

Financial Statements of

**CANADIAN FEDERATION OF
HUMANE SOCIETIES**

Year ended December 31, 2013



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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Canadian Federation of Humane Societies, which comprise the statement of financial position as at December 31, 2013, the statements of operations, changes in fund balances and cash flows for the year then ended, 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 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 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 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, 2013, and its results of operations, changes in fund balances and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

March 26, 2014

Ottawa, Canada

CANADIAN FEDERATION OF HUMANE SOCIETIES

Statement of Financial Position

December 31, 2013, with comparative information for 2012

				2013	2012
	Operating Fund	Frederic A. McGrand Trust Fund	Internally Restricted Reserve Fund	Total	Total
Assets					
Current assets:					
Cash	\$ 85,983	\$ 1,746	\$ 89,996	\$ 177,725	\$ 95,539
Accounts receivable	29,077	-	-	29,077	66,265
Prepaid expenses	1,488	-	-	1,488	1,800
	116,548	1,746	89,996	208,290	163,604
Investments (note 2)	-	265,554	461,522	727,076	811,963
Tangible capital assets (note 3)	134,712	-	-	134,712	140,483
	\$ 251,260	\$ 267,300	\$ 551,518	\$ 1,070,078	\$ 1,116,050

Liabilities and Fund Balances

Current liabilities:					
Accounts payable and accrued liabilities (note 4)	\$ 18,872	\$ -	\$ -	\$ 18,872	\$ 23,534
Deferred revenue	38,694	-	-	38,694	5,000
	57,566	-	-	57,566	28,534
Fund balances:					
Unrestricted	58,982	-	-	58,982	131,183
Internally restricted	-	-	551,518	551,518	555,915
Externally restricted	-	267,300	-	267,300	259,935
Investment in tangible capital assets	134,712	-	-	134,712	140,483
	193,694	267,300	551,518	1,012,512	1,087,516
	\$ 251,260	\$ 267,300	\$ 551,518	\$ 1,070,078	\$ 1,116,050

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

CANADIAN FEDERATION OF HUMANE SOCIETIES

Statement of Operations

Year ended December 31, 2013, with comparative information for 2012

				2013	2012
	Operating Fund	Frederic A. McGrand Trust Fund	Internally Restricted Reserve Fund	Total	Total
Revenue:					
Donations	\$ 241,156	\$ -	\$ -	\$ 241,156	\$ 255,969
Corporate sponsors	45,393	-	-	45,393	159,986
Memberships	39,003	-	-	39,003	31,690
Other revenue	24,792	983	-	25,775	22,060
Other foundations	41,488	-	-	41,488	18,170
Investment income realized	-	4,119	8,663	12,782	26,539
Investment gain/(loss) unrealized	-	9,263	35,940	45,203	22,611
Bequests	83,818	-	-	83,818	102,815
	<u>475,650</u>	<u>14,365</u>	<u>44,603</u>	<u>534,618</u>	<u>639,840</u>
Expenses (schedule):					
Fund development	158,278	-	-	158,278	155,840
Member services	33,421	-	-	33,421	31,788
National programs	193,301	-	-	193,301	190,845
Communications	70,579	-	-	70,579	68,534
Administrative	108,612	-	-	108,612	145,656
Other expenses	32,660	-	-	32,660	38,994
Grants	-	7,000	-	7,000	7,600
	<u>596,851</u>	<u>7,000</u>	<u>-</u>	<u>603,851</u>	<u>639,257</u>
Excess (deficiency) of revenue over expenses before the undernoted					
	(121,201)	7,365	44,603	(69,233)	583
Other income (expenses):					
Amortization of tangible capital assets	(5,771)	-	-	(5,771)	(5,811)
Excess (deficiency) of revenue over expenses					
	\$ (126,972)	\$ 7,365	\$ 44,603	\$ (75,004)	\$ (5,228)

See accompanying notes to financial statements.

CANADIAN FEDERATION OF HUMANE SOCIETIES

Statement of Changes in Fund Balances

Year ended December 31, 2013, with comparative information for 2012

					2013	2012
	Investment in tangible capital assets	Frederic A. McGrand Trust Fund	Internally Restricted Reserve Fund	Operating Fund	Total	Total
Balance, beginning of year	\$ 140,483	\$ 259,935	\$ 555,915	\$ 131,183	\$ 1,087,516	\$ 1,092,744
Excess (deficiency) of revenue over expenses	-	7,365	44,603	(126,972)	(75,004)	(5,228)
Interfund transfers	-	-	(49,000)	49,000	-	-
Amortization of tangible capital assets	(5,771)	-	-	5,771	-	-
Balance, end of year	\$ 134,712	\$ 267,300	\$ 551,518	\$ 58,982	\$ 1,012,512	\$ 1,087,516

See accompanying notes to financial statements.

CANADIAN FEDERATION OF HUMANE SOCIETIES

Statement of Cash Flows

Year ended December 31, 2013, with comparative information for 2012

	2013	2012
Cash provided by (used in):		
Operations:		
Deficiency of revenue over expenses	\$ (75,004)	\$ (5,228)
Items not involving cash:		
Amortization of tangible capital assets	5,771	5,811
Unrealized investment loss (gain)	(45,203)	(22,611)
Change in non-cash operating working capital:		
Decrease in accounts receivable	37,188	38,523
Decrease (increase) in prepaid expenses	312	(340)
Decrease in accounts payable and accrued liabilities	(4,662)	-
Increase in deferred revenue	33,694	3,479
	(47,904)	19,634
Investments:		
Capital asset additions	-	(2,968)
Additions to investments	-	(76,612)
	-	(79,580)
Financing:		
Net withdrawals from investments	130,090	-
Increase (decrease) in cash	82,186	(59,946)
Cash, beginning of year	95,539	155,485
Cash, end of year	\$ 177,725	\$ 95,539

See accompanying notes to financial statements.

CANADIAN FEDERATION OF HUMANE SOCIETIES

Notes to Financial Statements

Year ended December 31, 2013

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 for animals. The Federation was incorporated without share capital under the Canada Business Corporations Act on August 7, 1957. Effective January 31, 2014, the Federation continued their articles of incorporation from the Canada Corporations Act to the Canada Not-for-profit Corporations Act. The Federation 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.

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 CPA Canada Handbook - Accounting 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.

(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.

CANADIAN FEDERATION OF HUMANE SOCIETIES

Notes to Financial Statements (continued)

Year ended December 31, 2013

1. Significant accounting policies (continued):

(d) Expenses:

In the statement of operations, the Federation presents its expenses by function, with the exception of amortization of capital assets, which is 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)

Year ended December 31, 2013

1. Significant accounting policies (continued):

(f) Tangible capital assets:

Tangible 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%
Furniture and equipment	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:

	2013	2012
Guaranteed investment certificates	\$ 106,236	\$ 256,944
Money market and mutual funds	283,138	388,199
Equities	191,282	166,820
Corporate bonds	146,420	-
	\$ 727,076	\$ 811,963

Guaranteed investment certificates have interest rates ranging from 2.05 to 2.2% (2012 – 2.05 to 4.5%) and maturity dates from February 10, 2014 to August 22, 2014 (2012 – August 13, 2013 to August 22, 2014).

CANADIAN FEDERATION OF HUMANE SOCIETIES

Notes to Financial Statements (continued)

Year ended December 31, 2013

3. Tangible capital assets:

			2013	2012
	Cost	Accumulated amortization	Net book value	Net book value
Condominium office unit	\$ 173,607	\$ 45,027	\$ 128,580	\$ 131,877
Furniture and equipment	10,667	5,504	5,163	6,454
Computer hardware	2,968	1,999	969	2,152
	<u>\$ 187,242</u>	<u>\$ 52,530</u>	<u>\$ 134,712</u>	<u>\$ 140,483</u>

At year end, the cost and accumulated amortization of tangible capital assets was \$187,242 and \$46,759 respectively. During the year, the Federation disposed of \$Nil (2012 - \$53,655) of fully amortized tangible capital assets.

4. Accounts payable and accrued liabilities:

As at year end, the Federation had \$Nil (2012 - \$Nil) payable for government remittances.

5. Fund balances:

Management's objective when managing its fund balances 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, 2012.

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 2012.

CANADIAN FEDERATION OF HUMANE SOCIETIES

Notes to Financial Statements (continued)

Year ended December 31, 2013

6. Financial risks (continued):

(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 and corporate bonds as disclosed in note 2.

CANADIAN FEDERATION OF HUMANE SOCIETIES

Schedule of Operating Fund Expenses

Year ended December 31, 2013, with comparative information for 2012

	2013	2012
Fund development:		
Direct mail	\$ 40,667	\$ 40,221
Personnel	98,305	98,951
Overhead	19,306	16,668
	\$ 158,278	\$ 155,840
Member services:		
CEO summit	\$ -	\$ 3,747
Personnel	23,750	23,750
Travel	9,671	4,291
	\$ 33,421	\$ 31,788
Programs:		
National programs	\$ 100,302	\$ 106,326
Personnel	90,718	77,935
Travel	2,281	6,584
	\$ 193,301	\$ 190,845
Communications:		
Public engagement	\$ 6,778	\$ 14,397
Personnel	63,038	52,753
Web site	763	1,384
	\$ 70,579	\$ 68,534
Administrative:		
Office and general	\$ 11,356	\$ 15,560
Professional fees	43,784	34,868
Personnel	41,835	83,476
Other administration	11,637	11,752
	\$ 108,612	\$ 145,656
Other expenses:		
AGM and board meeting	\$ 6,991	\$ 13,608
Condominium expenses	25,669	25,386
	\$ 32,660	\$ 38,994