

Lloydminster & District Society for the Prevention of Cruelty to Animals
Financial Statements
December 31, 2015

Lloydminster & District Society for the Prevention of Cruelty to Animals

Contents

For the year ended December 31, 2015

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To the Board of Lloydminster & District Society for the Prevention of Cruelty to Animals:

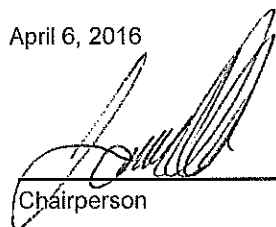
Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian accounting standards for not-for-profit organizations. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

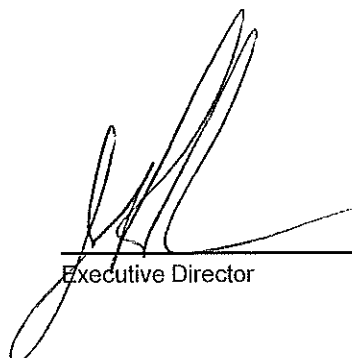
In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is composed primarily of Directors who are neither management nor employees of the Organization. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Organization's external auditors.

MNP LLP is appointed by the Board to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

April 6, 2016



Chairperson

Executive Director

To the Members of Lloydminster & District Society for the Prevention of Cruelty to Animals:

We have audited the accompanying financial statements of Lloydminster & District Society for the Prevention of Cruelty to Animals, which comprise the statement of financial position as at December 31, 2015, and the statements of operations and changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, the Organization derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verifications. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Organization and we were not able to determine whether any adjustments might be necessary to revenues, excess of revenues over expenses, current assets and net assets.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Lloydminster & District Society for the Prevention of Cruelty to Animals as at December 31, 2015 and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Lloydminster, Saskatchewan

April 6, 2016

MNP LLP

Chartered Professional Accountants

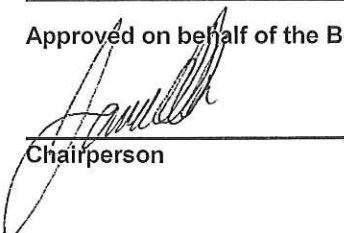
Lloydminster & District Society for the Prevention of Cruelty to Animals

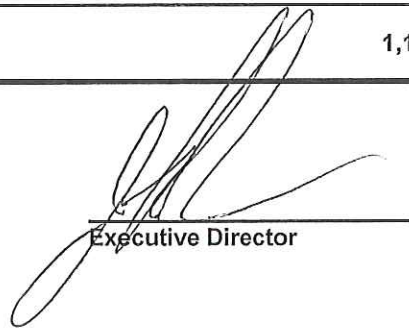
Statement of Financial Position

As at December 31, 2015

| | 2015 | 2014 |
|--|-----------|-----------|
| Assets | | |
| Current | | |
| Cash | 129,197 | 406,055 |
| Contributions receivable | 2,740 | 7,070 |
| Prepaid expenses | 3,706 | 3,374 |
| Inventory | 453 | 3,939 |
| GST receivable | 7,335 | 6,931 |
| | 143,431 | 427,369 |
| Restricted cash (Note 3) | 100,032 | 147,267 |
| Capital assets (Note 4) | 499,618 | 236,663 |
| Long-term investments (Note 5) | 431,737 | 479,628 |
| Equity - Eastalta Co-op | 10 | 10 |
| Equity - Lloydminster Co-op | 5,684 | 5,214 |
| | 1,180,512 | 1,296,151 |
| Liabilities | | |
| Current | | |
| Accounts payable and accruals | 73,085 | 121,409 |
| Deferred contributions (Note 6) | 504,702 | 542,378 |
| Unamortized capital contributions (Note 7) | 41,630 | 36,228 |
| | 619,417 | 700,015 |
| Commitments (Note 8) | | |
| Net Assets | | |
| Invested in capital assets | 457,988 | 200,436 |
| Unrestricted | 103,107 | 395,700 |
| | 561,095 | 596,136 |
| | 1,180,512 | 1,296,151 |

Approved on behalf of the Board


Chairperson


Executive Director

The accompanying notes are an integral part of these financial statements

Lloydminster & District Society for the Prevention of Cruelty to Animals

Statement of Operations

For the year ended December 31, 2015

| | 2015 | 2014 |
|--|-----------------|----------------|
| Revenue | | |
| Fundraising | 258,987 | 300,394 |
| Donations | 253,742 | 361,334 |
| Adoptions | 106,495 | 86,685 |
| City contract | 102,500 | 102,500 |
| City fines and licenses | 23,938 | 24,708 |
| Merchandise sales | 6,950 | 9,123 |
| Piggy banks | 2,090 | 2,905 |
| Interest | 1,646 | 2,310 |
| Bequest | 1,000 | - |
| Equipment rent | 230 | 194 |
| Memberships | 110 | 135 |
| | 757,688 | 890,288 |
| Expenses | | |
| Salaries and benefits | 407,514 | 360,934 |
| Fundraising | 76,386 | 73,815 |
| Veterinary fees - shelter treatment | 71,337 | 89,315 |
| Veterinary fees - spay and neuter program | 68,069 | 43,486 |
| Supplies | 50,940 | 109,672 |
| Professional fees | 19,815 | 54,027 |
| Amortization | 11,139 | 12,694 |
| Utilities | 10,539 | 11,404 |
| Office supplies | 10,238 | 14,008 |
| Cost of goods sold | 7,636 | 7,210 |
| Rent | 7,500 | 7,500 |
| GST expense | 7,335 | 6,931 |
| Insurance | 6,766 | 6,096 |
| Interest & bank charges | 4,723 | 3,160 |
| Telephone | 4,122 | 4,276 |
| Vehicle expenses | 3,672 | 3,214 |
| Advertising | 3,658 | 7,429 |
| Training and education | 2,986 | 860 |
| Workers' compensation | 2,500 | 2,395 |
| Repairs and maintenance | 1,955 | 5,730 |
| Licences and fees | 1,348 | 795 |
| Travel | 1,269 | 456 |
| Security | 359 | 360 |
| Bad debts | - | 1,800 |
| | 781,806 | 827,567 |
| Excess (deficiency) of revenue over expenses before other items | (24,118) | 62,721 |

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Lloydminster & District Society for the Prevention of Cruelty to Animals
Statement of Operations
For the year ended December 31, 2015

| | 2015 | 2014 |
|--|-----------------|---------------|
| Excess (deficiency) of revenue over expenses before other items <i>(Continued from previous page)</i> | (24,118) | 62,721 |
| Other items | | |
| Gain on disposal of investments | 9,258 | - |
| Realized capital contributions | 1,972 | 931 |
| Unrealized gain (loss) on investments | (22,154) | 14,940 |
| | (10,924) | 15,871 |
| Excess (deficiency) of revenue over expenses | (35,042) | 78,592 |

The accompanying notes are an integral part of these financial statements

Lloydminster & District Society for the Prevention of Cruelty to Animals
Statement of Changes in Net Assets
For the year ended December 31, 2015

| | <i>Invested in capital assets</i> | <i>Unrestricted</i> | 2015 | 2014 |
|--|---------------------------------------|---------------------|-------------|-------------|
| Net assets beginning of year | 200,436 | 395,700 | 596,136 | 517,544 |
| Excess (deficiency) of revenue over expenses | (11,139) | (23,902) | (35,042) | 78,592 |
| Investment in capital assets | 266,719 | (266,719) | - | - |
| Realized capital contributions | 1,972 | (1,972) | - | - |
| Net assets, end of year | 457,988 | 103,107 | 561,094 | 596,136 |

The accompanying notes are an integral part of these financial statements

Lloydminster & District Society for the Prevention of Cruelty to Animals

Statement of Cash Flows

For the year ended December 31, 2015

| | 2015 | 2014 |
|---|-----------|-----------|
| Cash provided by (used for) the following activities | | |
| Operating | | |
| Excess (deficiency) of revenue over expenses | (35,042) | 78,592 |
| Amortization | 11,139 | 12,694 |
| Unrealized gain (loss) on disposal of investments | 22,154 | (14,940) |
| Realized gain on disposal of investments | (9,258) | - |
| Patronage allocations | (470) | 193 |
| Realized capital contributions | (1,972) | (931) |
| Recognition of deferred contributions | (92,344) | (137,132) |
| | (105,793) | (61,524) |
| Changes in working capital accounts | | |
| Contributions receivable | 4,330 | 16,611 |
| Prepaid expenses | (332) | (21) |
| Inventory | 3,486 | 44,910 |
| GST receivable | (404) | (461) |
| Accounts payable and accruals | (48,323) | 93,307 |
| | (147,036) | 92,822 |
| Financing | | |
| Increase in deferred contributions | 44,662 | 37,316 |
| Investing | | |
| Purchase of capital assets | (266,719) | (143,781) |
| Proceeds on disposal of long-term investments | 45,000 | - |
| | (221,719) | (143,781) |
| Decrease in cash resources | (324,093) | (13,643) |
| Cash resources, beginning of year | 553,322 | 566,965 |
| Cash resources, end of year | 229,229 | 553,322 |
| Cash resources are composed of: | | |
| Cash | 129,197 | 406,055 |
| Restricted cash | 100,032 | 147,267 |
| | 229,229 | 553,322 |

The accompanying notes are an integral part of these financial statements

Lloydminster & District Society for the Prevention of Cruelty to Animals

Notes to the Financial Statements

For the year ended December 31, 2015

1. Incorporation and nature of the organization

The Lloydminster & District Society for the Prevention of Cruelty to Animals ("Organization") was incorporated under the Canada Corporations Act as a Not-For-Profit organization and is a registered charity under the Income Tax Act. The Organization's mission is to provide shelter and care to unwanted and neglected companion animals. The Organization educates the community about the proper care and maintenance of animals towards the goal of reducing the number of unwanted and neglected animals in Lloydminster and area.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations set out in Part III of the CPA Canada Handbook - Accounting, as issued by the Accounting Standards Board in Canada and include the following significant accounting policies:

Cash

Cash and cash equivalents include balances with banks and short-term investments with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined by the first in, first out method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling costs.

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution if fair value can be reasonably determined.

Amortization is provided using the following methods and rates intended to amortize the cost of assets over their estimated useful lives. Amortization is recorded at one half the full rate in the year of acquisition and none in the year of disposal.

| | Method | Rate |
|--------------------|-------------------|-------|
| Buildings | declining balance | 4 % |
| Automotive | declining balance | 30 % |
| Computer equipment | declining balance | 55 % |
| Computer software | declining balance | 100 % |
| Equipment | declining balance | 20 % |

Long-lived assets

Long-lived assets consist of capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

When the Organization determines that a long-lived asset no longer has any long-term service potential to the Organization, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations. Write-downs are not reversed.

Long-term investments

Long-term investments are portfolio investments recorded at fair value for those with prices quoted in an active market. They have been classified as long-term assets in concurrence with the nature of the investment.

Lloydminster & District Society for the Prevention of Cruelty to Animals

Notes to the Financial Statements

For the year ended December 31, 2015

2. Significant accounting policies *(Continued from previous page)*

Equity - Eastalta Co-op & Lloydminster Co-op

Equity in Eastalta Co-op & Lloydminster Co-op are recorded at cost, less any provision for other than temporary impairment in value. Income from profit share allocation is recorded when assigned by the Co-op.

Revenue recognition

The Organization 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 received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income is recognized when earned.

Revenue from shelter activities, including adoptions and owner releases, are recognized when the transactions are completed.

Pledges and Bequests are recognized as revenue when the amount to be received can be reasonably estimated and ultimate collection is reasonably assured.

Contributed materials and services

Contributions of materials are recognized both as contributions and expenses in the statement of operations when a fair value can be reasonably estimated and when the materials are used in the normal course of the Organization's operations and would otherwise have been purchased.

Volunteers contribute many hours annually to assist the Organization in carrying out its service delivery activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

Unamortized capital contributions

Deferred contributions related to capital assets represent the unamortized portion of contributed capital assets. Recognition of these amounts as revenue is deferred to periods when the related capital assets are amortized.

Measurement uncertainty (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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Contributions receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Provisions are made for slow moving and obsolete inventory. Amortization is based on the estimated useful lives of capital assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues and expenses in the periods in which they become known.

Lloydminster & District Society for the Prevention of Cruelty to Animals

Notes to the Financial Statements

For the year ended December 31, 2015

2. Significant accounting policies *(Continued from previous page)*

Financial instruments

The Organization recognizes its financial instruments when the Organization becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management. Financial assets and liabilities originated and issued in all other related party transactions are initially measured at their carrying or exchange amount in accordance with Section 3840 *Related Party Transactions*.

At initial recognition, the Organization may irrevocably elect to subsequently measure any financial instrument at fair value. The Organization has not made such an election during the year.

The Organization subsequently measures investments in equity instruments quoted in an active market at fair value. Fair value is determined by published price quotations. Investments in equity instruments not quoted in an active market are subsequently measured at cost less impairment. All other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in the excess of revenues over expenses for the current period. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

Financial asset impairment:

The Organization assesses impairment of all of its financial assets measured at cost or amortized cost. The Organization groups assets for impairment testing when available information is not sufficient to permit identification of each individually impaired financial asset in the group; there are numerous assets affected by the same factors; no asset is individually significant. Management considers whether the issuer is having significant financial difficulty or whether there has been a breach in contract, such as a default or delinquency in interest or principal payments in determining whether objective evidence of impairment exists. When there is an indication of impairment, the Organization determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year. If so, the Organization reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets; and the amount expected to be realized by exercising any rights to collateral held against those assets. Any impairment, which is not considered temporary, is included in current year excess of revenues over expenses.

The Organization reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in the excess of excess in the year the reversal occurs.

3. Restricted cash

Restricted cash consists of a government grant received for the development of the new building for the operations of the Organization and restricted cash from casino fundraisers.

| | 2015 | 2014 |
|-------------------|---------|---------|
| Government grant | 100,000 | 100,000 |
| Casino | 32 | 57 |
| New building fund | - | 47,210 |
| | 100,032 | 147,267 |

Lloydminster & District Society for the Prevention of Cruelty to Animals
Notes to the Financial Statements
For the year ended December 31, 2015

4. Capital assets

| | Cost | Accumulated amortization | 2015 Net book value | 2014 Net book value |
|--------------------|----------------|-------------------------------------|------------------------------------|------------------------------------|
| Buildings | 737,741 | 261,406 | 476,335 | 211,009 |
| Automotive | 22,644 | 11,876 | 10,768 | 6,427 |
| Computer equipment | 8,554 | 6,280 | 2,274 | 3,234 |
| Computer software | 8,000 | 8,000 | - | 3,000 |
| Equipment | 82,286 | 72,045 | 10,241 | 12,993 |
| | 859,225 | 359,607 | 499,618 | 236,663 |

Buildings includes expenditures for architectural and engineering fees relating to the new building with a carrying value of \$456,080 (2014 - \$189,911). No amortization of this asset has been recorded during the current year because it is currently under development.

During the year, the Organization received a vehicle donation. This contributed capital asset has been recorded at its fair value of \$7,374.

5. Long-term investments

Long-term investments are valued at market value as of December 31, 2015. The adjusted cost base of the marketable securities is \$414,686 (2014 - \$440,892). Marketable securities include investments in mutual funds.

A portion of the long-term investments relates to the McLean Estate bequest, donated in 2008 (2015 - \$404,702; 2014 - \$395,168). These investments are restricted in use for the long-term sustainability of the organization. Ninety percent of the prior year's earnings on this investment can be spent annually, while the other 10% must be reinvested.

6. Deferred contributions

Contributions are received from contributors who have restricted their use for operating purposes. Recognition of these amounts as revenue is deferred to periods when the specified expenditures are made. Included in deferred contributions are amounts restricted for construction of a new building (2015 - nil; 2014 - \$47,210), government grant for construction of new building (2015 - \$100,000; 2014 - \$100,000), and to sustain the long-term operations of the shelter (2015 - \$404,702; 2014 - \$395,168).

Changes in the deferred contribution balance are as follows:

| | 2015 | 2014 |
|---|----------------|----------------|
| Balance, beginning of year | 542,378 | 626,674 |
| Amount received during the year | 44,663 | 37,316 |
| Interest income | 10,005 | 15,520 |
| Less: Amounts recognized as revenue during the year | (92,344) | (137,132) |
| Balance, end of year | 504,702 | 542,378 |

Lloydminster & District Society for the Prevention of Cruelty to Animals

Notes to the Financial Statements

For the year ended December 31, 2015

7. Unamortized capital contributions

Unamortized capital contributions related to capital assets represents the unamortized portion of in-kind capital assets received. Recognition of these amounts as revenue is deferred to periods when the related capital assets are amortized.

Changes in unamortized capital contributions related to the in-kind capital asset received are as follows:

| | 2015 | 2014 |
|---------------------------------------|---------|--------|
| Balance, beginning of year | 36,228 | 37,159 |
| Amount received during the year | 7,374 | - |
| Recognized as revenue during the year | (1,972) | (931) |
| Balance, end of year | 41,630 | 36,228 |

8. Commitments

The Organization occupies leased premises owned by the City of Lloydminster subject to annual payments of \$7,500 until 2031. The Organization has the option to terminate this lease at any time by providing the City with three months written notice. This cost has been donated in kind by the City and recognized in accordance with donated services accounting policies as noted in Note 2.

9. Income taxes

The Organization is registered as a charitable organization under the *Income Tax Act* (the "Act") and as such is exempt from income taxes and is able to issue donation receipts for income tax purposes. In order to maintain its status as a registered charity under the Act, the Organization must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

10. Financial instruments

The Organization, as part of its operations, carries a number of financial instruments. It is management's opinion that the Organization is not exposed to significant interest, credit, currency, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

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 foreign 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's investments in publicly-traded securities and corporate bonds exposes the Organization to price risk as these investments are subject to price changes in an open market due to a variety of reasons including changes in market rates of interest, general economic indicators and restrictions on credit markets.

Credit concentration

As at December 31, 2015, three customers accounted for 85% (2014 - three customers accounted for 95%) of the accounts receivable. The Organization believes that there is no unusual exposure associated with the collection of these receivables. The Organization performs regular credit assessments of its customers and provides allowances for potentially uncollectible accounts receivable.

Lloydminster & District Society for the Prevention of Cruelty to Animals
Notes to the Financial Statements
For the year ended December 31, 2015

11. Compliance with the Disclosure Requirement of the Charitable Fund-Raising Act and Regulation

During the year, \$41,231 (2014 - \$48,808) was paid as remuneration to employees whose principal duties involved fundraising.

No fundraising business was used to either make solicitations on behalf of the charitable organization, or to manage or be responsible for fundraising solicitation.

12. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation.