NORTHUMBERLAND HUMANE SOCIETY

Financial Statements

Year Ended December 31, 2023

O'KEEFE ACCOUNTING GROUP

Chartered Professional Accountants

"Measuring activities to manage opportunities"

NORTHUMBERLAND HUMANE SOCIETY

Index to Financial Statements

Year Ended December 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Members of Northumberland Humane Society

Qualified Opinion

We have audited the financial statements of Northumberland Humane Society (the organization), which comprise the statement of financial position as at December 31, 2023, and the statements of revenues and expenditures, changes in net assets and cash flows 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 organization as at December 31, 2023, and the results of its operations and cash flows 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 organization derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the organization. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the year ended December 31, 2023, current assets and net assets as at December 31, 2023. 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 were not able to obtain sufficient audit evidence related to the transactions involving the disposal of 371 Ward street and the renovations performed to 2363 Theatre road on June 2nd 2023. The transaction involved both the disposition of the property and the completion of renovations. We were not able to determine whether any adjustments might be necessary. The transaction would affect the determination of the gain on disposal of the property, the cost of capital assets, Harmonized sales tax amounts and excess of revenues over expenses from operations for the year ended December 31, 2023, and net assets as at December 31, 2023.

In common with many not-for-profit organizations, the Entity derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Entity. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2023 and 2022, current assets as at December 31, 2023 and 2022, and net assets as at January 1 and December 31 for both the 2023 and 2022 years. Our audit opinion on the financial statements for the year ended December 31, 2023 was modified accordingly because of the possible effects of this limitation in scope

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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 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 qualified audit opinion.

Emphasis of Matter

We draw attention to the subsequent event note number eight in the financial statements.

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 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.

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- 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.

O'Keefe Accounting Group

Cobourg, Ontario
June 26, 2024

O'Keefe Accounting Group
Chartered Professional Accountants
Authorized to practise public accounting by
the Chartered Professional Accountants of Ontario

NORTHUMBERLAND HUMANE SOCIETY
Statement of Financial Position
December 31, 2023

	General Fund 2023	Designated Funds 2023	20232022	
Assets				
Current				
Cash	109,307	$ 3,634	$ 112,941	$ 45,932
Investments (Cost $2,556,650) (Note 3)	2,668,723		2,668,723	1
Receivables (Note 2)	14,527		14,527	404,826
Harmonized sales tax recoverable	32,928		32,928	17,994
Prepaid expenses	11,080		11,080	5,566
Interfund due to/from	(44,373)	44,373		
	2,792,192	48,007	2,840,199	2,460,852
Capital assets (Net) (Notes 4, 5)	1,092,990		1,092,990	929,574
	3,885,182	48,007	3,933 189	3,390,426
Liabilities and Net assets				
Current				
Accounts payable	20,498	$	$ 20,498	$ 12,640
Accrued liabilities	25,000		25,000	5,622
Accrued payroll	20,287		20,287	20,744
Employee deductions payable	1 ,744		1,744	2,128

67,529		67,529	41,134
615	38,710	39,325	363,358
68, 144	38,710	106,854	404,492
3,817,038	9,297	3,826,335	2,985,934
3,885,182	48,007	3,933 189	3,390,426

Deferred income

Net assets

APPROVED ON BEHALF OF THE BOARD

S Edwards Director SUSAN EDWARDS

Director DAVID DEXTER

NORTHUMBERLAND HUMANE SOCIETY
Statement of Revenues and Expenditures
Year Ended December 31, 2023

	Unrestricted Funds 2023	Restricted Funds 2023	**2023 Total 2023**	2022 Total 2022
Revenues				
Donations and memberships	$ 128,374	$ -	**$ 128,374**	$ 148,645
Fundraising projects	77,111	-	**77,111**	78,633
Docupet Income	2,377	-	**2,377**	-
Rental income	12,422	-	**12,422**	12,169
Shelter services	106,685	-	**106,685**	117,378
Animal control	153,617	-	**153,617**	105,867
Thrift store sales	107,347	-	**107,347**	105,513
Bequests	427,803	-	**427,803**	15,000
Grants	24,408	-	**24,408**	-
	1,040,144	-	**1,040,144**	583,205
Expenses *(Schedule 1)*	957,371	905	**958,276**	671,878
Excess (deficiency) Of Revenues Over Expenses from operations	82,773	(905)	**81,868**	(88,673)
Other income				
Dividend income	6,510	-	**6,510**	6,291
Gain on disposal of capital assets	163,252	-	**163,252**	-
Gain (loss) on sale of marketable securities	104	-	**104**	(41,563)
Unrealized gain (loss) on marketable securities	178,631	-	**178,631**	(164,148)
Interest income	53,678	-	**53,678**	32,981
Income from mergers	356,358	-	**356,358**	-
	758,533	-	**758,533**	(166,439)
Excess (deficiency) of revenues over expenses	$ 841,306	$ (905)	**$ 840,401**	$ (255,112)

See notes to financial statements

NORTHUMBERLAND HUMANE SOCIETY

Expenses

(Schedule 1)

Year Ended December 31, 2023

	Unrestricted Funds 2023	Restricted Funds 2023	**2023 Total 2023**	2022 Total 2022
Accounting fees	$ 28,497	$ -	**$ 28,497**	$ 5,565
Advertising and promotion	939	-	**939**	1,591
Amortization	24,245	-	**24,245**	11,262
Bad debts	9,000	-	**9,000**	-
Equipment rentals	4,207	-	**4,207**	3,423
Insurance	14,532	-	**14,532**	16,681
Bank charges and interest	5,443	-	**5,443**	5,103
Management fees	14,456	-	**14,456**	16,789
Meals and entertainment	606	-	**606**	-
Meetings and conventions	2,100	-	**2,100**	-
General & administrative	29,873	-	**29,873**	22,266
Office	33,051	-	**33,051**	9,149
Fundraising expenses	15,870	-	**15,870**	16,036
Docupet Expenses	1,240	-	**1,240**	-
Grant Service Expenses	3,494	-	**3,494**	-
Vetrinary fees	88,534	905	**89,439**	70,008
Property taxes	16,392	-	**16,392**	13,276
Repairs and maintenance	29,635	-	**29,635**	16,920
Salaries and wages	538,601	-	**538,601**	402,710
Supplies	53,469	-	**53,469**	27,278
Telephone	8,329	-	**8,329**	11,235
Utilities	24,143	-	**24,143**	18,739
Vehicle	10,715	-	**10,715**	3,847
	$ 957,371	$ 905	**$ 958,276**	$ 671,878

See notes to financial statements

NORTHUMBERLAND HUMANE SOCIETY
Statement of Changes in Net Assets
Year Ended December 31, 2023

	Unrestricted Funds	Restricted Funds	**2023**	2022
Net assets - beginning of year	$ 2,975,732	$ 10,202	**$ 2,985,934**	$ 3,241,046
Excess of revenues over expenses	841,306	(905)	**840,401**	(255,112)
Net assets - end of year	$ 3,817,038	$ 9,297	**$ 3,826,335**	$ 2,985,934

See notes to financial statements

NORTHUMBERLAND HUMANE SOCIETY

Statement of Cash Flows

Year Ended December 31, 2023

	2023	2022
Operating activities		
Cash receipts from all revenue generating activities	$ 1,641,400	$ 708,268
Cash paid to suppliers and employees	(907,603)	(639,693)
Interest received	53,678	32,981
Interest paid	(5,444)	(5,103)
Dividend income	6,510	6,291
Haromonized sales tax	(14,935)	(5,202)
Cash flow from operating activities	773,606	97,542
Investing activities		
Purchase of capital assets	(265,608)	(595,591)
Proceeds on disposal of capital assets	241,200	-
Proceeds from sale of marketable securities	-	749,779
Investments	(682,189)	(277,337)
Cash flow used by investing activities	(706,597)	(123,149)
Increase (decrease) in cash flow	67,009	(25,607)
Cash - beginning of year	45,932	71,539
Cash - end of year	$ 112,941	$ 45,932

See notes to financial statements

1. Significant accounting policies

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

Fund accounting

Northumberland Humane Society follows the restricted fund method of accounting for contributions, which includes support from the public and bequests.

Revenues and expenses related to the company's program delivery and administrative activities are reported in the unrestricted funds.

The Capital Asset Fund reports the assets, liabilities, revenues and expenses related to Northumberland Humane Society's capital assets and building expansion campaign.

The Restricted Fund was established by a contribution from a donor with the restriction that the funds not be used for operating expenses. No restrictions have been placed on revenues generated from the Restricted Fund, and accordingly any revenues generated by the Restricted Fund are reported in the Operating Fund.

Revenue recognition

Northumberland Humane Society follows the Restricted fund method of accounting for contributions.

Restricted contributions related to general operations are recognized as revenue of the General Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

Unrestricted contributions are recognized as revenue of the General Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Income from investments consist of dividend and interest income, and the change in the market value of investments. The income is recognized as revenue when earned. Unrecognized gains or losses on the investments are included in investment income in the year in which they are identified.

Revenue from fees for service and sale of goods is recognized when the services are provided or the goods are sold.

Bequests and grants are recognized as revenue in the General Fund when received or in the Restricted fund if there are restrictions on the use of the funds.

Financial Instruments

The marketable securities are comprised of mutual funds. The Society has designated the marketable securities as held for trading and are recorded under the equity method, as such, the income earned in the year is reported to bring the investments to fair value.

The carrying value of other financial assets and liabilities being cash, accounts receivable, HST receivable, accounts payable and government remittances payable approximate their fair values due to their relatively short term to maturity.

The Society does not enter into any derivative financial instrument arrangements for hedging or speculative purposes.

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1. Significant accounting policies *(continued)*

Contributed services

The operations of the organization depend on both the contribution of time by volunteers and donated materials from various sources. The fair value of donated materials and services cannot be reasonably determined and are therefore not reflected in these financial statements.

Harmonized sales tax and GST

Contributed materials and services are recoverable at 70% as a rebate. The unrecoverable portion is recorded as an expense with the rebate treated as a receivable.

Income Taxes

Pursuant to the Income Tax Act (Canada), the Society is a registered charity and, accordingly, is exempt from income taxes

Capital assets

Capital assets are recorded at cost. Capital assets acquired under capital lease obligations are stated at the lower of fair value or the present value of minimum lease payments at the commencement of the lease. Amortization (including amortization of assets under capital lease agreements) is computed over the estimated useful lives of the assets or over the lives of the leases, as applicable, using the declining balance method.

Measurement uncertainty

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 are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

2. Receivables

The receivables consist of funding from several municipalities for programs or grants entered into during the year. One invoice for $9,000 from the town of Cobourg was sent to bad debts based on a timing dispute with the invoice. The collection is assured on the remaining invoices and no allowance has been made for doubtful accounts.

3. Investments

	2023	2022
Investment in mutual funds - at cost	**$ 2,556,650**	$ 2,058,749
Adjustment to market value at date of report	**112,073**	(72,216)
	$ 2,668,723	$ 1,986,533

Investments are reported at their market value as at the year end. All investments are held with CIBC Wealth Management. As at year end the investments have an unrealized gain (loss) of $112,073.

4. Capital assets

	Accumulated	**2023** **Net book**	2022 Net book

(continues)

4. Capital assets *(continued)*

	Cost	Accumulated amortization	**2023 Net book value**	2022 Net book value
	Cost	amortization	**value**	value
Land	$ 423,552	$ -	**$ 423,552**	$ 434,088
Land improvements	-	-	**-**	1,209
Buildings	752,442	130,595	**621,847**	481,306
Motor vehicles	46,324	6,949	**39,375**	2,589
Computer equipment	4,048	3,584	**464**	693
Furniture and fixtures	64,034	56,283	**7,751**	9,689
	$ 1,290,400	$ 197,411	**$ 1,092,989**	$ 929,574

5. Capital disclosures

The Society defines its capital as the amounts included in its net asset balances. The Society's objective when managing its capital is to safeguard its ability to continue as a going concern so that it can continue to provide the appropriate level of benefits and services to its stakeholders. The Society sets the amount of its internally restricted net asset balances in proportion to risk, manages the net asset structure and makes adjustments to them in light of changes in economic conditions and risk characteristics of the underlying assets.

6. Fund balance restrictions

During 2009, the Society received a bequest ("Pet Aid") that specified that the bequest funds were to be used to subsidize the cost of spay and neuter procedures on pets belonging to individuals with reduced incomes. The funds are not to be used for operating expenses of the Society. The separate bank account set up to ensure that the terms of this bequest were honoured was closed in 2022, with the balance being tracked through offsetting asset and liability accounts. As at December 31 2023, the balance in this account was $3,634 (2022 - $3,630). As a condition of retaining this fund, the Society is required to report annually to the trustee of the estate as to the transactions in the fund during the year.

The Society undertakes bingo events as part of its fundraising activities. In accordance with the terms of the bingo operating agreement, funds raised from bingo events may not be used to pay administrative expenses. As at December 31, 2023 the balance in the bingo account was $810 (2022 - $2,793), which was included in the general cash balance of the Society.

The Society recieved a grant from the Canadian Red Cross "CRC" to undertake volunteer recruitment, engagement, retention and training.The purpose of the grant is to develop a volunteer recruitment strategy for the Society. The CRC has approved a grant in the amount of $81,000 of which $56,840 was released in the current year and another $24,360 to be released in the summer of 2025. As at December 31, 2023 the Society had spent $18,129 of eligible expenses and therefore this amount has been included in revenue. The remaining $38,710.44 has been deferred until the conditions are approved by the CRC.

7. Commitments and contingencies

Litigations and claims:

(continues)

7. Commitments and contingencies *(continued)*

The nature of the Society's activities is such that there may be litigation pending or in progress at any time. With respect to claims at December 31, 2023, management is of the opinion that it has valid defences and appropriate insurance coverage in place or, if there is unfunded risk, such claims are not expected to have a material effect on the Society's financial position. Outstanding contingencies are reviewed on an ongoing basis and are provided for based on management's best estimate of the ultimate settlement. As at December 31, 2023, management was not aware of any litigation pending or in progress.

8. Subsequent events

The following events occurred subsequent to the fiscal year end:

<u>Purchase of a Property</u>

During the 2024 year, the society's board unanimously agreed to purchase 24 Covert St., Cobourg, Ontario . The accounting for this transaction is yet to be determined.

9. Financial instruments

The organization is exposed to various risks through its financial instruments. The following analysis provides information about the organization's risk exposure and concentration as of December 31, 2023.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The organization is exposed to credit risk from customers. In order to reduce its credit risk, the organization reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The organization has a significant number of customers which minimizes concentration of credit risk.

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. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk. The organization is mainly exposed to the risk of its investment portfolio of $2,668,723

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the organization manages exposure through its normal operating and financing activities. The organization currently has limited interest rate risk.

(continues)

9. Financial instruments *(continued)*

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The organization is exposed to other price risk through its investment in quoted shares.

Unless otherwise noted, it is management's opinion that the organization is not exposed to significant other price risks arising from these financial instruments.