

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

NON-CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023

THE NOVA SCOTIA SOCIETY FOR THE PREVENTION OF CRUELTY
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Baker Tilly Nova Scotia Inc.
Suite 201, 130 Eileen Stubbs Ave
Dartmouth, NS
Canada B3B 2C4

D: +1 902.404.4000
F: +1 902.404.3099

halifax@bakertilly.ca
www.bakertilly.ca

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, 2023, the non-consolidated statements of operations, 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, 2023, and results of its non-consolidated operations and its non-consolidated cash flows for the years 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 revenues 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, deficiency of revenues over expenses, assets and net assets as at December 31, 2023 and December 31, 2022.

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
April 25, 2024

Chartered Professional 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, 2023

	2023	2022
	\$	\$
REVENUES		
Bequests	876,250	573,532
College of Animal Welfare	254,675	94,484
Donations and fundraising	4,585,142	4,662,809
Government enforcement grant	526,864	320,790
Service (Note 13)	1,810,225	1,754,224
Shelter operations (Note 13)	<u>1,408,903</u>	<u>1,077,403</u>
	<u>9,462,059</u>	<u>8,483,242</u>
EXPENSES		
Administration (Note 11)	1,851,495	1,176,844
Amortization	212,850	212,939
College of Animal Welfare	418,124	431,037
Fund development and outreach	2,108,467	1,647,547
Investigations	936,381	878,240
Shelter operations	4,361,548	3,699,706
Veterinary services and medication	<u>231,268</u>	<u>283,273</u>
	<u>10,120,133</u>	<u>8,329,586</u>
EARNINGS FROM OPERATIONS	<u>(658,074)</u>	<u>153,656</u>
OTHER INCOME (LOSS)		
Investment income	28,002	41,466
Gain (loss) on marketable securities	411,877	(302,084)
Loss on disposition of capital assets	<u>(5,961)</u>	<u>-</u>
	<u>433,918</u>	<u>(260,618)</u>
DEFICIENCY OF REVENUES OVER EXPENSES	<u>(224,156)</u>	<u>(106,962)</u>

THE NOVA SCOTIA SOCIETY FOR THE PREVENTION OF CRUELTY 5
NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Restricted	Invested in Capital Assets	Unrestricted	Total 2023
	\$	\$	\$	\$
Balance - beginning of year	20,000	1,951,336	2,724,428	4,695,764
Deficiency of revenues over expenses	-	-	(224,156)	(224,156)
Amortization	-	(212,850)	212,850	-
Acquisition of capital assets	-	1,603,602	(1,603,602)	-
Gifted land	-	86,100	-	86,100
Payments on long-term debt	-	36,004	(36,004)	-
Payments on obligations on capital leases	-	17,376	(17,376)	-
Balance - end of year	<u>20,000</u>	<u>3,481,568</u>	<u>1,056,140</u>	<u>4,557,708</u>

	Restricted	Invested in Capital Assets	Unrestricted	Total 2022
	\$	\$	\$	\$
Balance - beginning of year	20,000	1,988,087	2,794,639	4,802,726
Deficiency of revenues over expenses	-	-	(106,962)	(106,962)
Amortization	-	(212,939)	212,939	-
Acquisition of capital assets	-	124,864	(124,864)	-
Payments on long-term debt	-	35,504	(35,504)	-
Payments on obligations on capital leases	-	15,820	(15,820)	-
Balance - end of year	<u>20,000</u>	<u>1,951,336</u>	<u>2,724,428</u>	<u>4,695,764</u>

THE NOVA SCOTIA SOCIETY FOR THE PREVENTION OF CRUELTY 6
NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023

	2023	2022
	\$	\$
ASSETS		
CURRENT		
Cash	1,365,006	1,339,425
Restricted cash	-	3,500,000
Accounts receivable (Note 3)	324,819	394,517
Inventory	1,000	1,000
Prepays	<u>124,573</u>	<u>166,867</u>
	1,815,398	5,401,809
MARKETABLE SECURITIES (Note 4)	5,907,954	3,050,035
DUE FROM RELATED PARTIES (Note 5)	1,233,217	1,242,489
CAPITAL ASSETS (Note 7)	<u>4,347,185</u>	<u>2,876,294</u>
	<u>13,303,754</u>	<u>12,570,627</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	721,704	304,768
Deferred revenue	2,013,838	3,913,588
Current portion of obligations on capital leases	17,880	16,818
Current portion of long-term debt	<u>33,344</u>	<u>839,757</u>
	2,786,766	5,074,931
LONG-TERM DEFERRED REVENUE (Note 9)	5,138,926	2,731,549
OBLIGATIONS ON CAPITAL LEASES (Note 10)	49,945	68,383
LONG-TERM DEBT (Note 11)	<u>770,409</u>	<u>-</u>
	<u>8,746,046</u>	<u>7,874,863</u>
NET ASSETS		
RESTRICTED	20,000	20,000
INVESTED IN CAPITAL ASSETS	3,481,568	1,951,336
UNRESTRICTED	<u>1,056,140</u>	<u>2,724,428</u>
	<u>4,557,708</u>	<u>4,695,764</u>
	<u>13,303,754</u>	<u>12,570,627</u>

COMMITMENTS (Note 12)

Approved by the Board

Alex Bauld

Director

THE NOVA SCOTIA SOCIETY FOR THE PREVENTION OF CRUELTY 7
NON-CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023

	2023	2022
	\$	\$
CASH PROVIDED BY (USED FOR)		
OPERATING		
Deficiency of revenues over expenses	(224,156)	(106,962)
Items not affecting cash		
Amortization	212,850	212,939
(Gain) loss on marketable securities	(411,877)	302,084
Loss on disposition of capital assets	5,961	-
Donations of shares	(118,540)	(621,390)
	(535,762)	(213,329)
Changes in non-cash working capital items		
Accounts receivable	69,698	(75,010)
Prepays	42,294	(65,462)
Accounts payable and accrued liabilities	416,936	54,524
Deferred revenue	(1,899,750)	3,581,255
	(1,906,584)	3,281,978
FINANCING		
Change in long-term deferred revenue	2,407,377	(2,706,546)
Payments on obligations on capital leases	(17,376)	(15,820)
Payments on long-term debt	(36,004)	(35,504)
	2,353,997	(2,757,870)
INVESTING		
Proceeds on disposition of marketable securities	1,200,500	1,803,380
Acquisition of marketable securities	(28,002)	(1,548,681)
Transfer to restricted cash	-	3,500,000
Cash receipts from related parties	1,495,788	1,119,154
Cash advances to related parties	(1,486,516)	(1,296,133)
Acquisition of capital assets	(1,603,602)	(124,864)
	(421,832)	3,452,856
CHANGE IN CASH	25,581	3,976,964
CASH - beginning of year	1,339,425	862,461
CASH - end of year	1,365,006	4,839,425
 Cash position consists of:		
Cash	1,365,006	1,339,425
Restricted cash	-	3,500,000
	1,365,006	4,839,425

1. OPERATIONS

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
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.

Capital assets are not amortized until available for use.

Impairment of long-lived assets

Long-lived assets are reviewed for impairment annually. When conditions indicate long-lived asset no longer contributes to the Society's ability to provide services or that the value of future economic benefits or service potential associated with the capital asset is less than its net carrying amount, its net carrying amount is written down to its fair value or replacement cost.

Revenue recognition

The Society follows the deferral method of accounting for contributions.

Revenue from donations and fundraising, bequests and government enforcement 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, service revenue and College of Animal Welfare are recognized when services have been performed, when the amount is fixed or determinable 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, 2023

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expense allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the non-consolidated Statement of Operations. Accordingly, certain costs have been allocated among the programs and supporting services benefited (Note 14).

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.

Contributed tangible capital assets that will not be amortized are recognized as direct increases to net assets.

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 useful lives of capital assets, certain accrued liabilities, donations in-kind and allocation of expenses. Actual results could differ from these estimates.

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NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Measurement of financial instruments

The Society initially measures its financial assets and financial liabilities at fair value, except for transactions with related parties which are recorded at the exchange amount established and agreed upon by the related parties.

The Society subsequently measures all its financial assets and financial liabilities at amortized cost, except for related party transactions, which are measured at their carrying value, and 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 and accounts receivable.

Financial assets measured at fair value include marketable securities.

Financial assets measured at their carrying value include amounts due from related parties.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, obligations on capital leases 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.

3. ACCOUNTS RECEIVABLE

	2023	2022
	\$	\$
Trade receivables	217,482	328,545
HST recoverable	<u>107,337</u>	<u>65,972</u>
	<u><u>324,819</u></u>	<u><u>394,517</u></u>

THE NOVA SCOTIA SOCIETY FOR THE PREVENTION OF CRUELTY 12
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

4. MARKETABLE SECURITIES	2023	2022
	\$	\$
Cash held with investment brokers	2,403,833	58,542
Scotia Wealth exchange traded funds	1,118,291	1,006,281
Scotia Wealth equities	922,127	857,203
Scotia Wealth fixed income	1,425,979	1,128,009
Scotia Wealth mutual funds	<u>37,724</u>	<u>-</u>
	<u>5,907,954</u>	<u>3,050,035</u>

5. RELATED PARTY BALANCES	2023	2022
	\$	\$
Due from HRM Hospital	1,075,656	1,063,924
Due from CB Hospital	<u>157,561</u>	<u>178,565</u>
	<u>1,233,217</u>	<u>1,242,489</u>

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

6. INVESTMENTS IN CONTROLLED PROFIT-ORIENTED ENTERPRISES

	2023	2022
	\$	\$
HRM Hospital	-	-
CB Hospital	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

THE NOVA SCOTIA SOCIETY FOR THE PREVENTION OF CRUELTY 13
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

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

HRM HOSPITAL

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

	2023	2022
	\$	\$
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, 2023, is as follows:

	2023	2022
	\$	\$
Total assets	<u>332,884</u>	<u>206,258</u>
Total liabilities	1,139,630	1,166,662
Shareholders' equity	(806,746)	(960,404)
	<u>332,884</u>	<u>206,258</u>
Total revenues	2,426,467	1,703,254
Total expenses	<u>2,272,809</u>	<u>1,949,613</u>
Net earnings	<u>153,658</u>	(246,359)
Cash flows provided by (used in) operating activities	<u>171,800</u>	(45,459)
Cash flows used in investing activities	(21,934)	<u>-</u>

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NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

**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:

	2023	2022
	\$	\$
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, 2023, is as follows:

	2023	2022
	\$	\$
Total assets	<u>250,297</u>	<u>148,596</u>
Total liabilities	323,910	255,622
Shareholders' equity	(73,613)	(107,026)
	<u>250,297</u>	<u>148,596</u>
Total revenues	800,740	342,097
Total expenses	<u>767,327</u>	<u>341,713</u>
Net earnings	<u>33,413</u>	<u>384</u>
Cash flows provided by operating activities	<u>78,870</u>	<u>18,496</u>
Cash flows provided by financing activities	<u>29,118</u>	<u>8,776</u>
Cash flows used in investing activities	<u>(24,126)</u>	<u>-</u>

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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, 2023

7. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2023	Net 2022
	\$	\$	\$	\$
Land	511,305	-	511,305	425,205
Buildings	4,616,729	1,382,596	3,234,133	1,917,194
Computer equipment	131,239	107,306	23,933	34,189
Equipment	1,013,583	599,520	414,063	421,958
Fences	46,530	30,473	16,057	17,841
Leaseholds	45,425	18,461	26,964	8,480
Office equipment	120,372	107,598	12,774	15,967
Paving and walkways	16,441	12,047	4,394	4,776
Vehicles	<u>171,706</u>	<u>68,144</u>	<u>103,562</u>	<u>30,684</u>
	<u>6,673,330</u>	<u>2,326,145</u>	<u>4,347,185</u>	<u>2,876,294</u>

During the year, the Society incurred costs related to a building under construction and acquired equipment valued at \$1,345,331 and \$21,219, respectively. These assets have not been subject to amortization since the building was under construction and the equipment was not yet available for use as at December 31, 2023.

The Society recognized donated land from the Town of Stellarton in the amount of \$86,100.

8. BANK INDEBTEDNESS

A demand operating loan has been authorized by Scotiabank to a maximum of \$100,000 and bears interest at Scotiabank's rate of prime plus 0.75% per annum. At December 31, 2023, the balance on the operating loan was \$NIL (2022 - \$NIL).

THE NOVA SCOTIA SOCIETY FOR THE PREVENTION OF CRUELTY 16
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

9. DEFERRED REVENUE

	2023	2022
	\$	\$
Deferred revenue consists of:		
Current		
Campus fundraising	1,433,823	3,500,000
Provincial programs and grants	439,833	288,833
Tuition fees	<u>140,182</u>	<u>124,755</u>
	<u>2,013,838</u>	<u>3,913,588</u>
Long-term		
Bursaries	8,000	8,000
Campus fundraising	4,964,259	2,546,882
Provincial programs and grants	<u>166,667</u>	<u>176,667</u>
	<u>5,138,926</u>	<u>2,731,549</u>
	<u>7,152,764</u>	<u>6,645,137</u>
	2023	2022
	\$	\$
Changes in deferred revenue are as follows:		
Balance - beginning of year	6,645,137	5,770,428
Amount recognized as revenue	(958,675)	(435,060)
Amounts received related to future periods	<u>1,466,302</u>	<u>1,309,769</u>
	<u>7,152,764</u>	<u>6,645,137</u>

10. OBLIGATIONS UNDER CAPITAL LEASES

	2023	2022
	\$	\$
CWB National Leasing, secured by equipment with a carrying value of \$40,815, repayable in equal monthly instalments of \$1,090 until June 2027, including interest at 5.87% per annum.	40,723	51,601
CWB National Leasing, secured by equipment with a carrying value of \$26,018, repayable in equal monthly instalments of \$709 until July 2027, including interest at 6.55% per annum.	<u>27,102</u>	<u>33,600</u>
	67,825	85,201
Less current portion	<u>17,880</u>	<u>16,818</u>
	<u>49,945</u>	<u>68,383</u>

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NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

10. OBLIGATIONS UNDER CAPITAL LEASES (Continued)

Assuming like terms, future minimum lease payments due over the next 4 years on obligations under capital lease are approximately:

	\$
2024	21,583
2025	21,583
2026	21,583
2027	10,945
	75,694
Less amount representing interest	<u>7,869</u>
Balance	<u><u>67,825</u></u>

11. LONG-TERM DEBT

	2023	2022
	\$	\$
Credit Union Atlantic, first mortgage, secured by land and building located in Dartmouth, NS with a carrying value of \$1,358,910, repayable in equal monthly instalments of \$7,093 until September 2025, including interest at 6.60% per annum.	803,753	839,757
Less current portion	<u>33,344</u>	<u>839,757</u>
	<u><u>770,409</u></u>	<u><u>-</u></u>

Assuming like terms, principal due within each of the next 2 years on long-term debt is as follows:

	\$
2024	33,344
2025	770,409

Included in administration expenses is \$42,478 (2022 - \$39,454) of interest on long-term debt.

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12. COMMITMENTS

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

	\$
2024	185,714
2025	138,907
2026	75,405
2027	69,626
2028	66,581
Subsequent	284,850

13. 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 \$879,801 (2022 - \$540,319);
- b) The Society received management fees from the HRM Hospital and the CB Hospital in the amount of \$54,000 (2022 - \$540) which is included in service revenue;
- c) The Society received rent revenue from the HRM Hospital in the amount of \$NIL (2022 - \$18,900) which is included in shelter operations revenue.
- d) The Society received equipment rent revenue from the HRM Hospital in the amount of \$120,000 (2022 - \$120,000) which is included in service revenue.

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14. ALLOCATION OF EXPENSES

The Society's accounting policy is to charge expenses to the appropriate functional department or to a supporting activity. Expenses that serve multiple functional departments or are not readily identifiable within one function such as fleet expenses and office expenses.

Fleet expenses including vehicle leases, repairs, insurance and amortization are allocated as follows.

Administration	11%	\$	19,037
Fund development and outreach	7%	\$	13,071
Investigations	41%	\$	71,893
Shelter operations	41%	\$	71,891

Office expenses including utilities, supplies, postage and insurance are allocated as follows:

Administration	30%	\$	46,386
Fund development and outreach	40%	\$	61,334
Investigations	30%	\$	46,000

15. FINANCIAL INSTRUMENTS

Risks and concentrations

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, 2023.

It is management's opinion that the Society is not exposed to significant currency risk from its financial instruments. The risks arising on financial instruments are limited to the following:

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 in and purchases marketable securities from 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.

15. FINANCIAL INSTRUMENTS (Continued)

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, obligations on capital lease 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 interest and other price risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Society is exposed to interest rate risk on its financial obligations at variable interest rates.

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.

16. 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.