

**THE NOVA SCOTIA SOCIETY FOR THE PREVENTION OF  
CRUELTY**

**NON-CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2018**

**THE NOVA SCOTIA SOCIETY FOR THE PREVENTION OF CRUELTY**  
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## INDEPENDENT AUDITORS' REPORT

To the Members of:

**The Nova Scotia Society for the Prevention of Cruelty**

### *Qualified Opinion*

We have audited the non-consolidated financial statements of **The Nova Scotia Society for the Prevention of Cruelty** ("the Society"), which comprise the non-consolidated statement of financial position as at December 31, 2018 and the non-consolidated statements of operations and changes in net assets and cash flows for the year then ended, and notes to the non-consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying non-consolidated financial statements present fairly, in all material respects, the non-consolidated financial position of the Society as at December 31, 2018, and results of its non-consolidated operations and its non-consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### *Basis for Qualified Opinion*

In common with many non-profit organizations, the Society derives revenue from various sources including 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 the Society and we were not able to determine whether any adjustments might be necessary to revenues, excess of revenues over expenses, assets and net assets.

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 Non-consolidated Financial Statements section of our report. We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the non-consolidated 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 Non-consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the non-consolidated 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 non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, management is responsible for assessing the Society'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 Society or to cease operations, or has no realistic alternative but to do so.

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

*Auditors' Responsibilities for the Audit of the Non-consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the non-consolidated 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 these non-consolidated 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 non-consolidated 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 Society'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 Society'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 non-consolidated 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 Society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We 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.



Dartmouth, Nova Scotia  
March 25, 2019

**Chartered Professional Accountants**  
**Licensed Public Accountants**

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**THE NOVA SCOTIA SOCIETY FOR THE PREVENTION OF CRUELTY**  
**NON-CONSOLIDATED STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	2018	2017
	\$	\$
<b>REVENUES</b>		
Donations and fundraising	1,705,629	1,374,215
Shelter operations	1,003,765	988,860
Service	1,059,994	966,427
Bequests	635,310	862,777
Government grant	<u>320,000</u>	<u>240,000</u>
	<u>4,724,698</u>	<u>4,432,279</u>
<b>EXPENSES</b>		
Administration	477,276	407,221
Amortization	96,531	67,335
Fund development and outreach	562,247	400,102
Investigations	725,560	692,476
Shelter operations	1,864,411	1,842,468
Veterinary services and medication	<u>893,021</u>	<u>909,285</u>
	<u>4,619,046</u>	<u>4,318,887</u>
<b>EARNINGS FROM OPERATIONS</b>	<u>105,652</u>	<u>113,392</u>
<b>OTHER INCOME</b>		
Investment income	598	5,379
Gain on marketable securities	17,285	40,516
Loss on disposal of capital assets	-	( 5,712)
Net earnings from controlled profit oriented enterprises (Note 6)	<u>6,952</u>	<u>5,370</u>
	<u>24,835</u>	<u>45,553</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<u>130,487</u>	<u>158,945</u>

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**THE NOVA SCOTIA SOCIETY FOR THE PREVENTION OF CRUELTY**  
**NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS**  
**AS AT DECEMBER 31, 2018**

	Restricted	Invested in Capital Assets	Unrestricted	Total 2018
	\$	\$	\$	\$
<b>Balance, beginning of year</b>	20,000	1,145,968	2,507,708	<b>3,673,676</b>
Excess of revenues over expenses	-	-	130,487	<b>130,487</b>
Amortization	-	( 96,531)	96,531	-
Acquisition of capital assets	-	1,627,747	( 1,627,747)	-
Proceeds on long-term debt	-	( 980,000)	980,000	-
Payments on long-term debt	<u>-</u>	<u>7,513</u>	<u>( 7,513)</u>	<u>-</u>
<b>Balance, end of year</b>	<u><u>20,000</u></u>	<u><u>1,704,697</u></u>	<u><u>2,079,466</u></u>	<u><u>3,804,163</u></u>

	Restricted	Invested in Capital Assets	Unrestricted	Total 2017
	\$	\$	\$	\$
<b>Balance, beginning of year</b>	20,000	997,193	2,497,538	3,514,731
Excess of revenues over expenses	-	-	158,945	158,945
Amortization	-	( 67,335)	67,335	-
Acquisition of capital assets	-	221,822	( 221,822)	-
Loss on disposal of capital assets	<u>-</u>	<u>( 5,712)</u>	<u>5,712</u>	<u>-</u>
<b>Balance, end of year</b>	<u><u>20,000</u></u>	<u><u>1,145,968</u></u>	<u><u>2,507,708</u></u>	<u><u>3,673,676</u></u>

**THE NOVA SCOTIA SOCIETY FOR THE PREVENTION OF CRUELTY 6**  
**NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2018**

	2018	2017
	\$	\$
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	649,762	651,712
Accounts receivable (Note 3)	525,267	384,675
Inventory	1,000	1,000
Prepays	<u>59,776</u>	<u>47,634</u>
	1,235,805	1,085,021
<b>MARKETABLE SECURITIES (Note 4)</b>	876,876	1,631,992
<b>DUE FROM RELATED PARTIES (Note 5)</b>	157,607	157,287
<b>INVESTMENTS IN CONTROLLED PROFIT     ORIENTED ENTERPRISES (Note 6)</b>	21,272	14,320
<b>CAPITAL ASSETS (Note 7)</b>	<u>2,677,184</u>	<u>1,145,968</u>
	<u>4,968,744</u>	<u>4,034,588</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	192,094	209,646
Deferred revenue	-	151,266
Current portion of long-term debt	<u>30,931</u>	<u>-</u>
	223,025	360,912
<b>LONG-TERM DEBT (Note 9)</b>	<u>941,556</u>	<u>-</u>
	<u>1,164,581</u>	<u>360,912</u>
<b>NET ASSETS</b>		
<b>RESTRICTED</b>	20,000	20,000
<b>INVESTED IN CAPITAL ASSETS</b>	1,704,697	1,145,968
<b>UNRESTRICTED</b>	<u>2,079,466</u>	<u>2,507,708</u>
	<u>3,804,163</u>	<u>3,673,676</u>
	<u>4,968,744</u>	<u>4,034,588</u>
<b>COMMITMENTS (Note 10)</b>		

Approved by the Board



Director



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**THE NOVA SCOTIA SOCIETY FOR THE PREVENTION OF CRUELTY**  
**NON-CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	2018	2017
	\$	\$
<b>CASH PROVIDED BY (USED FOR)</b>		
<b>OPERATING</b>		
Excess of revenues over expenses	130,487	158,945
Items not affecting cash		
Amortization	96,531	67,335
Gain on marketable securities	( 17,285)	( 40,516)
Loss on disposal of capital assets	-	5,712
Net earnings from controlled profit oriented enterprises	( 6,952)	( 5,370)
	202,781	186,106
Changes in non-cash working capital items		
Accounts receivable	( 140,592)	( 158,711)
Prepays	( 12,142)	( 22,254)
Accounts payable and accrued liabilities	( 17,552)	92,533
Deferred revenue	( 151,266)	139,424
	( 118,771)	237,098
<b>FINANCING</b>		
Proceeds from long-term debt	980,000	-
Payments on long-term debt	( 7,513)	-
	972,487	-
<b>INVESTING</b>		
Proceeds on disposition of marketable securities	791,000	2,405,058
Acquisition of marketable securities	( 18,599)	( 1,960,843)
Cash receipts from related parties	694,436	739,219
Cash advances to related parties	( 694,756)	( 758,032)
Acquisition of capital assets	( 1,627,747)	( 221,822)
	( 855,666)	203,580
<b>CHANGE IN CASH</b>	( 1,950)	440,678
<b>CASH - beginning of year</b>	651,712	211,034
<b>CASH - end of year</b>	649,762	651,712

## 1. OPERATIONS

The The Nova Scotia Society for the Prevention of Cruelty ("the Society") was incorporated in 1877 by an Act of the Nova Scotia Legislature and, in accordance with its constitution and by-laws, was established to provide effective means for the prevention of cruelty throughout the Province of Nova Scotia.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### Basis of accounting

The non-consolidated financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

### Cash

Cash consists of cash on hand and bank balances held with a financial institution.

### Investments in controlled profit oriented enterprises

The non-consolidated financial statements have not been consolidated as the Board of Directors of the Society has access to all pertinent information concerning the resources and operations of the controlled profit-oriented enterprises, SPCA HRM Animal Hospital Limited ("HRM Hospital") and SPCA Cape Breton Hospital Limited ("CB Hospital"). The Society accounts for its investments in its controlled profit oriented enterprises using the equity method, whereby the amount of the investments are adjusted annually for the Society's pro-rata share of the net earnings of its investments and reduced by the amount of any dividends received. If the pro-rata share of net earnings from investments accounted for under the equity method would reduce the cost of the investment below zero, there must be evidence provided to indicate that the profit-controlled entity will imminently return to profitability.

## **2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### Capital assets

Capital assets are recorded at cost. Amortization is provided for using the following rates and methods over the estimated useful lives as follows:

Buildings	4%	Diminishing balance
Computer equipment	30%	Diminishing balance
Computer software	15%	Diminishing balance
Equipment	20%	Diminishing balance
Fences	10%	Diminishing balance
Leaseholds	Term of lease	Straight-line
Office equipment	20%	Diminishing balance
Paving and walkways	8%	Diminishing balance
Vehicles	30%	Diminishing balance

One half year's amortization is taken in the year of acquisition.

### Impairment of long-lived assets

Long-lived assets are tested for impairment whenever events or changes in circumstances indicate that their carrying value may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

### Revenue recognition

Revenue from donations and fundraising, bequests and government grants are recognized when amounts are received or receivable, when the amount is fixed or determinable and collection is reasonably assured.

Revenues from shelter operations and service revenue are recognized when services have been performed and collection is reasonably assured.

Investment income, which includes dividend and interest income, is recognized when earned.

### Government assistance

Government fundraising and grants for general operations are recorded as revenue when received. Government grants for the purchase of capital assets are applied against the cost of the related asset in the year acquired.

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**THE NOVA SCOTIA SOCIETY FOR THE PREVENTION OF CRUELTY**  
**NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Contributed goods and services

Contributed materials and services, except related to volunteer time, are recognized in the non-consolidated financial statements when their fair value can be reasonably determined and they are used in the normal course of the Society's operations and would otherwise have been purchased.

The Society benefits from donated services in the form of volunteer time for various programs and objectives of the Society, donated supplies to the animal shelter and donated clothing and items for the thrift stores. Due to the difficulty of determining the fair value of these contributed services and supplies, they are not recognized in these non-consolidated financial statements.

The Society accounts for in-kind donations at their fair market value as they are received, when the amounts are readily determinable.

Income taxes

The Society is a registered charity under section 149.1 (1) of the Income Tax Act, and, as such, is exempt from income taxes. Accordingly, no provision has been made in the accounts for income taxes.

Use of estimates

The preparation of non-consolidated 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 and disclosure of contingencies at the date of the non-consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates are used when accounting for items such as the allowance for doubtful accounts, the useful lives of capital assets, certain accrued liabilities and in-kind donations. Actual results could differ from these estimates.

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**NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS**  
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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Financial instruments

*Measurement of financial instruments*

The Society initially measures its financial assets and financial liabilities at fair value.

The Society subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the non-consolidated statement of operations.

Financial assets measured at amortized cost include cash, accounts receivable and amounts due from related parties.

Financial assets measured at fair value include marketable securities.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and long-term debt.

*Impairment*

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of any write down is recognized in the non-consolidated statement of operations. Any previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of any reversal is recognized in the non-consolidated statement of operations.

<b>3. ACCOUNTS RECEIVABLE</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Trade receivables	<b>205,944</b>	127,056
HST recoverable	<b>184,184</b>	88,589
Bequests receivable	<u><b>135,139</b></u>	<u>169,030</u>
	<u><b>525,267</b></u>	<u><b>384,675</b></u>

**THE NOVA SCOTIA SOCIETY FOR THE PREVENTION OF CRUELTY 12**  
**NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS**  
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<b>4. MARKETABLE SECURITIES</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Cash held with investment brokers	150,785	154,665
Caisse Populaire de Clare term deposits	47,561	78,029
Scotia Wealth exchange traded funds	118,920	513,851
Scotia Wealth equities	2,990	983
Scotia Wealth fixed income	535,661	805,018
Scotia Wealth mutual funds	<u>20,959</u>	<u>79,446</u>
	<u><b>876,876</b></u>	<u><b>1,631,992</b></u>

<b>5. RELATED PARTY BALANCES</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Due from HRM Hospital	34,609	54,633
Due from CB Hospital	<u>122,998</u>	<u>102,654</u>
	<u><b>157,607</b></u>	<u><b>157,287</b></u>

The amounts due from related parties, which are wholly-owned subsidiaries, are non-interest bearing and have no set terms of repayment.

<b>6. INVESTMENTS IN CONTROLLED PROFIT-ORIENTED ENTERPRISES</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
HRM Hospital	21,272	14,320
CB Hospital	<u>-</u>	<u>-</u>
	<u><b>21,272</b></u>	<u><b>14,320</b></u>

**THE NOVA SCOTIA SOCIETY FOR THE PREVENTION OF CRUELTY 13**  
**NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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**6. INVESTMENTS IN CONTROLLED PROFIT-ORIENTED ENTERPRISES  
(Continued)**

**HRM HOSPITAL**

This investments represents a 100% interest in the common shares of HRM Hospital and as follows:

	2018	2017
	\$	\$
Shares, at cost	5	5
Equity in cumulative earnings since acquisition	<u>21,267</u>	<u>14,315</u>
	<u>21,272</u>	<u>14,320</u>

Selected financial information of the controlled profit-oriented enterprise as at December 31, 2018, is as follows:

	2018	2017
	\$	\$
Total assets	<u>138,171</u>	<u>133,408</u>
Total liabilities	116,889	119,088
Shareholders' equity	<u>21,272</u>	<u>14,320</u>
	<u>138,161</u>	<u>133,408</u>
Total revenues	534,777	487,624
Total expenses	<u>527,825</u>	<u>482,254</u>
Net earnings	<u>6,952</u>	<u>5,370</u>
Cash flows provided by operating activities	<u>50,528</u>	<u>33,856</u>
Cash flows used in financing activities	( 10,271)	( 9,449)
Cash flows used in investing activities	( 43,271)	( 31,293)

**THE NOVA SCOTIA SOCIETY FOR THE PREVENTION OF CRUELTY 14**  
**NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS**  
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**6. INVESTMENTS IN CONTROLLED PROFIT-ORIENTED ENTERPRISES  
(Continued)**

**CB HOSPITAL**

This investment represents a 100% interest in the common shares of CB Hospital as follows:

	2018 \$	2017 \$
Shares, at cost	5	5
Equity in cumulative earnings since acquisition	( 5)	( 5)
	<u>-</u>	<u>-</u>

Selected financial information of the controlled profit-oriented enterprise as at December 31, 2018, is as follows:

	2018 \$	2017 \$
Total assets	<u>77,401</u>	<u>81,431</u>
Total liabilities	137,445	115,773
Shareholders' equity	( 60,044)	( 34,342)
	<u>77,401</u>	<u>81,431</u>
Total revenues	143,394	180,480
Total expenses	<u>169,096</u>	<u>210,490</u>
Net earnings	( 25,702)	( 30,010)
Cash flows used in operating activities	( 7,429)	( 33,860)
Cash flows provided by financing activities	<u>20,344</u>	<u>25,986</u>
Cash flows provided by investing activities	<u>-</u>	<u>-</u>



**THE NOVA SCOTIA SOCIETY FOR THE PREVENTION OF CRUELTY 15**  
**NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS**  
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**7. CAPITAL ASSETS**

	Cost	Accumulated	Net	Net
	\$	Amortization	2018	2017
	\$	\$	\$	\$
Land	425,205	-	425,205	81,205
Buildings	3,061,074	984,371	2,076,703	923,937
Computer equipment	97,653	87,578	10,075	9,775
Computer software	10,756	7,855	2,901	4,144
Equipment	319,240	240,387	78,853	61,935
Fences	46,530	19,337	27,193	30,215
Leaseholds	35,131	13,878	21,253	688
Office equipment	94,548	84,618	9,930	3,413
Paving and walkways	16,441	9,774	6,667	7,247
Vehicles	44,552	26,148	18,404	23,409
	<u>4,151,130</u>	<u>1,473,946</u>	<u>2,677,184</u>	<u>1,145,968</u>

**8. BANK INDEBTEDNESS**

A demand operating loan has been authorized by ScotiaBank to a maximum of \$100,000 and bears interest at a rate of prime plus 0.75% per annum. At December 31, 2018, the balance on the operating loan was \$NIL (2017 - \$NIL).

**9. LONG-TERM DEBT**

	2018	2017
	\$	\$
Credit Union Atlantic, first mortgage, secured by land and building located in Dartmouth, NS with a carrying value of \$1,516,761, repayable in equal monthly instalments at \$6,256 until September 2023, including interest at 4.65% per annum.	972,487	-
Less current portion	<u>30,931</u>	<u>-</u>
	<u>941,556</u>	<u>-</u>

**THE NOVA SCOTIA SOCIETY FOR THE PREVENTION OF CRUELTY 16**  
**NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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**9. LONG-TERM DEBT (Continued)**

Assuming like terms, principal due within each of the next five years on long-term debt is approximately as follows:

	\$
2019	30,931
2020	32,386
2021	33,909
2022	35,504
2023	839,757

Included in Administration expenses is \$14,255 (2017 - \$NIL) of interest on long-term debt.

**10. COMMITMENTS**

The Society leases various automobiles under operating lease arrangements. Future minimum lease payments for the next three years are as follows:

	\$
2019	42,748
2020	31,763
2021	26,553

**11. RELATED PARTY TRANSACTIONS**

During the year, the Society entered into transactions (recorded at exchange values) with related parties, which are wholly owned subsidiaries, as follows.

- a) The Society purchased veterinary services from the HRM Hospital and the CB Hospital in the amount of \$435,151 (2017 - \$446,388);
- b) The Society received management fees from the HRM Hospital and the CB Hospital in the amount of \$24,930 (2017 - \$24,900) which is included in service revenue;
- c) The Society received rent revenue from the HRM Hospital in the amount of \$18,900 (2017 - \$20,348) which is included in service revenue.

## 12. FINANCIAL INSTRUMENTS

The Society is exposed to various risks through its financial instruments. The following analysis provides a measure of the Society's risk exposure and concentrations at December 31, 2018.

### *Credit risk*

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Financial instruments that potentially subject the Society to concentrations of credit risk consist of cash, accounts receivable, marketable securities and amounts due from related parties. The Society deposits its cash and marketable securities in reputable financial institutions and therefore believes the risk of loss to be remote. The Society is exposed to credit risk from accounts receivable. A provision for impairment of accounts receivable is established when there is objective evidence that the Society will not be able to collect all amounts due.

### *Liquidity risk*

Liquidity risk is the risk that the Society will encounter difficulty in meeting obligations associated with financial liabilities. The Society is exposed to this risk mainly in respect of its accounts payable and accrued liabilities and long-term debt. Sufficient financing facilities and marketable securities are in place should cash requirements exceed cash generated from operations.

### *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.

The Society is mainly exposed to other price risk.

### *Other price risk*

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.

### 13. COMPARATIVE FIGURES

Certain figures presented for comparative purposes have been reclassified to conform with the non-consolidated financial statement presentation adopted for the current year.