

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

NON-CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021

THE NOVA SCOTIA SOCIETY FOR THE PREVENTION OF CRUELTY
INDEX
DECEMBER 31, 2021

	Page
INDEPENDENT AUDITORS' REPORT	1
NON-CONSOLIDATED STATEMENT OF OPERATIONS	4
NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS	5
NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION	6
NON-CONSOLIDATED STATEMENT OF CASH FLOWS	7
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS	8 - 19



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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, 2021 and 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, 2021 and December 30, 2020, 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 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.

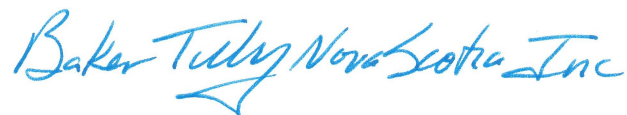
Auditors' Responsibilities for the Audit of the Non-consolidated Financial Statements

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
April 21, 2022

Chartered Professional Accountants

4

THE NOVA SCOTIA SOCIETY FOR THE PREVENTION OF CRUELTY
NON-CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2021

	2021	2020
	\$	\$
REVENUES		
Bequests	409,527	308,667
College of Animal Welfare subsidy	10,093	-
Donations and fundraising	3,311,240	2,670,658
Government enforcement grant	320,790	320,790
Service (Note 14)	1,698,349	1,448,451
Shelter operations (Note 14)	<u>780,388</u>	<u>834,565</u>
	<u>6,530,387</u>	<u>5,583,131</u>
EXPENSES		
Administration (Note 11)	907,197	771,839
Amortization	211,644	157,104
College of Animal Welfare	286,544	-
Fund development and outreach	1,134,440	824,668
Investigations	837,897	706,415
Shelter operations	2,326,810	1,910,284
Veterinary services and medication	<u>1,144,586</u>	<u>796,745</u>
	<u>6,849,118</u>	<u>5,167,055</u>
EARNINGS FROM OPERATIONS	<u>(318,731)</u>	<u>416,076</u>
OTHER INCOME		
Investment income	39,073	2,098
Gain on marketable securities	201,132	50,557
Gain on disposal of capital assets	1,630	-
Government assistance (Note 13)	<u>33,362</u>	<u>594,271</u>
	<u>275,197</u>	<u>646,926</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	<u>(43,534)</u>	<u>1,063,002</u>

THE NOVA SCOTIA SOCIETY FOR THE PREVENTION OF CRUELTY 5
NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
AS AT DECEMBER 31, 2021

	Restricted	Invested in Capital Assets	Unrestricted	Total 2021
	\$	\$	\$	\$
Balance, beginning of year	20,000	2,046,578	2,779,682	4,846,260
Deficiency of revenues over expenses	-	-	(43,534)	(43,534)
Amortization	-	(211,644)	211,644	-
Acquisition of capital assets	-	105,088	(105,088)	-
Disposal of capital assets	-	(854)	854	-
Payments on long-term debt	-	33,909	(33,909)	-
Payments on obligations on capital leases	-	15,010	(15,010)	-
Balance, end of year	<u>20,000</u>	<u>1,988,087</u>	<u>2,794,639</u>	<u>4,802,726</u>

	Restricted	Invested in Capital Assets	Unrestricted	Total 2020
	\$	\$	\$	\$
Balance, beginning of year	20,000	1,705,627	2,057,631	3,783,258
Excess of revenues over expenses	-	-	1,063,002	1,063,002
Amortization	-	(157,104)	157,104	-
Acquisition of capital assets	-	465,669	(465,669)	-
Payments on long-term debt	-	32,386	(32,386)	-
Balance, end of year	<u>20,000</u>	<u>2,046,578</u>	<u>2,779,682</u>	<u>4,846,260</u>

6

THE NOVA SCOTIA SOCIETY FOR THE PREVENTION OF CRUELTY
NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021

	2021	2020
	\$	\$
ASSETS		
CURRENT		
Cash	862,461	1,332,953
Accounts receivable (Note 3)	319,507	406,450
Inventory	1,000	1,000
Prepays	<u>101,405</u>	<u>85,091</u>
	1,284,373	1,825,494
MARKETABLE SECURITIES (Note 4)	6,485,428	6,086,580
DUE FROM RELATED PARTIES (Note 5)	1,065,510	635,707
CAPITAL ASSETS (Note 7)	<u>2,964,369</u>	<u>2,955,748</u>
	<u>11,799,680</u>	<u>11,503,529</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	250,244	357,373
Deferred revenue (Note 9)	332,333	262,003
Current portion of obligations on capital leases	15,820	-
Current portion of long-term debt	<u>35,504</u>	<u>33,909</u>
	633,901	653,285
LONG-TERM DEFERRED REVENUE (Note 9)	5,438,095	5,128,723
OBLIGATIONS ON CAPITAL LEASES (Note 10)	85,201	-
LONG-TERM DEBT (Note 11)	<u>839,757</u>	<u>875,261</u>
	<u>6,996,954</u>	<u>6,657,269</u>
NET ASSETS		
RESTRICTED	20,000	20,000
INVESTED IN CAPITAL ASSETS	1,988,087	2,046,578
UNRESTRICTED	<u>2,794,639</u>	<u>2,779,682</u>
	<u>4,802,726</u>	<u>4,846,260</u>
	<u>11,799,680</u>	<u>11,503,529</u>

COMMITMENTS (Note 12), SIGNIFICANT EVENT (Note 13)

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, 2021

	2021	2020
	\$	\$
CASH PROVIDED BY (USED FOR)		
OPERATING		
Excess (deficiency) of revenues over expenses	(43,534)	1,063,002
Items not affecting cash		
Amortization	211,644	157,104
Gain on marketable securities	(201,132)	(50,557)
Gain on disposal of capital assets	(1,630)	-
	(34,652)	1,169,549
Changes in non-cash working capital items		
Accounts receivable	86,943	(35,990)
Prepays	(16,314)	1,698
Accounts payable and accrued liabilities	(107,129)	200,890
Deferred revenue	70,330	117,003
	(822)	1,453,150
FINANCING		
Change in long-term deferred revenue	309,372	5,113,223
Payments on obligations on capital leases	(15,010)	-
Payments on long-term debt	(33,909)	(32,386)
	260,453	5,080,837
INVESTING		
Acquisition of marketable securities	(197,716)	(5,092,013)
Cash receipts from related parties	758,801	562,733
Cash advances to related parties	(1,188,604)	(842,742)
Proceeds on disposition of capital assets	2,484	-
Acquisition of capital assets	(105,088)	(465,669)
	(730,123)	(5,837,691)
CHANGE IN CASH	(470,492)	696,296
CASH - beginning of year	1,332,953	636,657
CASH - end of year	862,461	1,332,953

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.

10

THE NOVA SCOTIA SOCIETY FOR THE PREVENTION OF CRUELTY
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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, Canada Emergency Wage Subsidy claims and in-kind donations. Actual results could differ from these estimates.

THE NOVA SCOTIA SOCIETY FOR THE PREVENTION OF CRUELTY 11
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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 their carrying value include 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, 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	2021	2020
	\$	\$
Trade receivables	270,156	253,743
HST recoverable	49,351	52,474
Canada Emergency Wage Subsidy receivable	<u>-</u>	<u>100,233</u>
	<u>319,507</u>	<u>406,450</u>

THE NOVA SCOTIA SOCIETY FOR THE PREVENTION OF CRUELTY 12
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

4. MARKETABLE SECURITIES	2021	2020
	\$	\$
Cash held with investment brokers	1,788,036	5,558,903
Caisse Populaire de Clare term deposits	-	4,495
Scotia Wealth exchange traded funds	652,652	183,275
Scotia Wealth equities	813,449	28,521
Scotia Wealth fixed income	<u>3,231,291</u>	<u>311,386</u>
	<u>6,485,428</u>	<u>6,086,580</u>

5. RELATED PARTY BALANCES	2021	2020
	\$	\$
Due from HRM Hospital	905,250	498,710
Due from CB Hospital	<u>160,260</u>	<u>136,997</u>
	<u>1,065,510</u>	<u>635,707</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

	2021	2020
	\$	\$
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, 2021

**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:

	2021 \$	2020 \$
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, 2021, is as follows:

	2021 \$	2020 \$
Total assets	<u>276,422</u>	<u>334,509</u>
Total liabilities	990,467	579,220
Shareholders' equity	(714,045)	(244,711)
	<u>276,422</u>	<u>334,509</u>
Total revenues	1,154,886	529,035
Total expenses	<u>1,624,220</u>	<u>693,532</u>
Net earnings	<u>(469,334)</u>	<u>(164,497)</u>
Cash flows provided by operating activities	<u>63,229</u>	<u>141,383</u>
Cash flows used in financing activities	(12,938)	(11,652)
Cash flows used in investing activities	<u>(975)</u>	<u>(129,703)</u>

THE NOVA SCOTIA SOCIETY FOR THE PREVENTION OF CRUELTY 14
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

**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:

	2021	2020
	\$	\$
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, 2021, is as follows:

	2021	2020
	\$	\$
Total assets	<u>126,731</u>	<u>76,780</u>
Total liabilities	234,141	152,078
Shareholders' equity	(107,410)	(75,298)
	<u>126,731</u>	<u>76,780</u>
Total revenues	153,090	151,778
Total expenses	<u>185,202</u>	<u>152,571</u>
Net earnings	(32,112)	(793)
Cash flows provided by (used in) operating activities	(24,330)	5,166
Cash flows provided by (used in) financing activities	<u>22,118</u>	(3,285)
Cash flows used in investing activities	<u>-</u>	<u>-</u>

THE NOVA SCOTIA SOCIETY FOR THE PREVENTION OF CRUELTY 15
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

7. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2021	Net 2020
	\$	\$	\$	\$
Land	425,205	-	425,205	425,205
Buildings	3,161,016	1,226,395	1,934,621	1,993,004
Computer equipment	124,588	99,566	25,022	9,369
Computer software	10,756	9,761	995	1,422
Equipment	892,155	413,320	478,835	419,895
Fences	46,530	26,706	19,824	22,027
Leaseholds	35,131	24,249	10,882	13,602
Office equipment	120,372	100,413	19,959	24,949
Paving and walkways	16,441	11,250	5,191	5,643
Vehicles	<u>89,003</u>	<u>45,168</u>	<u>43,835</u>	<u>40,632</u>
	<u>4,921,197</u>	<u>1,956,828</u>	<u>2,964,369</u>	<u>2,955,748</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, 2021, the balance on the operating loan was \$NIL (2020 - \$NIL).

9. DEFERRED REVENUE

	2021	2020
	\$	\$
Deferred revenue consists of:		
Current		
Provincial programs	<u>332,333</u>	<u>262,003</u>
Long-term		
Bursaries	8,500	10,000
Campus fundraising	5,072,928	5,077,056
Provincial programs	<u>356,667</u>	<u>41,667</u>
	<u>5,438,095</u>	<u>5,128,723</u>
	<u>5,770,428</u>	<u>5,390,726</u>

THE NOVA SCOTIA SOCIETY FOR THE PREVENTION OF CRUELTY 16
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

9. DEFERRED REVENUE (Continued)	2021	2020
Changes in deferred revenue are as follows:	\$	\$
Balance - beginning of year	5,390,726	160,500
Amount recognized as revenue	(325,131)	(70,000)
Amounts received related to future periods	<u>704,833</u>	<u>5,300,226</u>
	<u>5,770,428</u>	<u>5,390,726</u>

10. OBLIGATIONS UNDER CAPITAL LEASE	2021	2020
	\$	\$
CWB National Leasing, secured by equipment with a carrying value of \$63,774, repayable in equal monthly instalments of \$1,090 until June 2027, including interest at 5.87% per annum.	61,335	-
CWB National Leasing, secured by equipment with a carrying value of \$40,654, repayable in equal monthly instalments of \$709 until July 2027, including interest at 6.55% per annum.	<u>39,686</u>	<u>-</u>
	101,021	-
Less current portion	<u>15,820</u>	<u>-</u>
	<u>85,201</u>	<u>-</u>

Assuming like terms, future minimum lease payments due over the next 5 years on obligations under capital lease are approximately:

	\$
2022	21,583
2023	21,583
2024	21,583
2025	21,583
2026	21,583
Subsequent	<u>11,501</u>
	119,416
Less amount representing interest	<u>18,395</u>
Balance	<u><u>101,021</u></u>

THE NOVA SCOTIA SOCIETY FOR THE PREVENTION OF CRUELTY 17
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

11. LONG-TERM DEBT

	2021 \$	2020 \$
Credit Union Atlantic, first mortgage, secured by land and building located in Dartmouth, NS with a carrying value of \$1,375,037, repayable in equal monthly instalments at \$6,256 until September 2023, including interest at 4.65% per annum.	875,261	909,170
Less current portion	<u>35,504</u>	<u>33,909</u>
	<u>839,757</u>	<u>875,261</u>

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

	\$
2022	35,504
2023	839,757

Included in administration expenses is \$41,149 (2020 - \$43,271) of interest on long-term debt.

12. COMMITMENTS

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

	\$
2022	107,714
2023	48,763
2024	46,263
2025	23,132

13. SIGNIFICANT EVENT

On March 11, 2020, the World Health Organization declared COVID-19 a world wide pandemic. During the days that followed, the Federal and Provincial governments issued many orders and restrictions on business and travel, leading up to the Province of Nova Scotia declaring a state of emergency on March 22, 2020. This pandemic, which has continued to spread, has adversely affected workforces, customers, economies, and financial markets globally, potentially leading to an economic downturn.

13. SIGNIFICANT EVENT (Continued)

While the impact of COVID-19 is expected to be temporary, many businesses were forced to close and lay off workers. The Society's adoptions and thrift store operations were temporarily suspended and some employees were laid off.

The Government of Canada initiated various programs to mitigate the impact of the pandemic, including the Canada Emergency Wage Subsidy (CEWS) program. During the year, the Society claimed \$33,362 from the CEWS program (2020 - \$594,271). CEWS claims are subject to audit by Canada Revenue Agency. The final amounts allowed by Canada Revenue Agency may differ from the amounts recorded by the Society.

The Society continues to operate and the full impact of this event on the Society's cash flows is not known at this time.

14. 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 \$340,230 (2020 - \$285,594);
- b) The Society received management fees from the HRM Hospital and the CB Hospital in the amount of \$3,510 (2020 - \$16,830) which is included in service revenue;
- c) The Society received rent revenue from the HRM Hospital in the amount of \$18,900 (2020 - \$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 (2020 - \$55,000) which is included in service revenue.

15. 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, 2021.

15. FINANCIAL INSTRUMENTS (Continued)

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, 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 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.