

Financial Statements of

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

Year ended December 31, 2010



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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Ontario Society for the Prevention of Cruelty to Animals, which comprise the statement of financial position as at December 31, 2010, the statements of operations and 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 generally accepted accounting principles, 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 qualified audit opinion.



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*Basis for Qualified Opinion*

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

*Qualified Opinion*

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Ontario Society for the Prevention of Cruelty to Animals as at December 31, 2010, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*KPMG LLP*

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Chartered Accountants, Licensed Public Accountants

April 16, 2011  
Toronto, Canada

# ONTARIO SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

## Statement of Financial Position

December 31, 2010, with comparative figures for 2009

	2010	2009
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 6,787,570	\$ 11,738,982
Accounts receivable	649,338	520,392
Inventory	32,271	28,334
Prepaid expenses	17,062	84,107
	<u>7,486,241</u>	<u>12,371,815</u>
Long-term investments (note 2)	5,439,178	5,074,648
Capital assets (note 3)	12,099,493	11,579,169
	<u>\$ 25,024,912</u>	<u>\$ 29,025,632</u>

## Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,697,002	\$ 2,095,275
Bank loan (note 4)	731,033	888,245
Deferred revenue	19,106	2,000
	<u>2,447,141</u>	<u>2,985,520</u>
Fund balances (note 5):		
Provincial	22,577,771	26,040,112
Regional	-	-
	<u>22,577,771</u>	<u>26,040,112</u>
Commitments (note 6)		
	<u>\$ 25,024,912</u>	<u>\$ 29,025,632</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, 2010, with comparative figures for 2009

			2010	2009
	Provincial Fund	Regional Fund	Total	Total
<b>Revenue:</b>				
Donations and fundraising	\$ 4,109,594	\$ 2,345,360	\$ 6,454,954	\$ 6,985,858
Provincial grants	501,308	24,386	525,694	537,939
Provincial grant - capital	–	397,216	397,216	2,754,190
Shelter and veterinary	565,514	1,717,922	2,283,436	2,448,255
Municipal contract fees	–	2,720,751	2,720,751	2,549,529
Other	161,578	23,485	185,063	245,859
Interest and investment income gain (note 2)	449,410	7,033	456,443	506,270
	5,787,404	7,236,153	13,023,557	16,027,900
<b>Expenses:</b>				
Animal care and protection	5,639,495	8,388,593	14,028,088	11,496,814
Fundraising	1,592,766	279,149	1,871,915	1,756,653
General	2,018,264	–	2,018,264	1,841,767
Communication and education services	458,597	24,330	482,927	753,887
Amortization	288,187	253,759	541,946	464,456
Interest and bank charges	147,837	12,917	160,754	265,998
	10,145,146	8,958,748	19,103,894	16,579,575
<b>Distributions:</b>				
Grants to Ontario Society for the Prevention of Cruelty to Animals affiliates	75,641	1,098,399	1,174,040	1,354,203
<b>Deficiency of revenue over expenses and distributions before legacies</b>				
	(4,433,383)	(2,820,994)	(7,254,377)	(1,905,878)
<b>Legacies</b>				
	1,678,709	1,988,399	3,667,108	10,855,725
<b>Excess (deficiency) of revenue over expenses and distributions</b>				
	(2,754,674)	(832,595)	(3,587,269)	8,949,847
Fund balances, beginning of year	26,040,112	–	26,040,112	17,090,265
Transfer out of the Brant branch capital assets	–	(125,072)	(125,072)	–
Donation of land	–	250,000	250,000	–
Transfer between funds (note 5)	(707,667)	707,667	–	–
<b>Fund balances, end of year</b>	<b>\$ 22,577,771</b>	<b>\$ –</b>	<b>\$ 22,577,771</b>	<b>\$ 26,040,112</b>

See accompanying notes to financial statements.

# ONTARIO SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

## Statement of Cash Flows

Year ended December 31, 2010, with comparative figures for 2009

	2010	2009
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses and distributions	\$ (3,587,269)	\$ 8,949,847
Items not involving cash:		
Amortization	541,946	464,456
Unrealized gain on investments	(151,654)	(593,750)
Gain on sale of capital assets	(7,325)	(2,699)
Change in non-cash operating working capital:		
Accounts receivable	(128,946)	(119,961)
Inventory	(3,937)	(9,596)
Prepaid expenses	67,045	(32,799)
Accounts payable and accrued liabilities	(398,273)	(317,034)
Deferred revenue	17,106	(2,804,093)
	(3,651,307)	5,534,371
Financing activities:		
Proceeds from sale of capital assets	23,360	5,898
Decrease in bank loan	(157,212)	(150,474)
	(133,852)	(144,576)
Investing activities:		
Additions to capital assets	(953,377)	(1,340,628)
Change in long-term investments	(212,876)	150,211
	(1,166,253)	(1,190,417)
Increase (decrease) in cash and cash equivalents	(4,951,412)	4,199,378
Cash and cash equivalents, beginning of year	11,738,982	7,539,604
Cash and cash equivalents, end of year	\$ 6,787,570	\$ 11,738,982
Subsequent cash flow information:		
Transfer out of the Brant branch capital assets	\$ (125,072)	\$ —
Donation of land	250,000	—

See accompanying notes to financial statements.

# ONTARIO SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

Notes to Financial Statements

Year ended December 31, 2010

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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 principle 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 7).

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, 2010

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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.

### (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 is 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.

### (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.



# ONTARIO SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

Notes to Financial Statements (continued)

Year ended December 31, 2010

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## 1. Significant accounting policies (continued):

### (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 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 2. 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, 2010

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## 1. Significant accounting policies (continued):

Ontario SPCA has adopted The Canadian Institute of Chartered Accountants' 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 term of lease

Capital purchases under \$1,000 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, 2010

## 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. Long-term investments:

	2010		2009	
	Book value	Fair value	Book value	Fair value
Guaranteed investment certificate ("GIC")	\$ 1,311,103	\$ 1,474,996	\$ 1,311,103	\$ 1,408,783
Pooled fund investments with The Toronto Community Foundation	4,039,563	3,964,182	3,826,687	3,665,865
	<u>\$ 5,350,666</u>	<u>\$ 5,439,178</u>	<u>\$ 5,137,790</u>	<u>\$ 5,074,648</u>

The GIC produces a yield to maturity of 4.7% (2009 - 4.7%) and has a weighted average term to maturity of 2.4 years (2009 - 3.4 years).

Included in interest and investment income gain are net realized gains of \$145,190 (2009 - losses of \$223,032) and net unrealized gains of \$151,654 (2009 - \$593,750).

# ONTARIO SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

Notes to Financial Statements (continued)

Year ended December 31, 2010

### 3. Capital assets:

			2010	2009
	Cost	Accumulated amortization	Net book value	Net book value
Land and improvements	\$ 1,682,736	\$ –	\$ 1,682,736	\$ 1,438,600
Buildings	11,477,890	1,961,958	9,515,932	9,117,269
Furniture and equipment	1,663,776	1,238,547	425,229	511,468
Automotive equipment	593,101	276,758	316,343	234,690
Computers	418,504	293,507	124,997	190,067
Leasehold improvements	139,520	105,264	34,256	87,075
	<b>\$ 15,975,527</b>	<b>\$ 3,876,034</b>	<b>\$ 12,099,493</b>	<b>\$ 11,579,169</b>

### 4. 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 \$193,158.

### 5. Fund balances:

Fund balances comprise the following:

					2010	2009
	Invested in capital assets	Externally restricted	Endowment	Unrestricted	Total	Total
Provincial	\$ 7,500,095	\$ 33,800	\$ 6,619	\$ 15,037,257	\$ 22,577,771	\$ 26,040,112
Regional	3,868,365	50,314	55,156	(3,973,835)	–	–
	<b>\$ 11,368,460</b>	<b>\$ 84,114</b>	<b>\$ 61,775</b>	<b>\$ 11,063,422</b>	<b>\$ 22,577,771</b>	<b>\$ 26,040,112</b>

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

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, 2010

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## 6. Commitments:

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

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2011	\$ 186,000
2012	73,000
2013	29,000
2014	9,000
	<hr/>
	\$ 297,000

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Ontario SPCA has letters of credit outstanding in the amount of \$24,025 (2009 - \$14,665) relating to hydro services provided to the provincial office and \$119,949 relating to Muskoka capital build for the City of Bracebridge.

## 7. 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, \$1,174,040 (2009 - \$1,354,203) in grants/disbursements of designated gifts to Ontario SPCA affiliates were recorded and paid in these financial statements. Ontario SPCA also paid \$15,305 (2009 - \$19,595) 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.

## 8. 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 \$87,296 (2009 - \$78,418).

# ONTARIO SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

Notes to Financial Statements (continued)

Year ended December 31, 2010

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## 9. 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.

## 10. 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 5. 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, 2010

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## 11. 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 the Canadian dollar 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.