

**LLOYDMINSTER & DISTRICT SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2019**

**LLOYDMINSTER & DISTRICT SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS**

**FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

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## INDEPENDENT AUDITOR'S REPORT

### TO THE DIRECTORS LLOYDMINSTER & DISTRICT SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS LLOYDMINSTER, SASKATCHEWAN

#### Qualified Opinion

We have audited the financial statements of Lloydminster & District Society for the Prevention of Cruelty to Animals (the "Society"), which comprise the statement of financial position as at December 31, 2019 and the statements of operations and 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 effects of the matters described in the Basis for Qualified Opinion paragraph, the accompanying financial statements present fairly, in all material respects, the statement of financial position of the Society as at December 31, 2019 and the statement of operations and changes in net assets and cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

#### Basis for Qualified Opinion

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

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 Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

#### Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Society'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 Society or to cease operations, or has no realistic alternative but to do so.

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

## Auditor's Responsibility for the Audit of 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 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 judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including 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.

Lloydminster, Alberta  
June 1, 2020

*WLS LLP*

Chartered Professional Accountants

LLOYDMINSTER & DISTRICT SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2019

	2019	2018 Restated (Note 11)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	164,701	46,566
Accounts receivable	7,314	12,524
GST receivable	<u>5,034</u>	<u>5,411</u>
	177,049	64,501
<b>Investments (Note 4)</b>	455,312	409,866
<b>Capital assets (Note 5)</b>	513,517	516,728
<b>Restricted cash (Note 6)</b>	<u>62,573</u>	<u>64,446</u>
	<u>\$ 1,208,451</u>	<u>\$ 1,055,541</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	<u>53,683</u>	<u>44,102</u>
	<u>53,683</u>	<u>44,102</u>
<b>Non-current Liabilities</b>		
Deferred contributions (Note 7)	12	12
Unamortized capital contributions (Note 8)	<u>36,747</u>	<u>38,895</u>
	<u>36,759</u>	<u>38,907</u>
<b>Net Assets (Page 5)</b>		
Net assets invested in capital assets	476,770	477,833
Net assets internally restricted (Note 10)	401,578	389,123
Unrestricted net assets	<u>239,661</u>	<u>105,576</u>
	<u>1,118,009</u>	<u>972,532</u>
	<u>\$ 1,208,451</u>	<u>\$ 1,055,541</u>
<b>Commitments (Note 9)</b>		
<b>Subsequent event (Note 12)</b>		

Approved On Behalf Of The Board

Director

Director

**LLOYDMINSTER & DISTRICT SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS**

**STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS  
YEAR ENDED DECEMBER 31, 2019**

	<b>2019</b>	<b>2018</b>
<b>Revenues</b>		
Donations	170,136	175,882
Adoptions	95,472	106,515
City contract	50,000	50,000
Bequest	102,706	38,500
Fundraising	14,206	37,253
Grant revenue	125,000	87,000
City fines and licenses	15,870	22,183
Piggy banks	-	2,071
Memberships	190	545
Merchandise sales and rentals	550	226
Interest	<u>2,263</u>	<u>127</u>
	<u>576,393</u>	<u>520,302</u>
<b>Expenses</b>		
Advertising	1,631	2,968
Amortization	5,098	5,576
Fundraising	355	3,456
GST expense	5,034	5,411
Insurance	6,022	5,882
Interest and bank charges	4,725	4,658
Licences and fees	-	1,506
Office supplies	3,545	4,409
Professional fees	32,976	33,828
Rent	7,500	7,500
Repairs and maintenance	3,839	5,691
Salaries and benefits	246,612	337,803
Security	359	370
Supplies	35,669	32,632
Telephone	2,295	2,625
Training and education	-	2,134
Travel	-	946
Utilities	9,660	10,311
Vehicle expenses	6,392	2,789
Veterinary fees - shelter treatment	26,781	47,623
Veterinary fees - spay and neuter program	<u>79,090</u>	<u>74,182</u>
	<u>477,583</u>	<u>592,300</u>
<b>Excess (deficiency) of revenue over expenses before other items</b>	98,810	(71,998)
<b>Other items</b>		
Realized capital contributions (Note 8)	2,148	2,628
Unrealized gain (loss) on investments	<u>44,519</u>	<u>(36,438)</u>
<b>Excess (deficiency) of revenue over expenses</b>	145,477	(105,808)
Net assets, beginning of year	<u>972,532</u>	<u>1,078,340</u>
<b>Net Assets, end of year</b>	<u>\$ 1,118,009</u>	<u>\$ 972,532</u>

LLOYDMINSTER & DISTRICT SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2019

	2019	2018
<b>Operating Activities</b>		
Cash received from donations and fundraising	287,048	251,632
Cash received from adoptions and merchandise sales	117,292	121,251
Cash received from grants	187,455	119,816
Cash paid to suppliers and organizations	(201,459)	(246,338)
Cash paid for salaries and benefits	(256,344)	(337,803)
Interest received	2,263	127
Interest paid	<u>(4,725)</u>	<u>(4,658)</u>
	<u>131,530</u>	<u>(95,973)</u>
<b>Investing Activities</b>		
Net (increase) decrease in investments	(13,382)	(11,816)
Additions to capital assets	<u>(1,886)</u>	<u>(11,350)</u>
	<u>(15,268)</u>	<u>(23,166)</u>
<b>Net Increase (Decrease) In Cash</b>	116,262	(119,139)
Cash at beginning	<u>111,012</u>	<u>230,151</u>
<b>Cash At End</b>	<u>\$ 227,274</u>	<u>\$ 111,012</u>
<b>Cash is comprised of the following:</b>		
Cash	164,701	46,566
Restricted cash	<u>62,573</u>	<u>64,446</u>
	<u>\$ 227,274</u>	<u>\$ 111,012</u>

# LLOYDMINSTER & DISTRICT SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

### 1. Statutes of Incorporation and Nature of Organization

The Lloydminster & District Society for the Prevention of Cruelty to Animals (the "Society") was incorporated under the *Canada Corporations Act* as a not-for-profit organization and is a registered charity under the *Income Tax Act (Canada)*. The Society's mission is to provide shelter and care to unwanted and neglected companion animals. The Society 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 for management in accordance with Canadian accounting standards for not-for-profit organizations. The precise determination of many assets and liabilities is dependent on future events. As a result, the preparation of financial statements for a period involves the use of estimates and approximations which have been made using careful judgment. Actual results could differ from those estimates and approximations. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

#### 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.

#### 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 method 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.

	<b>Method</b>	<b>Rate</b>
Buildings	declining balance	4%
Automotive	declining balance	30%
Computer equipment	declining balance	55%
Computer software	declining balance	100%
Equipment	declining balance	20%

#### Investments

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  
YEAR ENDED DECEMBER 31, 2019**

**2. Significant Accounting Policies (con't)**

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

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 Services and Materials

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

Volunteers contribute many hours annually to assist the Society in carrying out its service delivery activities. Because of the difficulty of determining their fair value, contributed volunteer 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.

Financial Instruments

The Society initially measures its financial assets and financial liabilities at fair value. The Society subsequently measures all its financial assets and financial liabilities at amortized cost. Financial assets measured at amortized cost include cash, accounts receivable and long-term investments. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and deferred contributions.

LLOYDMINSTER & DISTRICT SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2019

3. Financial Instruments

The Society is exposed to various risks through its financial instruments.

*Credit Risk*

The Society is exposed to credit risk on receivables from its funders and customers. As at December 31, 2019, two customers accounted for 81% (2018 - two customers accounted for 45%) of the accounts receivable. The Society believes that there is no unusual exposure associated with the collection of these receivables. The Society performs regular credit assessments of its customers and provides allowances for potentially uncollectible accounts receivable.

*Interest Rate Risk*

Interest rate risk is the risk to the Society's earnings that arise from fluctuations in interest rates and the degree of volatility of these rates. See Note 4.

*Liquidity risk*

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Society is exposed to this risk mainly in respect of its receipt of funds from funders and customers. The Society controls liquidity risk through management of its cash flows.

4. Investments

	<b>2019</b>	<b>2018</b>
Equity - Co-op	7,122	6,195
Marketable securities	<u>448,190</u>	<u>403,671</u>
	<u>\$ 455,312</u>	<u>\$ 409,866</u>

Investments are recorded at market value as of December 31, 2019. The adjusted cost base of the marketable securities is \$401,578 (2018 - \$389,123). Marketable securities include investments in mutual funds.

A portion of the investments relates to the McLean Estate bequest, donated in 2008 (2019 - \$401,578; 2018 - \$389,123).

LLOYDMINSTER & DISTRICT SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2019

5. Capital Assets

	2019			2018
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Automotive	26,644	22,392	4,252	6,073
Buildings	762,773	264,457	498,316	499,032
Computer equipment	12,054	7,727	4,327	4,403
Computer software	8,000	8,000	-	-
Equipment	<u>87,173</u>	<u>80,551</u>	<u>6,622</u>	<u>7,220</u>
	<u>\$ 896,644</u>	<u>\$ 383,127</u>	<u>\$ 513,517</u>	<u>\$ 516,728</u>

Buildings include expenditures for architectural and engineering fees and property tax relating to the new building with a carrying value of \$481,112 (2018 - \$481,112). No amortization of this asset has been recorded during the current year because it is currently under development.

6. Restricted Cash

Restricted cash consists of:

	2019	2018
Spay and neuter sick /injured animal fund	61,532	63,405
Casino	1,029	1,029
New Building fund	<u>12</u>	<u>12</u>
	<u>\$ 62,573</u>	<u>\$ 64,446</u>

7. 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.

Changes in the deferred revenue balances are as follows:

	2019	2018
		Restated (Note 11)
Balance, beginning of year	12	28,611
Less: Amounts recognized as revenue during the year	<u>-</u>	<u>(28,599)</u>
Balance, end of year	<u>\$ 12</u>	<u>\$ 12</u>

**LLOYDMINSTER & DISTRICT SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2019**

**8. Unamortized Capital Contributions**

Unamortized capital contributions related to capital assets represent 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 the unamortized capital contributions related to the in-kind capital asset received are as follows:

	<b>2019</b>	<b>2018</b>
Balance, beginning of year	38,895	40,023
Amount received during the year	-	1,500
Recognized as revenue during the year	<u>(2,148)</u>	<u>(2,628)</u>
Ending balance	<u>\$ 36,747</u>	<u>\$ 38,895</u>

**9. Commitments**

The Society occupies leased premises owned by the City of Lloydminster subject to annual payments of \$7,500 until 2029. The Society has the option to terminate this lease at any time by providing the City with three months written notice.

2020	7,500
2021	7,500
2022	7,500
2023	7,500
2024	7,500
2025 and subsequent	<u>37,500</u>
	<u>\$ 75,000</u>

**10. Internally Restricted Net Assets**

Internally restricted funds represent amounts restricted for the long-term sustainability of the Society. These internally restricted and reinvested amounts are not available for other purposes without the approval of the Board of Directors.

**11. Prior Period Adjustment**

In the current year, management identified an internally restricted net asset that was incorrectly classified as a deferred contribution. The error was corrected retrospectively and resulted in a reduction of deferred contributions of \$389,123 and a corresponding increase in internally restricted net assets of the same amount. There was no impact on the excess (deficiency) of revenue over expenses.

**LLOYDMINSTER & DISTRICT SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2019**

**12. Subsequent Events**

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has the potential to have a significant financial, market and social impact on the Society's operations. The City of Lloydminster declared a state of local emergency effective March 19, 2020.

COVID-19 presents uncertainty over future cash flows for the Society, may cause significant changes to assets or liabilities, and may have a significant impact on future operations. Due to the unprecedented nature of this event, it is not feasible to estimate the full financial impact on the Society at this time.

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

During the year, \$20,131 (2018 - \$48,934) was paid as remuneration to employees whose 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.

**14. Comparative Amounts**

Certain 2018 comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year. The reclassifications resulted in no effect on reported net income.