

Financial Statements of

**ONTARIO SOCIETY FOR THE  
PREVENTION OF CRUELTY  
TO ANIMALS**

Year ended December 31, 2009



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## AUDITORS' REPORT

To the Members of Ontario Society for the Prevention  
of Cruelty to Animals

We have audited the statement of financial position of Ontario Society for the Prevention of Cruelty to Animals ("Ontario SPCA") as at December 31, 2009 and the statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of Ontario SPCA's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many not-for-profit organizations, Ontario SPCA derives revenue from donations and fundraising, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of Ontario SPCA and we were not able to determine whether any adjustments might be necessary to revenue, excess (deficiency) of revenue over expenses, total assets and fund balances.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of donations and fundraising revenue as referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of Ontario SPCA as at December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The comparative figures for December 31, 2008 were reported on by another firm of chartered accountants.

Chartered Accountants, Licensed Public Accountants

Toronto, Canada

March 5, 2010

# ONTARIO SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

## Statement of Financial Position

December 31, 2009, with comparative figures for 2008

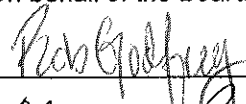
	2009	2008
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 11,738,982	\$ 7,539,604
Accounts receivable	520,392	400,431
Inventory	28,334	18,738
Prepaid expenses	84,107	51,308
	<u>12,371,815</u>	<u>8,010,081</u>
Long-term investments (note 3)	5,074,648	4,631,109
Capital assets (note 4)	11,579,169	10,706,196
	<u>\$ 29,025,632</u>	<u>\$ 23,347,386</u>

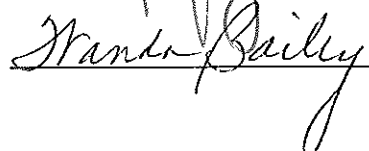
## Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accrued liabilities	\$ 2,095,275	\$ 2,412,309
Bank loan (note 5)	888,245	1,038,719
Deferred revenue (note 6)	2,000	2,806,093
	<u>2,985,520</u>	<u>6,257,121</u>
Fund balances (note 7):		
Provincial	26,040,112	10,815,636
Regional	-	-
Capital	-	6,274,629
	<u>26,040,112</u>	<u>17,090,265</u>
Commitments (note 8)		
	<u>\$ 29,025,632</u>	<u>\$ 23,347,386</u>

See accompanying notes to financial statements.

On behalf of the Board:

  
 \_\_\_\_\_ Director

  
 \_\_\_\_\_ Director

# ONTARIO SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

## Statement of Operations and Changes in Fund Balances

Year ended December 31, 2009, with comparative figures for 2008

				2009	2008
	Provincial Fund	Regional Fund	Capital Fund	Total	Total
<b>Revenue:</b>					
Donations and fundraising	\$ 4,763,938	\$ 2,221,920	\$ -	\$ 6,985,858	\$ 6,959,152
Provincial grants	508,399	29,540	-	537,939	627,493
Provincial grant - capital (note 6)	2,754,190	-	-	2,754,190	2,245,810
Shelter and veterinary	624,391	1,823,864	-	2,448,255	2,165,194
Municipal contract fees	(580)	2,550,109	-	2,549,529	2,047,860
Other	178,250	67,609	-	245,859	293,939
Interest and investment income gain (loss) (note 3)	503,832	2,438	-	506,270	(539,253)
	9,332,420	6,695,480	-	16,027,900	13,800,195
<b>Expenses:</b>					
Animal care and protection	4,046,578	7,450,236	-	11,496,814	9,886,185
Fundraising	1,532,975	223,678	-	1,756,653	1,668,737
General	1,841,767	-	-	1,841,767	1,665,999
Communication and education services	705,048	48,839	-	753,887	513,378
Amortization	253,304	211,152	-	464,456	404,742
Interest and bank charges	254,959	11,039	-	265,998	254,379
	8,634,631	7,944,944	-	16,579,575	14,393,420
<b>Distributions:</b>					
Grants to Ontario SPCA affiliates	1,354,203	-	-	1,354,203	1,851,111
Deficiency of revenue over expenses and distributions before legacies	(656,414)	(1,249,464)	-	(1,905,878)	(2,444,336)
Legacies	10,538,152	317,573	-	10,855,725	3,432,277
Excess (deficiency) of revenue over expenses and distributions	9,881,738	(931,891)	-	8,949,847	987,941
Fund balances, beginning of year	10,815,636	-	6,274,629	17,090,265	16,102,324
Transfer between funds (note 1(a)(iii))	5,342,738	931,891	(6,274,629)	-	-
Fund balances, end of year	\$ 26,040,112	\$ -	\$ -	\$ 26,040,112	\$ 17,090,265

See accompanying notes to financial statements.

# ONTARIO SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

## Statement of Cash Flows

Year ended December 31, 2009, with comparative figures for 2008

	2009	2008
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses and distributions	\$ 8,949,847	\$ 987,941
Items not involving cash:		
Amortization	464,456	404,742
Unrealized loss (gain) on investments	(593,750)	656,891
Gain on sale of capital assets	(2,699)	(57,365)
Change in non-cash operating working capital:		
Accounts receivable	(119,961)	409,727
Inventory	(9,596)	724
Prepaid expenses	(32,799)	(13,225)
Accounts payable and accrued liabilities	(317,034)	772,135
Deferred revenue	(2,804,093)	2,655,760
	5,534,371	5,817,330
Financing activities:		
Proceeds from sale of capital assets	5,898	120,478
Decrease in bank loan	(150,474)	(144,153)
	(144,576)	(23,675)
Investing activities:		
Additions to capital assets	(1,340,628)	(1,380,148)
Change in long-term investments	150,211	(822,785)
	(1,190,417)	(2,202,933)
Increase in cash and cash equivalents	4,199,378	3,590,722
Cash and cash equivalents, beginning of year	7,539,604	3,948,882
Cash and cash equivalents, end of year	\$ 11,738,982	\$ 7,539,604

See accompanying notes to financial statements.

# ONTARIO SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

Notes to Financial Statements

Year ended December 31, 2009

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Ontario Society for the Prevention of Cruelty to Animals ("Ontario SPCA") was founded in 1873 and was incorporated under special legislation in 1919 within the OSPCA Act and as later amended.

The purpose of Ontario SPCA is to promote the prevention of cruelty to animals, based upon the principal that no one has the right to cause unnecessary pain or suffering to any animal, and to work within the law and in cooperation with the government and public, in order to improve conditions for animals, while maintaining a balanced sensitivity towards both animal and human needs.

Ontario SPCA is registered as a charitable organization under the Income Tax Act (Canada) (the "Act"). As such, Ontario SPCA, is exempt from income taxes and is able to issue donation receipts for income tax purposes. In order to maintain its status as a registered charity under the Act, Ontario SPCA must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

## 1. Significant accounting policies:

These financial statements include the accounts of the provincial office of Ontario SPCA and its regional branches. The financial statements do not include the accounts of affiliated societies (note 9).

The financial statements have been prepared in accordance with generally accepted accounting principles applied within the framework of the significant Canadian accounting policies summarized below:

### (a) Fund accounting:

Ontario SPCA follows the restricted fund method of accounting for contributions.

#### (i) Provincial Fund:

The Provincial Fund accounts for provincial animal protection services, provincial wildlife services, the provincial animal centre, the provincial veterinary clinic(s), as well as provincial communication services (humane education, publication, etc.), provincial fundraising, administration and finance.

# ONTARIO SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

Notes to Financial Statements (continued)

Year ended December 31, 2009

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## 1. Significant accounting policies (continued):

### (ii) Regional Fund:

The Regional Fund accounts for Ontario SPCA branch fundraising activities (including thrift shops), regional animal protection services, regional humane education initiatives and regional animal facilities.

### (iii) Capital Fund:

Effective January 1, 2009, the Capital Fund was eliminated and the appropriate amounts reallocated to the Regional and Provincial Funds. Up to December 31, 2008, the Capital Fund accounted for specified capital fundraising campaigns as they related to current and future facilities.

### (b) Revenue recognition:

Ontario SPCA recognizes revenue from fundraising efforts, donations, legacies and from shelter and veterinary operations when funds are received.

Cash legacies are recorded when received. Legacies received in the form of marketable securities are recorded at their fair market value at the time of receipt. Residual legacies are not recorded until the life tenancies expire.

Revenue from various municipal contracts are recorded as amounts are earned through the provision of service.

Endowment contributions are recognized as revenue of the applicable fund in the year in which they are received.

Grants received for specific purposes, for which there is no restricted fund established, are recognized when the grant specifications have been met.

Interest and investment income gain (loss) includes interest income, realized gains (losses) and the net change in unrealized gains (losses) for the year.

# ONTARIO SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

Notes to Financial Statements (continued)

Year ended December 31, 2009

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## 1. Significant accounting policies (continued):

### (c) Cash and cash equivalents:

Ontario SPCA considers deposits in banks, certificates of deposit and short-term investments with original maturities of three months or less as cash and cash equivalents.

### (d) Financial instruments:

Cash and cash equivalents and investments are classified as held-for-trading and stated at fair value. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities and the bank loan are classified as other financial liabilities, which are measured at amortized cost.

In determining fair values for investments, adjustments have not been made for transaction costs as they are not considered significant. The unrealized gain or loss on investments, being the difference between book value and fair value, is included in interest and investment income gain (loss) in the statement of operations and changes in fund balances.

Fair values of investments are determined as follows:

- (i) Pooled fund investments represent Ontario SPCA's proportionate share of the underlying net assets of the Toronto Community Foundation Fund, at fair values determined using closing market prices.
- (ii) Guaranteed investment certificates maturing within a year are stated at cost, which together with accrued interest income, approximate fair value given the short-term nature of these investments.

The fair values of investments are equal to the quoted market value, as disclosed in note 3. The fair values of other financial assets and liabilities, being cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities, approximate their carrying values due to the relatively short-term nature of these financial instruments.



# ONTARIO SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

Notes to Financial Statements (continued)

Year ended December 31, 2009

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## 1. Significant accounting policies (continued):

Ontario SPCA has adopted The Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 3861, Financial Instruments - Disclosure and Presentation. In accordance with the Accounting Standards Board's decision to exempt not-for-profit organizations from the disclosure requirements with respect to financial instruments contained within Section 3862, Financial Instruments - Disclosures, and Section 3863, Financial Instruments - Presentation, Ontario SPCA has elected not to adopt these standards in its financial statements.

### (e) Capital assets:

Purchased capital assets are stated at acquisition cost and are amortized over their useful lives. Amortization is provided using the following methods and annual rates:

Asset	Basis	Rate
Buildings	Declining balance	2%
Furniture and equipment	Declining balance	20%
Automotive equipment	Declining balance	30%
Computers	Straight line	33%
Leasehold improvements	Straight line	Over the term of the lease

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Capital purchases under \$3,000 are expensed when incurred.

### (f) Donations in kind:

Donated materials, services and capital assets are recorded at fair value in the period received when a fair value can be reasonably estimated, and, when the materials, services and capital assets would be paid for if not donated. A substantial number of volunteers have made significant contributions of their time to Ontario SPCA. Since these services are not normally purchased by Ontario SPCA, and, because of the difficulty of determining their fair value, donated services for volunteer activities are not recognized in the financial statements.

# ONTARIO SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

Notes to Financial Statements (continued)

Year ended December 31, 2009

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## 1. Significant accounting policies (continued):

### (g) Use of estimates:

The preparation of 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.

## 2. Change in accounting policies:

### (a) Capital disclosures:

Effective January 1, 2009, Ontario SPCA adopted the recommendations of CICA Handbook Section 1535, Capital Disclosures, which requires the disclosure of qualitative and quantitative information that enables users of the financial statements to evaluate Ontario SPCA's objectives, policies and processes for managing capital. The adoption of these recommendations only required additional disclosures, which are provided in note 12.

### (b) Amendments to Section 4400, Accounting Standards That Apply To Not-For-Profit Organizations ("Section 4400"):

Effective January 1, 2009, Ontario SPCA adopted the CICA amendments to Section 4400. These amendments eliminate the requirement to show net assets invested in capital assets as a separate component of net assets, clarify the requirement for revenue and expenses to be presented on a gross basis when the not-for-profit organization is acting as principal and require a statement of cash flows. Adoption of these recommendations had no significant impact on the financial statements for the year ended December 31, 2009.

### (c) Amendments to Section 1000, Financial Statement Concepts ("Section 1000"):

Effective January 1, 2009, Ontario SPCA adopted the CICA amendments to Section 1000. These amendments clarified the criteria for recognition of an asset or liability, removing the ability to recognize assets or liabilities solely on the basis of matching of revenue and expense items. Adoption of these recommendations had no effect on the financial statements for the year ended December 31, 2009.

# ONTARIO SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

Notes to Financial Statements (continued)

Year ended December 31, 2009

### 3. Long-term investments:

	2009		2008	
	Book value	Fair value	Book value	Fair value
Guaranteed investment certificate ("GIC")	\$ 1,311,103	\$ 1,408,783	\$ 1,311,102	\$ 1,345,542
Pooled fund investments with The Toronto Community Foundation	3,826,687	3,665,865	3,976,899	3,285,567
	<u>\$ 5,137,790</u>	<u>\$ 5,074,648</u>	<u>\$ 5,288,001</u>	<u>\$ 4,631,109</u>

The GIC produces a yield to maturity of 4.7% (2008 - 4.7%) and has a weighted average term to maturity of 3.4 years (2008 - 4.4 years).

Included in interest and investment income gain (loss) are net realized losses of \$223,032 (2008 - \$131,757) and net unrealized gain of \$593,750 (2008 - loss of \$656,891).

### 4. Capital assets:

	Cost	2009		2008	
		Accumulated amortization	Net book value	Net book value	Net book value
Land and improvements	\$ 1,438,600	\$ -	\$ 1,438,600	\$ 1,438,600	\$ 1,438,600
Buildings	10,934,302	1,817,033	9,117,269	8,672,814	8,672,814
Furniture and equipment	1,720,030	1,208,562	511,468	453,342	453,342
Automotive equipment	445,807	211,117	234,690	122,519	122,519
Computers	387,179	197,112	190,067	15,152	15,152
Leasehold improvements	139,521	52,446	87,075	3,769	3,769
	<u>\$ 15,065,439</u>	<u>\$ 3,486,270</u>	<u>\$ 11,579,169</u>	<u>\$ 10,706,196</u>	<u>\$ 10,706,196</u>

### 5. Bank loan:

The loan bears interest at 4.4%, is due on demand and is secured by a GIC. Annual repayments, including principal and interest, amount to \$193,175.

# ONTARIO SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

Notes to Financial Statements (continued)

Year ended December 31, 2009

## 6. Deferred revenue:

Deferred revenue includes grants received for specific purposes for which there is no separate restricted fund established. This revenue will be taken into income when the grant specifications have been met. In 2008, a \$5,000,000 grant was received from the Ministry of Community Safety and Correction Services supporting Ontario SPCA's and affiliates' infrastructure renewal strategy. An amount of nil (2008 - \$2,754,190) relating to this grant was recorded in deferred revenue at year end.

## 7. Fund balances:

Fund balances comprise the following:

					2009	2008
	Invested in capital assets	Externally restricted	Endowment	Unrestricted	Total	Total
Provincial	\$ 6,876,948	\$ 2,820	\$ 6,619	\$ 19,153,725	\$ 26,040,112	\$ 17,090,265
Regional	3,813,976	502,491	55,156	(4,371,623)	-	-
	\$ 10,690,924	\$ 505,311	\$ 61,775	\$ 14,782,102	\$ 26,040,112	\$ 17,090,265

These endowment funds are included as part of the long-term investment balance.

During fiscal 2008, the Board of Directors approved a transfer from the Provincial Fund to eliminate any accumulated deficiency in the Regional Fund on a total basis. On an annual basis, any deficiency in the Regional Fund will be funded from the Provincial Fund.

# ONTARIO SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

Notes to Financial Statements (continued)

Year ended December 31, 2009

## 8. Commitments:

Ontario SPCA has lease commitments for buildings, office equipment and vehicles which expire at various dates. Future minimum lease commitments are as follows:

2010	\$ 244,000
2011	124,000
2012	67,000
2013	29,000
2014	9,000
	<hr/>
	\$ 473,000

Ontario SPCA has an outstanding letter of credit in the amount of \$14,665 relating to hydro services provided to the provincial office.

## 9. Related organizations:

Class A members, which are local societies in various communities across Ontario, are affiliated with Ontario SPCA. Each affiliate operates autonomously and is independently incorporated. Representatives from some affiliates are members of Ontario SPCA provincial Board of Directors.

During the year, \$1,354,203 (2008 - \$1,851,111) in grants to Ontario SPCA affiliates were recorded and paid in these financial statements. Ontario SPCA also paid \$19,595 (2008 - \$72,170) in legal fees on behalf of the affiliates.

Ontario SPCA provides safety equipment and investigations training to their affiliates free of charge. As such, no amounts are recorded in the financial statements for providing these services.

## 10. Other information:

The Regional Fund's revenue and expenses include animal food and supplies, as well as fundraising supplies/materials, computer equipment and miscellaneous furniture and supplies, which are donated and have a fair market value of \$78,418 (2008 - \$99,306).

# ONTARIO SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

Notes to Financial Statements (continued)

Year ended December 31, 2009

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## 11. Guarantees:

In the normal course of business, Ontario SPCA enters into agreements that meet the definition of guarantee.

- (a) Ontario SPCA has provided indemnities under lease agreements for the use of various operating facilities. Under the terms of these agreements, Ontario SPCA agrees to indemnify the counterparties for various items, including, but not limited to, all liabilities, loss, suits and damages arising during, on or after the term of the agreement. The maximum amount of any potential future payment cannot be reasonably estimated.
- (b) Ontario SPCA indemnifies all directors for various items, including, but not limited to, all costs to settle suits or actions due to services provided to Ontario SPCA, subject to certain restrictions. Ontario SPCA has purchased liability insurance to mitigate the cost of any potential future suits or actions. The amount of any potential future payment cannot be reasonably estimated.

The nature of these indemnification agreements prevents Ontario SPCA from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability which stems from the unpredictability of future events and the unlimited coverage offered to counterparties. Historically, Ontario SPCA has not made any significant payments under such or similar indemnification agreements and therefore, no amount has been accrued with respect to these agreements.

## 12. Management of capital:

Ontario SPCA defines its capital as the amounts included in its fund balances. Ontario SPCA's objective when managing its capital is to safeguard Ontario SPCA's ability to continue as a going concern so that it can continue to provide the appropriate level of benefits and services to the public.

A portion of Ontario SPCA's capital is restricted in that Ontario SPCA is required to meet certain requirements in order to utilize its externally restricted funds, as described in note 7. Ontario SPCA has internal control processes to ensure that the restrictions are met prior to the utilization of these resources and has been in compliance with these restrictions throughout the year.

# ONTARIO SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

Notes to Financial Statements (continued)

Year ended December 31, 2009

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## 13. Financial instruments:

### (a) Investment risk management:

Risk management relates to the understanding and active management of risks associated with all areas of the business and the associated operating environment. Investments are primarily exposed to interest rate and market risk.

Ontario SPCA mitigates these risks with an investment policy designed to limit exposure and concentration while achieving optimal return within reasonable risk tolerances.

### (b) Credit risk:

Accounts receivable are subject to credit risk. Cash and cash equivalents are held in creditworthy financial institutions.

### (c) Market and interest rate risk:

The risks associated with the investments are the risks associated with the securities in which the funds are invested. The value of securities will vary with developments within the specific companies or governments which issue the securities. The value of fixed income securities will generally rise if interest rates fall and fall if interest rates rise. The value of securities denominated in a currency other than Canadian dollars will be affected by changes in the value of the Canadian dollar in relation to the value of the currency in which the security is denominated.

## 14. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.