

Financial Statements of

**CANADIAN FEDERATION
OF HUMANE SOCIETIES**

(Operating as Humane Canada)

And Independent Auditors' Report thereon

Year ended December 31, 2020



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INDEPENDENT AUDITORS' REPORT

To the Members of the Canadian Federation of Humane Societies

Opinion

We have audited the financial statements of the Canadian Federation of Humane Societies (the Federation), which comprise:

- the statement of financial position as at December 31, 2020
- the statement of operations for the year then ended
- the statement of changes in fund balances for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at December 31, 2020, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Federation 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 opinion.



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 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 Federation'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 Federation or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 the 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.



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- 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 Federation'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 Federation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- 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.
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

April 16, 2021

CANADIAN FEDERATION OF HUMANE SOCIETIES

Statement of Financial Position

December 31, 2020, with comparative information for 2019

	Operating Fund	Frederic A. McGrand Trust Fund	Internally Restricted Reserve Fund	2020 Total	2019 Total
Assets					
Current assets:					
Cash	\$ 570,806	\$ 8,850	\$ 9,748	\$ 589,404	\$ 117,207
Accounts receivable (note 4)	79,393	—	—	79,393	65,425
Prepaid expenses	61,761	—	—	61,761	47,303
	711,960	8,850	9,748	730,558	229,935
Investments (note 2)	—	181,100	587,814	768,914	761,240
Tangible capital assets (note 3)	109,197	—	—	109,197	113,910
	\$ 821,157	\$ 189,950	\$ 597,562	\$ 1,608,669	\$ 1,105,085

Liabilities and Fund Balances

Current liabilities:					
Accounts payable and accrued liabilities (note 4)	\$ 150,688	\$ —	\$ —	\$ 150,688	\$ 152,187
Deferred revenue	421,675	—	—	421,675	87,667
	572,363	—	—	572,363	239,854
Loan payable (note 5)	26,308	—	—	26,308	—
Deferred government grant (note 5)	3,692	—	—	3,692	—
Total liabilities	602,363	—	—	602,363	239,854
Fund balances:					
Unrestricted	218,794	—	—	218,794	90,840
Internally restricted	—	—	597,562	597,562	587,299
Externally restricted	—	189,950	—	189,950	187,092
	218,794	189,950	597,562	1,006,306	865,231

Impact of COVID-19 (note 8)

Subsequent event (note 9)

	\$ 821,157	\$ 189,950	\$ 597,562	\$ 1,608,669	\$ 1,105,085
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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, 2020, with comparative information for 2019

	Operating Fund	Frederic A. McGrand Trust Fund	Internally Restricted Reserve Fund	2020 Total	2019 Total
Revenue:					
National Animal Welfare					
Conference	\$ 143,745	\$ —	\$ —	\$ 143,745	\$ 307,295
Donations	320,684	—	—	320,684	\$ 246,648
Other foundations	151,619	—	—	151,619	184,757
Corporate sponsors	41,803	—	—	41,803	153,472
Violence link conference	30,500	—	—	30,500	145,438
Other revenue	171,056	—	—	171,056	101,587
Memberships	67,439	—	—	67,439	58,777
Unrealized gain (loss) on investments	—	(1,720)	(4,400)	(6,120)	32,168
Bequests	50,449	—	—	50,449	30,465
Government grants	37,746	—	—	37,746	28,486
Investment income	—	4,578	14,663	19,241	18,986
Realized gain on investments	—	—	—	—	(9,274)
	1,015,041	2,858	10,263	1,028,162	1,298,805
Expenses (schedule):					
National programs	367,934	—	—	367,934	707,217
Fund development	159,719	—	—	159,719	251,295
Administrative	198,082	—	—	198,082	173,368
Communications	93,130	—	—	93,130	158,764
Other expenses	26,204	—	—	26,204	44,134
Member services	37,305	—	—	37,305	31,196
	882,374	—	—	882,374	1,365,974
Excess (deficiency) of revenue over expenses before the undernoted					
	132,667	2,858	10,263	145,788	(67,169)
Other expense:					
Amortization of tangible capital assets	(4,713)	—	—	(4,713)	(4,611)
Excess (deficiency) of revenue over expenses					
	\$ 127,954	\$ 2,858	\$ 10,263	\$ 141,075	\$ (71,780)

See accompanying notes to financial statements.

CANADIAN FEDERATION OF HUMANE SOCIETIES

Statement of Changes in Fund Balances

Year ended December 31, 2020, with comparative information for 2019

	Investment in tangible capital assets	Frederic A. McGrand Trust Fund	Internally Restricted Reserve Fund	Operating Fund	2020 Total	2019 Total
Balance, beginning of year	\$ 113,910	\$ 187,092	\$ 587,299	\$ (23,070)	\$ 865,231	\$ 937,011
Excess (deficiency) of revenue over expenses	–	2,858	10,263	127,954	141,075	(71,780)
Amortization of tangible capital assets	(4,713)	–	–	4,713	–	–
Balance, end of year	\$ 109,197	\$ 189,950	\$ 597,562	\$ 109,597	\$ 1,006,306	\$ 865,231

See accompanying notes to financial statements.

CANADIAN FEDERATION OF HUMANE SOCIETIES

Statement of Cash Flows

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ 141,075	\$ (71,780)
Items not involving cash:		
Amortization of tangible capital assets	4,713	4,611
Deferral of loan payable interest free benefit	3,692	—
Unrealized investment loss/(gain)	6,120	(32,168)
Change in non-cash operating working capital:		
Decrease (increase) in accounts receivable	(13,968)	58,970
Decrease (increase) in prepaid expenses	(14,458)	3,181
Increase (decrease) in accounts payable and accrued liabilities	(1,499)	128,084
Increase (decrease) in deferred revenue	334,008	(121,277)
	459,683	(30,379)
Investing activities:		
Tangible capital asset additions	—	(1,838)
Proceeds from loan payable	26,308	—
	26,308	(1,838)
Financing activities:		
Net change in investments	(13,794)	128,932
Increase in cash	472,197	96,715
Cash, beginning of year	117,207	20,492
Cash, end of year	\$ 589,404	\$ 117,207

See accompanying notes to financial statements.

CANADIAN FEDERATION OF HUMANE SOCIETIES

Notes to Financial Statements

Year ended December 31, 2020

The Canadian Federation of Humane Societies (operating as Humane Canada) (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. On January 1, 2019, the Federation officially changed its trade name to Humane Canada. 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 with the desire that income generated by the assets of the fund be prioritized for animal welfare societies in Atlantic Canada.

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

(c) Revenue recognition:

Unrestricted 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.

Restricted contributions are deferred and recognized in the year in which the specified purpose occurs.

Revenue from fundraising is recorded when received.

Revenue from bequests is recognized as revenue when received.

Revenue from membership fees are recorded in the membership year to which they relate.

CANADIAN FEDERATION OF HUMANE SOCIETIES

Notes to Financial Statements (continued)

Year ended December 31, 2020

1. Significant accounting policies (continued):

(c) Revenue recognition (continued):

Revenue from conferences are recognized when earned.

Investment income is recognized as revenue when earned.

(d) Expenses:

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

(e) Financial instruments:

The Federation recognizes financial instruments when they become party to contractual provisions of the financial instrument. 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, 2020

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. The carrying value of tangible capital assets is tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the tangible capital assets is not recoverable and exceeds their fair value. When a tangible 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 and is recognized using the half-year rule in the year of acquisition:

Asset	Rate
Condominium office unit	2 ½%
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. Estimates of the Federation are related to the recoverable amounts of accounts receivable and the eligibility and collection of the Canada Emergency Wage Subsidy, the amortization period for and potential impairment of capital assets, accrued liabilities and potential contingencies. 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.

CANADIAN FEDERATION OF HUMANE SOCIETIES

Notes to Financial Statements (continued)

Year ended December 31, 2020

2. Investments:

	2020	2019
Fixed income/bond pool funds	\$ 326,506	\$ 341,572
Money market and mutual funds	149,171	110,417
Common shares	257,451	180,437
Common share equity trust funds	35,786	128,814
	\$ 768,914	\$ 761,240

Fixed income securities consist of guaranteed investment certificates with interest rate ranges of 2.66 to 3.18% and maturity dates of between July 23, 2021 and March 25, 2022.

3. Tangible capital assets:

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Condominium office unit	\$ 173,607	\$ 65,980	\$ 107,627	\$ 110,459
Furniture and equipment	10,667	9,653	1,014	1,353
Computer hardware	11,299	10,743	556	2,098
	\$ 195,573	\$ 86,376	\$ 109,197	\$ 113,910

At December 31, 2019, cost and accumulated amortization of tangible capital assets was \$193,573 and \$81,663, respectively.

4. Government remittances and subsidies:

As at year end, the Federation had \$Nil (2019 - \$10,699) payable for government remittances and \$34,897 (2019 - \$Nil) receivable from the Government of Canada related to the Canada Emergency Wage Subsidy.

CANADIAN FEDERATION OF HUMANE SOCIETIES

Notes to Financial Statements (continued)

Year ended December 31, 2020

5. Loan payable:

During the year, the Federation obtained a \$40,000 loan from the Canadian Emergency Business Account (CEBA) program. Under the terms of the agreement, the loan is non-interest bearing until December 31, 2022. If the loan is repaid by December 31, 2022, up to \$10,000 will be forgiven.

During the year, the Federation recorded grant income of \$10,000 related to the forgivable portion of the loan, and \$3,692 of deferred government grants which relates to the interest-free benefit of the loan to be recognized into income over the term of the loan. During the year, the Federation recorded interest expense of \$566 related to accretion of the loan payable and \$566 of other revenue related to the amortization of the deferred government grant.

6. 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, 2019.

7. 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.

(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.

CANADIAN FEDERATION OF HUMANE SOCIETIES

Notes to Financial Statements (continued)

Year ended December 31, 2020

7. Financial risks:

(c) 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 risk, interest rate risk and other price risk.

(i) Currency risk:

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Federation believes that it is not exposed to significant foreign currency as this risk is limited to its investments in corporate bonds as disclosed in note 2.

(ii) Interest rate and other price risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. 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 Federation is exposed to interest rate and other price risk with respect to its investments as disclosed in note 2.

8. Impact of COVID-19:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact. The situation is fluid and the ultimate duration and magnitude of the impact on the economy and on all aspects of operations are unknown.

Management has been forthright in undertaking certain strategies and actions to respond to the COVID-19 outbreak. The health and safety of all staff has been reinforced as a priority for the Federation, and management invoked a work-from-home regime, suspended domestic and international travel, shifted face-to-face meetings to digital methods, and sought access to available government support programs. This includes obtaining \$154,826 of Canadian Emergency Wage Subsidy and \$40,000 from the Canadian Emergency Business Account, of which the \$10,000 forgivable portion was recognized into Other revenue in the statement of operations.

Financial statements are required to be adjusted for events occurring up to the date of the auditors' report which provide additional evidence relating to conditions that existed at year-end. Management has assessed the financial impacts and there are no additional adjustments required to the financial statements at this time.

CANADIAN FEDERATION OF HUMANE SOCIETIES

Notes to Financial Statements (continued)

Year ended December 31, 2020

8. Impact of COVID-19 (continue):

The ultimate duration and magnitude of the pandemic's impact on the Federation's operations and financial operations is not known at this time. These impacts could include a decline in future cash flows, changes to the value of assets and liabilities and the use of accumulated net assets to sustain operations. An estimate of the financial effect of the pandemic is not predictable at this time.

9. Subsequent event:

During the year the Federation entered into an agreement to sell their office space which closed February 5, 2021 for agreed upon selling price of \$450,000. The sale has resulted in a gain on sale of the building of \$340,280. The proceeds on the sale of the building have been internally restricted by the Board of Directors to fund future strategic priorities.

HUMANE CANADA

Schedule of Operating Fund Expenses

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Programs:		
National programs	\$ 135,622	\$ 497,269
Personnel	232,312	209,948
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	\$ 367,934	\$ 707,217
Fund development:		
Acquisition	\$ -	\$ 75
Bequest promotion	5,635	41,677
Direct mail	50,295	40,546
Overhead	6,097	13,095
Personnel	97,692	155,902
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	\$ 159,719	\$ 251,295
Administrative:		
Office and general	\$ 15,255	\$ 34,870
Other administration	13,761	18,134
Personnel	103,055	85,345
Professional fees	66,011	35,019
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	\$ 198,082	\$ 173,368
Communications:		
Personnel	\$ 43,361	\$ 57,602
Public engagement	30,480	97,258
Web site	19,289	3,904
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	\$ 93,130	\$ 158,764
Other expenses:		
AGM and board meeting	\$ 1,266	\$ 11,660
Condominium expenses	24,938	32,474
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	\$ 26,204	\$ 44,134
Member services:		
CEO summit	\$ 79	\$ 2,158
Personnel	37,226	29,038
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	\$ 37,305	\$ 31,196