

Financial Statements of

**CANADIAN FEDERATION OF HUMANE
SOCIETIES**

Years ended December 31, 2012 and 2011



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the Canadian Federation of Humane Societies

Report on the Financial Statements

We have audited the accompanying financial statements of the Canadian Federation of Humane Societies, which comprise the statements of financial position as at December 31, 2012, December 31, 2011 and January 1, 2011, the statements of operations, changes in net assets and cash flows for the years ended December 31, 2012 and December 31, 2011, and notes, comprising 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 audits. We conducted our audits 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 our 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, we consider 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Canadian Federation of Humane Societies as at December 31, 2012, December 31, 2011 and January 1, 2011, and its results of operations, changes in net assets and its cash flows for the years ended December 31, 2012 and December 31 2011 in accordance with Canadian accounting standards for not-for-profit organizations.

Report on Other Legal Requirements

As required by the Canada Corporations Act, we report that, in our opinion, the accounting principles in Canadian accounting standards for not-for-profit organizations have been applied on a consistent basis.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

March 28, 2013

Ottawa, Canada

CANADIAN FEDERATION OF HUMANE SOCIETIES

Statements of Financial Position

December 31, 2012, December 31, 2011 and January 1, 2011

	Operating Fund	Frederic A. McGrand Trust Fund	Internally Restricted Reserve Fund	December 31, 2012 Total	December 31, 2011 Total (note 7)	January 1, 2011 Total (note 7)
Assets						
Current assets:						
Cash	\$ 91,652	\$ 743	\$ 3,144	\$ 95,539	\$ 155,485	\$ 61,623
Short-term investments	–	–	–	–	–	103,405
Accounts receivable	66,265	–	–	66,265	104,788	15,785
Prepaid expenses	1,800	–	–	1,800	1,460	1,459
	159,717	743	3,144	163,604	261,733	182,272
Investments (note 2)	–	259,192	552,771	811,963	712,740	796,308
Capital assets (note 3)	140,483	–	–	140,483	143,326	148,811
	\$ 300,200	\$ 259,935	\$ 555,915	\$ 1,116,050	\$ 1,117,799	\$ 1,127,391
Liabilities and Net Assets						
Current liabilities:						
Accounts payable and accrued liabilities (note 4)	\$ 23,534	\$ –	\$ –	\$ 23,534	\$ 23,534	\$ 110,002
Deferred revenue	5,000	–	–	5,000	1,521	620
	28,534	–	–	28,534	25,055	110,622
Net assets:						
Unrestricted	131,183	–	–	131,183	175,249	42,970
Internally restricted	–	–	555,915	555,915	519,105	574,411
Externally restricted	–	259,935	–	259,935	255,064	250,577
Investment in capital assets	140,483	–	–	140,483	143,326	148,811
	271,666	259,935	555,915	1,087,516	1,092,744	1,016,769
	\$ 300,200	\$ 259,935	\$ 555,915	\$ 1,116,050	\$ 1,117,799	\$ 1,127,391

See accompanying notes to financial statements.

CANADIAN FEDERATION OF HUMANE SOCIETIES

Statements of Operations

Years ended December 31, 2012 and 2011

	Operating Fund	Frederic A. McGrand Trust Fund	Internally Restricted Reserve Fund	2012 Total	2011 Total
					(note 7)
Revenue:					
Donations	\$ 255,969	\$ -	\$ -	\$ 255,969	\$ 180,884
Corporate sponsors	159,986	-	-	159,986	116,013
Memberships	31,690	-	-	31,690	28,420
Other revenue	21,929	131	-	22,060	13,441
Other foundations	18,170	-	-	18,170	4,577
Investment income realized	-	7,251	19,288	26,539	37,498
Investment gain (loss) unrealized	-	5,089	17,522	22,611	(2,766)
Bequests	102,815	-	-	102,815	238,655
	590,559	12,471	36,810	639,840	616,722
Expenses (schedule):					
Fund development	155,840	-	-	155,840	168,772
Member services	31,788	-	-	31,788	30,170
National programs	190,845	-	-	190,845	80,485
Communications	68,534	-	-	68,534	56,779
Administrative	145,656	-	-	145,656	139,169
Other expenses	38,994	-	-	38,994	42,975
Grants	-	7,600	-	7,600	6,618
	631,657	7,600	-	639,257	524,968
Excess (deficiency) of revenue over expenses before the undernoted	(41,098)	4,871	36,810	583	91,754
Other income (expenses):					
Amortization of capital assets	(5,811)	-	-	(5,811)	(5,485)
Retiring allowances	-	-	-	-	(10,294)
	(5,811)	-	-	(5,811)	(15,779)
Excess (deficiency) of revenue over expenses	\$ (46,909)	\$ 4,871	\$ 36,810	\$ (5,228)	\$ 75,975

See accompanying notes to financial statements.

CANADIAN FEDERATION OF HUMANE SOCIETIES

Statements of Changes in Net Assets

Years ended December 31, 2012 and 2011

December 31, 2012	Investment in capital assets	Frederic A. McGrand Trust Fund	Internally Restricted Reserve Fund	Operating Fund	Total
Balance, beginning of year	\$ 143,326	\$ 255,064	\$ 519,105	\$ 175,249	\$ 1,092,744
Excess (deficiency) of revenue over expenses	–	4,871	36,810	(46,909)	(5,228)
Interfund transfers	–	–	–	–	–
Amortization of capital assets	(5,811)	–	–	5,811	–
Capital asset additions	2,968	–	–	(2,968)	–
Balance, end of year	\$ 140,483	\$ 259,935	\$ 555,915	\$ 131,183	\$ 1,087,516

December 31, 2011	Investment in capital assets	Frederic A. McGrand Trust Fund	Internally Restricted Reserve Fund	Operating Fund	Total
Balance, beginning of year	\$ 148,811	\$ 250,577	\$ 574,411	\$ 42,970	\$ 1,016,769
Excess (deficiency) of revenue over expenses	–	4,487	100,894	(29,406)	75,975
Interfund transfers	–	–	(156,200)	156,200	–
Amortization of capital assets	(5,485)	–	–	5,485	–
Balance, end of year	\$ 143,326	\$ 255,064	\$ 519,105	\$ 175,249	\$ 1,092,744

See accompanying notes to financial statements.

CANADIAN FEDERATION OF HUMANE SOCIETIES

Statements of Cash Flows

Years ended December 31, 2012 and 2011

	2012	2011
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	\$ (5,228)	\$ 75,975
Items not involving cash:		
Amortization of capital assets	5,811	5,485
Unrealized investment loss (gain)	(22,611)	2,766
Change in non-cash operating working capital:		
Decrease in short-term investments	–	103,405
Decrease (increase) in accounts receivable	38,523	(89,003)
Increase in prepaid expenses	(340)	(1)
Decrease in accounts payable and accrued liabilities	–	(86,468)
Increase in deferred revenue	3,479	901
	<u>19,634</u>	<u>13,060</u>
Investments:		
Capital asset additions	(2,968)	–
Additions to investments	(76,612)	–
	<u>(79,580)</u>	<u>–</u>
Financing:		
Withdrawals from investments	–	80,802
	<u>(59,946)</u>	<u>93,862</u>
Increase (decrease) in cash	(59,946)	93,862
Cash, beginning of year	155,485	61,623
Cash, end of year	<u>\$ 95,539</u>	<u>\$ 155,485</u>

See accompanying notes to financial statements.

CANADIAN FEDERATION OF HUMANE SOCIETIES

Notes to Financial Statements

Years ended December 31, 2012 and 2011

The Canadian Federation of Humane Societies (the "Federation") is the national body comprising animal welfare organizations and individuals whose purpose is to promote humane treatment of animals. The Federation was incorporated without share capital under the Canada Business Corporations Act on August 7, 1957 and is a registered charity under paragraph 149(1)(f) of the Income Tax Act (Canada), and, accordingly, is exempt from income taxes provided certain requirements of the Income Tax Act are met.

On January 1, 2012, the Federation adopted Canadian accounting standards for not-for-profit organizations in Part III of the CICA Handbook. These are the first financial statements prepared in accordance with Canadian accounting standards for not-for-profit organizations.

In accordance with the transitional provisions in Canadian accounting standards for not-for-profit organizations, the Federation has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is January 1, 2011 and all comparative information provided has been presented by applying Canadian accounting standards for not-for-profit organizations.

There were no adjustments to net assets as at January 1, 2011 or excess of revenue over expenses for the year ended December 31, 2011 as a result of the transition to Canadian accounting standards for not-for-profit organizations.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CICA Handbook and include the following significant accounting policies.

(a) Basis of presentation:

The Federation uses the restricted fund method of accounting for contributions for not-for-profit organizations.

(b) Fund accounting:

The operating fund reflects the operating activities of the Federation, including the Federation's investment in capital assets.

The Frederic A. McGrand trust fund represents assets turned over to the Federation in 1987 on the condition that income generated by the assets of the fund be directed to animal welfare societies in the Atlantic provinces of Canada.

The internally restricted reserve fund represents assets turned over to the Federation from the dissolution of the CFHS Foundation.

CANADIAN FEDERATION OF HUMANE SOCIETIES

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

1. Significant accounting policies (continued):

(c) Revenue recognition:

Contributions are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Because of the uncertainty of the collectability of pledges, the Federation recognizes pledges as donation revenue in the year received.

(d) Expenses:

In the statement of operations, the Federation presents its expenses by function, with the exception of retiring allowances and amortization of capital assets, which are presented separately. The Federation does not allocate expenses between functions subsequent to initial recognition.

(e) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Federation has elected to carry its investments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Federation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Federation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

CANADIAN FEDERATION OF HUMANE SOCIETIES

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

1. Significant accounting policies (continued):

(f) Capital assets:

Capital assets are stated at cost. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Federation's ability to provide services, its carrying amount is written down to its residual value. Amortization is provided on the declining balance basis using the following annual rates:

Asset	Rate
Condominium office unit	2 1/2%
Office equipment and furniture	20%
Computer hardware	55%

(g) Use of estimates:

The preparation of the financial statements 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 revenue and expenses during the year. Actual results could differ from those estimates. These estimates are reviewed annually and as adjustments become necessary, they are recognized in the financial statements in the period in which they become known.

2. Investments:

	December 31, 2012	December 31, 2011	January 1, 2011
Guaranteed investment certificates	\$ 256,944	\$ 255,242	\$ 312,000
Mutual funds	388,199	202,987	216,401
Equities	166,820	254,511	267,907
	\$ 811,963	\$ 712,740	\$ 796,308

Guaranteed investment certificates have interest rates ranging from 2.05 to 4.5% (2011 – 4.225 to 4.45%) and maturity dates from August 13, 2013 to August 22, 2014 (2011 – August 14, 2013 to September 24, 2013).

CANADIAN FEDERATION OF HUMANE SOCIETIES

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

3. Capital assets:

December 31, 2012	Cost	Accumulated amortization	Net book value
Condominium office unit	\$ 173,607	\$ 41,730	\$ 131,877
Furniture and equipment	10,667	4,213	6,454
Computer hardware	2,968	816	2,152
	<u>\$ 187,242</u>	<u>\$ 46,759</u>	<u>\$ 140,483</u>

December 31, 2011	Cost	Accumulated amortization	Net book value
Condominium office unit	\$ 173,607	\$ 38,348	\$ 135,259
Furniture and equipment	10,667	2,600	8,067
	<u>\$ 184,274</u>	<u>\$ 40,948</u>	<u>\$ 143,326</u>

January 1, 2011	Cost	Accumulated amortization	Net book value
Condominium office unit	\$ 173,607	\$ 34,880	\$ 138,727
Furniture and equipment	48,654	48,654	–
Computer hardware	15,668	5,584	10,084
	<u>\$ 237,929</u>	<u>\$ 89,118</u>	<u>\$ 148,811</u>

During the year, the Federation disposed of \$Nil (2011 - \$53,655) of fully amortized capital assets.

CANADIAN FEDERATION OF HUMANE SOCIETIES

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

4. Accounts payable and accrued liabilities:

As at year end, the Federation had \$Nil payable for government remittances.

5. Net assets:

Management's objective when managing its net assets is to safeguard the Federation's ability to continue as a going concern so that it can continue to provide services in accordance with its mission.

The Federation is not subject to externally imposed capital requirements and its overall strategy with respect to net assets remains unchanged from the year ended December 31, 2011.

6. Financial risks:

(a) Liquidity risk:

Liquidity risk is the risk that the Federation will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Federation manages its liquidity risk by monitoring its operating requirements. The Federation prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from 2011.

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Federation is exposed to credit risk with respect to the accounts receivable. The Federation assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. At year-end, there were no amounts allowed for in accounts receivable.

(c) Interest rate risk:

The Federation believes it is not subject to significant interest rate risk arising from its financial instruments, as this risk is limited to its investments in guaranteed investment certificates as disclosed in note 2.

CANADIAN FEDERATION OF HUMANE SOCIETIES

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

7. Prior year figures:

(a) Statement of Operations for the year ended December 31, 2011

	Operating Fund	Internally Frederic A. McGrand Trust Fund	Restricted Reserve Fund	December 31, 2011 Total
Revenue:				
Donations	\$ 180,884	\$ –	\$ –	\$ 180,884
Corporate sponsors	116,013	–	–	116,013
Memberships	28,420	–	–	28,420
Other revenue	12,821	620	–	13,441
Other foundations	4,577	–	–	4,577
Investment income realized	647	9,523	27,328	37,498
Investment gain (loss) unrealized	–	962	(3,728)	(2,766)
Bequests	142,676	–	95,979	238,655
	486,038	11,105	119,579	616,722
Expenses (schedule):				
Fund development	160,381	–	8,391	168,772
Member services	30,170	–	–	30,170
National programs	80,485	–	–	80,485
Communications	56,779	–	–	56,779
Administrative	139,169	–	–	139,169
Other expenses	42,975	–	–	42,975
Grants	–	6,618	–	6,618
	509,959	6,618	8,391	524,968
Excess (deficiency) of revenue over expenses before the undernoted	(23,921)	4,487	111,188	91,754
Other income (expenses):				
Amortization of capital assets	(5,485)	–	–	(5,485)
Retiring allowances	–	–	(10,294)	(10,294)
	(5,485)	–	(10,294)	(15,779)
Excess (deficiency) of revenue over expenses	\$ (29,406)	\$ 4,487	\$ 100,894	\$ 75,975

CANADIAN FEDERATION OF HUMANE SOCIETIES

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

7. Prior year figures (continued):

(b) Statement of Financial Position as at December 31, 2011

	Operating Fund	Internally Frederic A. McGrand Trust Fund	Restricted Reserve Fund	December 31, 2011 Total
Assets				
Current assets:				
Cash	\$ 94,056	\$ 2,013	\$ 59,416	\$ 155,485
Short-term investments	–	–	–	–
Accounts receivable	104,788	–	–	104,788
Prepaid expenses	1,460	–	–	1,460
	200,304	2,013	59,416	261,733
Investments (note 2)	–	253,051	459,689	712,740
Capital assets (note 3)	143,326	–	–	143,326
	\$ 343,630	\$ 255,064	\$ 519,105	\$ 1,117,799
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 23,534	\$ –	\$ –	\$ 23,534
Deferred revenue	1,521	–	–	1,521
	25,055	–	–	25,055
Net assets:				
Unrestricted	175,249	–	–	175,249
Internally restricted	–	–	519,105	519,105
Externally restricted	–	255,064	–	255,064
Investment in capital assets	143,326	–	–	143,326
	318,575	255,064	519,105	1,092,744
	\$ 343,630	\$ 255,064	\$ 519,105	\$ 1,117,799

CANADIAN FEDERATION OF HUMANE SOCIETIES

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

7. Prior year figures (continued):

(c) Statement of Financial Position as at January 1, 2011

	Operating Fund	Internally Frederic A. McGrand Trust Fund	Restricted Reserve Fund	January 1, 2011 Total
Assets				
Current assets:				
Cash	\$ 32,943	\$ 7,762	\$ 20,918	\$ 61,623
Short-term investments	103,405	–	–	103,405
Accounts receivable	15,785	–	–	15,785
Prepaid expenses	1,459	–	–	1,459
	153,592	7,762	20,918	182,272
Investments (note 2)	–	242,815	553,493	796,308
Capital assets (note 3)	148,811	–	–	148,811
	\$ 302,403	\$ 250,577	\$ 574,411	\$ 1,127,391
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 110,002	\$ –	\$ –	\$ 110,002
Deferred revenue	620	–	–	620
	110,622	–	–	110,622
Net assets:				
Unrestricted	42,970	–	–	42,970
Internally restricted	–	–	574,411	574,411
Externally restricted	–	250,577	–	250,577
Investment in capital assets	148,811	–	–	148,811
	191,781	250,577	574,411	1,016,769
	\$ 302,403	\$ 250,577	\$ 574,411	\$ 1,127,391

CANADIAN FEDERATION OF HUMANE SOCIETIES

Schedules of Operating Fund Expenses

Years ended December 31, 2012 and 2011

	2012	2011
Fund development:		
Direct mail	\$ 40,221	\$ 53,843
Personnel	98,951	94,441
Overhead	16,668	20,488
	<hr/>	<hr/>
	\$ 155,840	\$ 168,772
Member services:		
CEO summit	\$ 3,747	\$ 3,742
Personnel	23,750	26,399
Travel	4,291	29
	<hr/>	<hr/>
	\$ 31,788	\$ 30,170
National programs:		
National programs	\$ 106,326	\$ 24,386
Personnel	77,935	51,881
Travel	6,584	4,218
	<hr/>	<hr/>
	\$ 190,845	\$ 80,485
Communications:		
Public engagement	\$ 14,397	\$ 11,820
Personnel	52,753	41,648
Web site	1,384	3,311
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	\$ 68,534	\$ 56,779
Administrative:		
Office and general	\$ 15,560	\$ 18,364
Professional fees	34,868	34,873
Personnel	83,476	73,466
Other administration	11,752	12,466
	<hr/>	<hr/>
	\$ 145,656	\$ 139,169
Other expenses:		
AGM and board meeting	\$ 13,606	\$ 18,559
Condominium expenses	25,388	24,416
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	\$ 38,994	\$ 42,975