

Financial Statements of

**CANADIAN FEDERATION OF
HUMANE SOCIETIES**

And Independent Auditor's Report thereon

Year ended December 31, 2023



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INDEPENDENT AUDITORS' REPORT

To the Members of Canadian Federation of Humane Societies

Opinion

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

- the statement of financial position as at December 31, 2023
- 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 Federation as at December 31, 2023, its results of operations, its 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 Federation's 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.

- 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 Federation to cease to continue as a going concern.



Page 3

- 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

May 22, 2024

CANADIAN FEDERATION OF HUMANE SOCIETIES

Statement of Financial Position

December 31, 2023, with comparative information for 2022

	Operating Fund	Growth Investment Fund	Frederic A McGrand Trust Fund	Internally Restricted Reserve Fund	2023 Total	2022 Total
Assets						
Current assets:						
Cash	\$ 642,463	\$ 1,193	\$ 2,519	\$ 3,034	\$ 649,209	\$ 1,149,966
Accounts receivable	89,735	-	-	-	89,735	100,049
Prepaid expenses	46,497	-	-	-	46,497	42,739
	778,695	1,193	2,519	3,034	785,441	1,292,754
Investments (note 2)	362,527	332,361	205,838	655,303	1,556,029	1,198,134
Tangible capital assets (note 3)	4,307	-	-	-	4,307	3,353
	\$ 1,145,529	\$ 333,554	\$ 208,357	\$ 658,337	\$ 2,345,777	\$ 2,494,241

Liabilities and Fund Balances

Current liabilities:						
Accounts payable and accrued liabilities (note 4)	\$ 59,222	\$ -	\$ -	\$ -	\$ 59,222	\$ 63,648
Deferred revenue	797,601	-	-	-	797,601	646,633
	856,823	-	-	-	856,823	710,281
Loan payable (note 5)	-	-	-	-	-	30,000
	856,823	-	-	-	856,823	740,281
Fund balances (note 6):						
Unrestricted	288,706	333,554	-	-	622,260	927,391
Internally restricted	-	-	-	658,337	658,337	627,451
Externally restricted	-	-	208,357	-	208,357	199,118
	288,706	333,554	208,357	658,337	1,488,954	1,753,960
	\$ 1,145,529	\$ 333,554	\$ 208,357	\$ 658,337	\$ 2,345,777	\$ 2,494,241

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, 2023, with comparative information for 2022

	Operating Fund	Growth Investment Fund	Frederic A McGrand Trust Fund	Internally Restricted Reserve Fund	2023 Total	2022 Total
Revenue:						
Government grants	\$ 485,369	\$ -	\$ -	\$ -	\$ 485,369	\$ 260,853
Other foundations	457,454	-	-	-	457,454	258,241
Event revenue	415,452	-	-	-	415,452	239,810
Donations	383,363	-	-	-	383,363	424,606
Bequests	212,521	-	-	-	212,521	924,312
Memberships	88,955	-	-	-	88,955	86,430
Investment income - unrestricted fund	22,755	10,449	6,627	22,043	61,874	19,381
Corporate sponsors	22,792	-	-	-	22,792	66,589
Unrealized gain (loss) on investments	-	3,036	2,612	8,843	14,491	(51,138)
Other revenue	3,483	-	-	-	3,483	6,226
	2,092,144	13,485	9,239	30,886	2,145,754	2,235,310
Expenses (Schedule):						
Programs	1,522,720	-	-	-	1,522,720	1,046,798
Administrative	277,290	-	-	-	277,290	262,985
Fund development	232,110	-	-	-	232,110	216,772
Communications	312,510	-	-	-	312,510	147,344
Member services	49,319	-	-	-	49,319	54,131
Other expenses	14,627	-	-	-	14,627	9,117
	2,408,576	-	-	-	2,408,576	1,737,147
Excess (deficiency) of revenue over expenses before the undernoted	(316,432)	13,485	9,239	30,886	(262,822)	498,163
Other income (expense):						
Amortization of tangible capital assets	(2,184)	-	-	-	(2,184)	(557)
Excess (deficiency) of revenue over expenses	\$ (318,616)	\$ 13,485	\$ 9,239	\$ 30,886	\$ (265,006)	\$ 497,606

See accompanying notes to financial statements.

CANADIAN FEDERATION OF HUMANE SOCIETIES

Statement of Changes in Fund Balances

Year ended December 31, 2023, with comparative information for 2022

	<u>Unrestricted</u>			<u>Externally restricted</u>	<u>Internally restricted</u>		
	Operating Fund	Investment in tangible capital assets	Growth Investment Fund	Frederic A McGrand Trust Fund	Internally Restricted Reserve Fund	2023 Total	2022 Total
Fund balances, beginning of year	\$ 603,969	\$ 3,353	\$ 320,069	\$ 199,118	\$ 627,451	\$ 1,753,960	\$ 1,256,354
Excess (deficiency) of revenue over expenses	(318,616)	-	13,485	9,239	30,886	(265,006)	497,606
Amortization of tangible capital assets	2,184	(2,184)	-	-	-	-	-
Additions of tangible capital assets	(3,138)	3,138	-	-	-	-	-
Fund balances, end of year	\$ 284,399	\$ 4,307	\$ 333,554	\$ 208,357	\$ 658,337	\$ 1,488,954	\$ 1,753,960

See accompanying notes to financial statements.

CANADIAN FEDERATION OF HUMANE SOCIETIES

Statement of Cash Flows

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	\$ (265,006)	\$ 497,606
Items not involving cash:		
Amortization of tangible capital assets	2,184	557
Unrealized (gain) loss on investments	(14,491)	51,138
Changes in non-cash operating working capital:		
Decrease (increase) in accounts receivable	10,314	(27,785)
(Increase) decrease in prepaid expenses	(3,758)	17,392
Decrease in accounts payable and accrued liabilities	(4,426)	(22,721)
Increase in deferred revenue	150,968	250,320
	(124,215)	766,507
Investing activities:		
Decrease in deferred government grant	-	(1,846)
Net change in investments	(343,404)	(45,228)
Purchase of tangible capital assets	(3,138)	(3,015)
	(346,542)	(50,089)
Financing activities:		
Repayment of loan payable	(30,000)	-
Proceeds from loan payable	-	1,846
	(30,000)	1,846
Increase (decrease) in cash	(500,757)	718,264
Cash, beginning of year	1,149,966	431,702
Cash, end of year	\$ 649,209	\$ 1,149,966

See accompanying notes to financial statements.

CANADIAN FEDERATION OF HUMANE SOCIETIES

Notes to Financial Statements

Year ended December 31, 2023

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 unrestricted fund includes the operating fund which reflects the operating activities of the Federation and includes the Federation's investment in tangible capital assets and growth investment fund.

The externally restricted fund includes the Frederic A. McGrand trust fund which 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 Canadian Federation of Humane Societies 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.

CANADIAN FEDERATION OF HUMANE SOCIETIES

Notes to Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(c) Revenue recognition (continued):

Revenue from donations are 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.

Revenue from conferences and sponsorships are recognized when earned.

Investment income, including unrealized gains/losses on investments, are 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. Expenses are recognized in the year incurred and are recorded in the function to which they are directly related. 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.

CANADIAN FEDERATION OF HUMANE SOCIETIES

Notes to Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(e) Financial instruments (continued):

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.

(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 of tangible capital assets 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
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, the amortization period for and potential impairment of tangible 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, 2023

2. Investments:

		2023 Fair value	2023 Cost	2022 Fair value	2022 Cost
Fixed income securities	\$	694,145	\$ 680,250	\$ 602,954	\$ 590,661
Mutual funds		363,062	363,062	179,085	184,597
Common shares		369,084	357,435	348,823	337,405
Common share equity trust funds		104,097	102,239	56,326	60,597
Foreign securities		25,641	26,124	10,946	12,446
	\$	1,556,029	\$ 1,529,110	\$ 1,198,134	\$ 1,185,706

Fixed income securities consist of guaranteed investment certificates with interest rate ranges of 3.09% to 5.49% (2022 - 2.50% to 4.95%) and maturity dates of between March 2025 and June 2030 (2022 - February 2025 and July 2027).

3. Tangible capital assets:

		Cost	Accumulated amortization	2023 Net book value	2022 Net book value
Furniture and equipment	\$	-	\$ -	\$ -	338
Computer hardware		18,657	14,350	4,307	3,015
	\$	18,657	\$ 14,350	\$ 4,307	\$ 3,353

At December 31, 2022, cost and accumulated amortization of tangible capital assets were \$26,186 and \$22,833, respectively.

4. Accounts payable and accrued liabilities:

As at year end, the Federation had \$Nil (2022 - \$Nil) payable for government remittances.

CANADIAN FEDERATION OF HUMANE SOCIETIES

Notes to Financial Statements (continued)

Year ended December 31, 2023

5. Loan payable:

During 2020, the Federation obtained a \$40,000 loan from the Canadian Emergency Business Account ("CEBA") program. Under the original terms of the agreement, the loan was non-interest bearing until December 31, 2022. If the loan was repaid by December 31, 2022, up to \$10,000 would be forgiven. In the prior year, the CEBA program extended the repayment terms to December 31, 2023.

During the year, the Federation recorded interest expense of \$Nil (2022 - \$1,846) related to accretion of the loan payable and \$Nil (2022 - \$1,846) of other revenue related to the amortization of the deferred government grant. The loan payable of \$30,000 was fully repaid in the current year.

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, 2022.

7. Financial risks:

The Federation is subject to the following risks from its financial instruments.

(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, 2023

7. Financial risks (continued):

(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 foreign securities 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. These risks have increased in 2023 due to fluctuations in interest rates and market prices.

There have been no significant changes from the prior year in the Federation's risk exposures from its financial instruments of the policies, procedures and methods used to manage the risks aside from the changes in interest rate and market price risk. Management believes that its financial risks are appropriately mitigated and do not pose significant risk to the Federation's operations.

CANADIAN FEDERATION OF HUMANE SOCIETIES

Schedule of Operating Fund Expenses

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Programs:		
National programs	\$ 580,464	\$ 279,645
Personnel	942,256	767,153
	\$ 1,522,720	\$ 1,046,798
Administrative:		
Office and general	\$ 47,672	\$ 43,099
Other administration	23,237	21,750
Personnel	189,065	140,433
Professional fees	17,316	57,703
	\$ 277,290	\$ 262,985
Fund development:		
Personnel	\$ 169,548	\$ 143,754
Direct mail	19,569	40,567
Overhead	42,993	32,451
	\$ 232,110	\$ 216,772
Communications:		
Personnel	\$ 145,293	\$ 114,188
Website	133,377	-
Public engagement	33,840	33,156
	\$ 312,510	\$ 147,344
Member services:		
Member services	\$ 3,065	\$ 14,753
Personnel	46,254	39,378
	\$ 49,319	\$ 54,131
Other expenses:		
Board meetings	\$ 14,627	\$ 9,117
Total	\$ 2,408,576	\$ 1,737,147