

**The Bow Valley Society for the
Prevention of Cruelty to Animals**

Financial Statements

December 31, 2017

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The Bow Valley Society for the Prevention of Cruelty to Animals

123 Bow Meadows Crescent, Canmore, Alberta T1W 2W8

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Management's Responsibility for Financial Statements

The accompanying financial statements of The Bow Valley Society for the Prevention of Cruelty to Animals (the "Society") are the responsibility of management. The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations, using management's best estimates and judgments, where appropriate. In the opinion of management, these financial statements reflect fairly the financial position, results of its operations and changes in financial position of the Society within reasonable limits of materiality.

A system of internal accounting and administrative controls is maintained by management to provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition and that the financial records are properly maintained to provide accurate and reliable financial statements.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Board carries out this responsibility through regular meetings with management throughout the year to review significant accounting and auditing matters.

These financial statements have been audited, in accordance with Canadian generally accepted auditing standards, by Gangji & Associates, Chartered Professional Accountant, who was appointed by the Board of Directors. Gangji & Associates has full and unrestricted access to management and the Board of Directors to discuss their audit and their related findings as to the integrity of the Society's financial reporting. The Auditor's Report outlining the scope of their examination and their opinion on the financial statements is presented on the following page.

Lauren Hudspith
President
December 20, 2018

Independent Auditor's Report

To the Members of The Bow Valley Society for the Prevention of Cruelty to Animals

We have audited the accompanying financial statements of The Bow Valley Society for the Prevention of Cruelty to Animals (the "Society"), which comprise the statement of financial position as at December 31, 2017, the statements of operations, changes in net assets and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 the auditor's 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, the auditor considers 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 in our audit is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Society derives revenues from donations and fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Society. Therefore, we were not able to determine whether any adjustments might be necessary to donation and fundraising revenues, excess (deficiency) of revenues over expenses, and cash flows from operations for the year ended December 31, 2017, current assets and net assets as at December 31, 2017.

Independent Auditor's Report (continued)

Qualified Opinion

In our opinion, except for the possible effects of the matter described above in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Calgary, Alberta
December 20, 2018

Ali Gangji Professional Corporation
Chartered Professional Accountant

The Bow Valley Society for the Prevention of Cruelty to Animals
Operating as "The Bow Valley SPCA"
Statement of Financial Position
As at December 31, 2017

	<u>2017</u>	<u>2016</u>
Assets		
Current		
Cash	\$ 103,026	\$ 55,431
Short-term investments (note 3)	150,750	269,622
Restricted short-term investments (note 4)	50,999	56,572
Marketable securities	33,597	31,959
Accounts receivable	8,780	9,691
GST receivable	1,736	1,871
Prepaid expenses and deposits	5,172	5,010
	354,060	430,156
Capital assets (note 5)	680,713	709,997
Other		
Investments (note 6)	55,012	1,563
Restricted investments (note 6)	35,000	70,999
	\$ 1,124,785	\$ 1,212,715
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 11,933	\$ 26,465
Deferred revenues (note 7)	57,485	17,579
	69,418	44,044
Net Assets		
Invested in capital assets	680,713	709,997
Endowments (note 8)	84,946	127,571
Unrestricted net assets	289,708	331,103
	1,055,367	1,168,671
	\$ 1,124,785	\$ 1,212,715

Approved on behalf of the Board

Lauren Hudspith, Board President

Ed Mrozek, Board Treasurer

The Bow Valley Society for the Prevention of Cruelty to Animals
Operating as "The Bow Valley SPCA"
Statement of Changes in Net Assets
Year ended December 31, 2017

	<u>2017</u>			
	<u>Invested in</u> <u>capital assets</u>	<u>Endowments</u>	<u>Unrestricted</u> <u>net assets</u>	<u>Total</u>
Balance, beginning of year	\$ 709,997	\$ 127,571	\$ 331,103	\$ 1,168,671
Excess (deficiency) of revenues over expenses	-	-	(113,304)	(113,304)
Acquisition of capital assets	697	-	(697)	-
Amortization	(29,981)	-	29,981	-
Redemption of endowment investment	-	(42,625)	42,625	-
Balance, end of year	\$ <u>680,713</u>	\$ <u>84,946</u>	\$ <u>289,708</u>	\$ <u>1,055,367</u>

	<u>2016</u>			
	<u>Invested in</u> <u>capital assets</u>	<u>Endowments</u>	<u>Unrestricted</u> <u>net assets</u>	<u>Total</u>
Balance, beginning of year	\$ 734,600	\$ 127,571	\$ 175,887	\$ 1,038,058
Excess (deficiency) of revenues over expenses	-	-	130,613	130,613
Acquisition of capital assets	6,200	-	(6,200)	-
Amortization	(30,803)	-	30,803	-
Redemption of endowment investment	-	-	-	-
Balance, end of year	\$ <u>709,997</u>	\$ <u>127,571</u>	\$ <u>331,103</u>	\$ <u>1,168,671</u>

The Bow Valley Society for the Prevention of Cruelty to Animals
Operating as "The Bow Valley SPCA"
Statement of Operations
Year ended December 31, 2017

	<u>2017</u>	<u>2016</u>
Revenues		
Donations	\$ 148,837	\$ 321,537
User fees (note 9)	42,913	30,650
Grants	24,094	18,232
Fundraising	14,454	81,149
	<u>230,298</u>	<u>451,568</u>
Expenses		
Administration	1,787	1,584
Advertising and promotion	6,443	6,772
Amortization	29,981	30,803
Automotive	1,883	2,743
Contract services	70,445	65,617
Fundraising	9,517	19,459
Insurance	9,263	8,802
Interest and bank charges	1,574	190
Merchant fees	2,091	3,422
Office supplies	11,092	2,581
Postage	318	340
Professional fees	9,621	9,851
Repairs and maintenance	3,290	6,115
Salaries and wages	172,264	158,515
Security	519	192
Staff training	25	1,272
Supplies	5,461	1,404
Utilities	17,261	16,589
	<u>352,835</u>	<u>336,251</u>
Other items		
Interest income	6,752	4,206
Increase in value of marketable securities	1,638	10,457
Dividend income	932	633
Loss on disposition of marketable securities	(89)	-
	<u>9,233</u>	<u>15,296</u>
Excess (deficiency) of revenues over expenses	<u><u>\$ (113,304)</u></u>	<u><u>\$ 130,613</u></u>

The Bow Valley Society for the Prevention of Cruelty to Animals
Operating as "The Bow Valley SPCA"
Statement of Cash Flows
Year ended December 31, 2017

	<u>2017</u>	<u>2016</u>
Operating activities:		
Excess (deficiency) of revenues over expenses	\$ (113,304)	\$ 130,613
Adjustments to determine cash provided by operating activities:		
Amortization of capital assets	29,981	30,803
Decrease (increase) in value of marketable securities	(1,630)	(10,457)
	<u>(84,953)</u>	<u>150,959</u>
Net changes in non-cash working capital items:		
Accounts receivable	911	(3,173)
GST receivable	135	3,148
Prepaid expenses and deposits	(162)	(223)
Accounts payable and accrued liabilities	(14,532)	8,194
Deferred revenues	39,906	(733)
Cash flows from (used in) operating activities	<u>(58,695)</u>	<u>158,172</u>
Investing activities:		
Purchase of capital assets	(697)	(6,200)
Net redemption (purchase) of investments	64,362	(170,210)
Cash flows from (used in) investing activities	<u>63,665</u>	<u>(176,410)</u>
Financing activities:		
Redemption of endowment investment	42,625	-
Cash flows from financing activities	<u>42,625</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents during the year	47,595	(18,238)
Cash and cash equivalents, beginning of year	55,431	73,669
Cash and cash equivalents, end of year	\$ <u><u>103,026</u></u>	\$ <u><u>55,431</u></u>
Represented by:		
Cash - unrestricted	\$ <u><u>103,026</u></u>	\$ <u><u>55,431</u></u>
	\$ <u><u>103,026</u></u>	\$ <u><u>55,431</u></u>

The Bow Valley Society for the Prevention of Cruelty to Animals
Notes to Financial Statements
Year ended December 31, 2017

1. General

The Bow Valley Society for the Prevention of Cruelty to Animals (the “Society”) was incorporated under the Societies Act of the Province of Alberta on April 10, 2000 and is a registered charity under the Income Tax Act. The Society qualifies for tax-exempt status as a registered charity under paragraph 149 (1) (f) of the Income Tax Act and is able to issue tax donation receipts for income tax purposes.

In order to maintain its status as a charitable organization under the Act, the Society must meet certain requirements within the Act. These requirements include annual return filings and the fulfillment of disbursement quotas as per the income tax regulations.

The Society operates the Carla Cumming Sojonky Adoption Centre for abandoned dogs and cats in the Bow Valley region of Alberta in the heart of the Canadian Rocky Mountains, which is a “no-kill, no-cage” facility and promotes humane attitudes and responsible pet companionship through educational programs and community leadership.

2. Summary of significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. Significant accounting policies are summarized as follows:

(a) Basis of accounting

The basis of accounting followed in the financial statement presentation includes revenues recognized in the period in which the transactions or events occurred that gave rise to the revenues, and expenses recognized in the period the goods or services are acquired and a liability is incurred or transfers are due.

(b) Revenue recognition

Donations

Donations are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted donations for a specific purpose are recorded as deferred revenue and recognized as revenue when restrictions have been lifted. If restricted donations relate to a capital item, the contributions are recognized as revenue as the related capital item is amortized. Donations in-kind of materials and supplies are recorded at their fair values as of the date of the contribution, provided fair values can be reasonably determined.

The Bow Valley Society for the Prevention of Cruelty to Animals
Notes to Financial Statements
Year ended December 31, 2017

2. Summary of significant accounting policies (continued)

(b) Revenue recognition (continued)

User fees

User fees are recognized as revenue when the related services are provided and collection is reasonably assured.

Grants

The Society follows the deferral method of accounting for grants. Externally-restricted funding is recognized as revenue in the year in which the related expenses are incurred. Unrestricted funding is recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Fundraising

Fundraising revenues (excluding casino proceeds) are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Casino funds are recognized as revenue in the year in which the related expenses are incurred. Casino proceeds can only be used for the purposes approved by the Alberta Gaming and Liquor Commission. Casino funds remaining unspent at the end of the year are recognized as deferred revenue.

Interest

Interest is accrued on the book value of investments at a rate equivalent to the effective yield of each investment.

(c) Cash and cash equivalents

Cash and cash equivalents consist of balances held with financial institutions.

(d) Investments

Investments consist of guaranteed investment certificates. They are initially recorded at their fair value, and subsequently measured at amortized cost.

(e) Capital assets

Capital assets are recorded at cost. Amortization on capital assets is calculated at rates designed to charge operations with the cost of capital assets, over their estimated useful economic life, as follows:

The Bow Valley Society for the Prevention of Cruelty to Animals
Notes to Financial Statements
Year ended December 31, 2017

2. Summary of significant accounting policies (continued)

(e) Capital assets (continued)

Building	-	4%
Furniture and fixtures	-	20%
Computer hardware	-	30%
Automotive equipment	-	30%

(f) Financial instruments

The Society initially measures its financial assets and financial liabilities at their fair value. The Society subsequently measures its financial assets and financial liabilities at amortized cost, with the exception of marketable securities, which continue to be measured at their fair value. The financial assets subsequently measured at amortized cost include cash and cash equivalents, short-term investments, accounts receivable and other investments. The financial liabilities subsequently measured at amortized cost include accounts payable and accrued liabilities.

Credit risk

Credit risk is the possibility that other parties may default on their financial obligations. As the Society's revenues mainly include donations that are collected when pledged, fundraising revenues, grants from large organizations and user fees collected when services are rendered, the Society is not exposed to any significant credit risk.

Currency risk

Currency risk is the risk that arises from the change in price of one currency against another. As all of the Society's transactions involve Canadian currency, the Society is not exposed to any significant currency risk.

Interest rate risk

Interest rate risk is the risk that the value of an investment or loan will change due to a change in the absolute level of interest rates or a change in any interest rate relationship. Based on the nature of the Society's assets and liabilities, the Society is not exposed to significant interest rate risk.

Liquidity risk

Liquidity risk is the risk that the Society will not be able to fund its obligations as they come due. Based on the financial position of the Society, the Society is not exposed to significant liquidity risk.

The Bow Valley Society for the Prevention of Cruelty to Animals
Notes to Financial Statements
Year ended December 31, 2017

2. Summary of significant accounting policies (continued)

(f) Financial instruments (continued)

Market and other price risk

Market and other price risk is the risk that the fair value of financial instruments will fluctuate due to changes in market prices (other than those arising from interest rate 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. While the majority of the financial instruments held by the Society includes secured investments (fixed-rate deposits), cash and accounts receivable (financial assets) and trade accounts payable / accrued liabilities (other financial liabilities), the Society holds shares in a publicly listed entity that were received by donation during a prior year and that subjects the Society to potential significant market and other price risk.

There have been no changes in the Society's financial instrument risk exposures from the previous fiscal year.

(g) Deferred revenues

Deferred revenues represent unspent funds, which are externally restricted for specific purposes, and restricted funding received or receivable in the current period that relates to a subsequent period. These revenues will be recognized as revenue when related expenses are incurred.

(h) Management estimates

The preparation of these financial statements, in accordance with Canadian accounting standards for not-for-profit organizations, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates made by the Society as additional information becomes available in the future.

(i) Contributed services

The work of the Society is dependent on the voluntary services of many individuals and organizations. Because of the difficulty in determining their fair value, contributed services are not recognized in these financial statements.

The Bow Valley Society for the Prevention of Cruelty to Animals
Notes to Financial Statements
Year ended December 31, 2017

3. Short-term investments

Short-term investments include guaranteed investment certificates maturing within one year. As of December 31, 2017, they earn interest at a rate of 0.45% per annum.

4. Restricted short-term investments

Restricted short-term investments include guaranteed investment certificates maturing within one year that may only be spent for a specified purpose or program. As of December 31, 2017, they earn interest at a rate of 4.30% per annum.

5. Capital assets

	<u>Cost</u>	<u>2017 Accumulated Amortization</u>	<u>Net Book Value</u>	<u>2016 Net Book Value</u>
Building	\$ 1,029,191	\$ 355,968	\$ 673,223	\$ 701,275
Furniture and fixtures	16,683	10,000	6,683	7,569
Computer hardware	1,251	672	579	827
Automotive equipment	9,511	9,283	228	326
	<u>\$ 1,056,637</u>	<u>\$ 375,923</u>	<u>\$ 680,713</u>	<u>\$ 709,997</u>

6. Investments

Investments consist of guaranteed investment certificates, with interest rates varying from 1.00% to 1.20% per annum, and maturity dates ranging from July 2020 to August 2022. Certain investments are restricted and form a component of the Society's endowment funds as per note 8.

7. Deferred revenues

The Society has previously utilized funding received from the Donner Canadian Foundation for the installation of improved and durable flooring for the building. The installation of this new flooring took place in 2011. This contribution is being deferred and amortized on a diminishing value basis at 4% every year to match the amortization of the improved building.

In 2017, the Society received a grant from the Calgary Foundation for the specific purpose of redesigning the web site of the Society.

The Society also received in 2017 grants from the Donner Canadian Foundation and The Maja Foundation at the Calgary Foundation to be used to construct an outdoor cat space and two outdoor dog runs with an estimated start and completion date in 2018.

The Bow Valley Society for the Prevention of Cruelty to Animals
Notes to Financial Statements
Year ended December 31, 2017

7. Deferred revenues (continued)

	<u>Beginning</u> <u>Balance</u>	<u>2017</u>		<u>Ending</u> <u>Balance</u>	<u>2016</u> <u>Ending</u> <u>Balance</u>
		<u>Addition</u>	<u>Utilization</u>		
Donner Canadian Foundation	\$ 17,579	\$ -	\$ (703)	\$ 16,876	\$ 17,579
Donner Canadian Foundation	-	24,500	-	24,500	-
Calgary Foundation	-	17,000	(5,891)	11,109	-
The Maja Foundation at the Calgary Foundation	-	5,000	-	5,000	-
	<u>\$ 17,579</u>	<u>\$ 46,500</u>	<u>\$ (6,594)</u>	<u>\$ 57,485</u>	<u>\$ 17,579</u>

8. Endowments

The Society has established several endowment funds. Contributions to these funds are to be maintained for at least a ten year period, unless otherwise specified by the donor, during which time any investment income earned on these funds are to be used for purposes specified by the donor.

Interest earned on the Tavi Mimi Rigby Spay & Neuter Endowment Fund and the Mimi Sojonky Memorial S&N Endowment Fund are to be used for the spay and neuter of the Society's dogs and cats. Interest earned on the Sommerville Family Endowment Fund and the Beverly Bendell Endowment Fund are to be used for operations.

Balances for specific endowment funds are as follows:

	<u>2017</u>	<u>2016</u>
Beverly Bendell Endowment Fund	\$ 15,000	\$ 57,625
Tavi Mimi Rigby Spay & Neuter Endowment Fund	25,152	25,152
Mimi Sojonky Memorial S&N Endowment Fund	24,794	24,794
Sommerville Family Endowment Fund	20,000	20,000
	<u>\$ 84,946</u>	<u>\$ 127,571</u>

The endowment funds have been invested in guaranteed investment certificates during the year, with maturity dates in both the short-term and long-term horizon (2018 to 2022). Interest rates vary from 1.00% to 4.30% per annum.

In fiscal 2017, the Society redeemed \$ 42,625 from its Beverly Bendell Endowment Fund to fund operations.

The Bow Valley Society for the Prevention of Cruelty to Animals
Notes to Financial Statements
Year ended December 31, 2017

9. User fees

	<u>2017</u>	<u>2016</u>
Adoption fees	\$ 31,740	\$ 23,075
Re-homing fees	8,477	7,175
Program fees	<u>2,696</u>	<u>400</u>
	<u>\$ 42,913</u>	<u>\$ 30,650</u>

10. Comparative figures

Certain comparative figures for the previous year have been changed to conform to the presentation for the current year.