disbursed was paid by a company selling various animal products. The unamortized portion was presented as a deferred contribution related to tangible capital assets (Note 12).

8 - RESTRICTED INVESTMENTS AND DEFERRED CONTRIBUTIONS RELATED TO RESTRICTED INVESTMENTS

	2021	2020
	$	$
Balance, beginning of year	**922,435**	825,445
Net change in fair value of restricted investments	**14,886**	96,990
Balance, end of year	**937,321**	922,435

In 1991, the Organization received a legacy that cannot be used before 99 years. Throughout this period, the legacy will be invested by a broker in funds of reputable managers. The Organization accounts for these restricted investments at fair value and the consideration as a deferred contribution.

The investment income, net of changes in fair value, management fees and income taxes that are generated by these restricted investments, is paid quarterly to the Organization and recognized in the legacy contributions. During the year, legacy contributions from this legacy totalled $14,886 ($10,300 in 2020).

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

The Canadian Organization for the Prevention of Cruelty to Animals (Serving the Province of Quebec)
Notes to Financial Statements
December 31, 2021

9 - BANK LOAN

The Organization has a line of credit, of a maximum authorized amount of $250,000, which bears interest at the financial institution's prime rate plus 1.75% (4.2%; 5.45% as at December 31, 2020) and which is subject to renewal in June 2022. However, the maximum authorized borrowing amount is limited to 75% of eligible Canadian accounts receivable less the amount of preferential creditors to this line of credit, including payroll deductions and sales taxes payable. As at December 31, 2021, no amount is used.

10 - TRADE PAYABLES AND OTHER OPERATING LIABILITIES

	2021	2020
	$	$
Trade payables and accrued liabilities	**198,082**	143,957
Salaries and vacations payable	**529,097**	403,547
Benefits payable	**88,063**	71,190
Other	**43,252**	32,291
	858,494	650,985

11 - LONG-TERM DEBT

	2021	2020
	$	$
Term loan, with a carrying amount of $780,000, secured by a hypothec of $936,000 on the building and a hypothec of $936,000 on the universality of the Organization's present and future assets, 4,95% (4.95% as at December 31, 2020), repayable over 10 years in monthly instalments of $6,500 plus interest, maturing in 2023	**149,500**	227,500
Term loan, with a carrying amount of $780,000, secured by a hypothec of $780,000 on the building and a hypothec of $780,000 on the universality of the Organization's present and future assets, 4,95% (4.95% as at December 31, 2020), repayable over 10 years in monthly instalments of $6,500 plus interest, maturing in 2024 (a)	**169,000**	247,000
Term loan, with a carrying amount of $325,000, secured by a hypothec of $504,000 on the building and a hypothec of $504,000 on the universality of the Organization's present and future assets, 4,48% (4.48% as at December 31, 2020), repayable in monthly instalments of $3,500 plus interest, maturing on January 2023 (a)	**45,000**	87,000
Transaction costs (b)	**(12,946)**	(18,432)
	350,554	543,068
Current portion	**198,000**	198,000
	152,554	345,068

11 - LONG-TERM DEBT (Continued)

(a) In accordance with the loan agreements, the Organization is required to comply with certain covenants. As at December 31, 2021, the ratios are respected.

(b) The financing fees for long-term debt total $57,292 and are amortized on a straight-line basis over the term of the debt.

The estimated instalments on long-term debt for the next years are as follows:

	$
2022	198,000
2023	152,500
2024	13,000
	363,500

12 - DEFERRED CONTRIBUTION RELATED TO TANGIBLE CAPITAL ASSETS

	2021	2020
	$	$
Building (Note 7 (a))	**27,851**	27,851
Accumulated amortization	**(4,120)**	(2,728)
	23,731	25,123

13 - RELATED PARTY TRANSACTIONS

During the previous year, the Organization obtained professional services from a law firm of which one of the partners was a director of the Organization. The services received during that year represented $2,107 and no amount was included in the trade payables and other operating liabilities.

During the year, the Organization received a donation from the Montréal SPCA Foundation, an organization over which it exercices significant influence. Donations received during the year represent $20,000.

These transactions were concluded in the normal course of operations and are measured at the exchange amount, excluding the resulting financial instruments.

14 - FINANCIAL RISKS

Credit risk

The Organization is exposed to credit risk regarding the financial assets recognized in the statement of financial position, other than investments. The Organization has determined that the financial assets with more credit risk exposure are trade, legacies and other receivables since failure of any of these parties to fulfil their obligations could result in significant financial losses for the Organization.

Market risk

The Organization's financial instruments expose it to market risk, in particular, to interest rate risk and other price risk, resulting from both its investing and financing activities.

Interest rate risk

The Organization is exposed to interest rate risk with respect to financial assets and liabilities bearing fixed interest rates.

The investments and long-term debt bear interest at a fixed rate and the Organization is, therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuations.

Other price risk

The Organization is exposed to other price risk due to investments since changes in market prices could result in changes in fair value of these instruments.

Liquidity risk

The Organization’s liquidity risk represents the risk that the Organization could encounter difficulty in meeting obligations associated with its financial liabilities. The Organization is, therefore, exposed to the liquidity risk with respect to all of the financial liabilities recognized in the statement of financial position.

15 - COMMITMENTS

The Organization has entered into long-term lease agreements expiring in 2025 which call for lease payments of $107,753 for the rental of vehicles, equipment, telecommunication services, cleaning services and maintenance. Minimum lease payments for the next years are as follows:

	$
2022	73,839
2023	24,877
2024	8,827
2025	210