

Financial Statements of

**CANADIAN COUNCIL ON
ANIMAL CARE/CONSEIL
CANADIEN DE PROTECTION
DES ANIMAUX**

And Independent Auditors' Report thereon

Year ended March 31, 2020



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INDEPENDENT AUDITORS' REPORT

To the Members of the Canadian Council on Animal Care/Conseil canadien de protection des animaux

Opinion

We have audited the financial statements of Canadian Council on Animal Care/Conseil canadien de protection des animaux (the Council), which comprise:

- the statement of financial position as at March 31, 2020
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Council as at end of March 31, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

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 Financial Statements***" section of our auditors' report.

We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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.



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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 the 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 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 Council's internal control.
- 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 Council'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 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 Council to cease to continue as a going concern.



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- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

May 26, 2020

CANADIAN COUNCIL ON ANIMAL CARE/CONSEIL CANADIEN DE PROTECTION DES ANIMAUX

Financial Statements

Year ended March 31, 2020

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CANADIAN COUNCIL ON ANIMAL CARE/CONSEIL CANADIEN DE PROTECTION DES ANIMAUX

Statement of Financial Position

March 31, 2020, with comparative information for 2019

	2020	2019
Assets		
Current assets:		
Cash	\$ 234,558	\$ 328,630
Accounts receivable	64,454	125,394
Prepaid expenses	164,598	130,379
	<u>463,610</u>	<u>584,403</u>
Investments (note 3)	670,194	673,539
Tangible capital and intangible assets (note 4)	78,878	77,995
	<u>\$ 1,212,682</u>	<u>\$ 1,335,937</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 107,229	\$ 111,996
Deferred contributions	-	7,000
	<u>107,229</u>	<u>118,996</u>
Net assets (note 7):		
Invested in tangible capital and intangible assets	78,878	77,995
Unrestricted	1,026,575	1,138,946
	<u>1,105,453</u>	<u>1,216,941</u>

Economic dependence (note 1)


Commitments (note 6)


Impact of COVID-19 (note 10)

	<u>\$ 1,212,682</u>	<u>\$ 1,335,937</u>
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See accompanying notes to financial statements.

On behalf of the Board:


 _____ Director


 _____ Director

CANADIAN COUNCIL ON ANIMAL CARE/CONSEIL CANADIEN DE PROTECTION DES ANIMAUX

Statement of Operations

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Revenue:		
Grants (note 1)	\$ 1,750,000	\$ 1,750,000
Program participation fees	992,443	946,447
Workshops	37,450	57,780
Interest income	17,126	20,171
Miscellaneous	246	157
	<u>2,797,265</u>	<u>2,774,555</u>
Expenses:		
Salaries and benefits (note 8)	2,178,671	2,089,685
Rent	175,064	179,089
Travel	167,947	168,379
IT maintenance	93,546	91,675
Professional fees	54,452	37,772
Office and administration	55,500	70,957
Board and AGM	54,633	47,428
Legal and audit	13,196	24,143
Committee	13,823	21,729
Finance service charges	46,025	45,344
	<u>2,852,857</u>	<u>2,776,201</u>
Deficiency of revenue over expenses before the undernoted	(55,592)	(1,646)
Other expenses (income):		
Amortization of tangible capital and intangible assets	22,690	37,294
Unrealized loss (gain) on investments	33,206	(655)
	<u>55,896</u>	<u>36,639</u>
Deficiency of revenue over expenses	<u>\$ (111,488)</u>	<u>\$ (38,285)</u>

See accompanying notes to financial statements.

CANADIAN COUNCIL ON ANIMAL CARE/CONSEIL CANADIEN DE PROTECTION DES ANIMAUX

Statement of Changes in Net Assets

Year ended March 31, 2020, with comparative information for 2019

	Invested in tangible capital and intangible assets	Unrestricted	2020 Total	2019 Total
Net assets, beginning of year	\$ 77,995	\$ 1,138,946	\$ 1,216,941	\$ 1,255,226
Deficiency of revenue over expenses	-	(111,488)	(111,488)	(38,285)
Purchases of tangible capital and intangible assets	23,573	(23,573)	-	-
Amortization of tangible capital and intangible assets	(22,690)	22,690	-	-
Net assets, end of year	\$ 78,878	\$ 1,026,575	\$ 1,105,453	\$ 1,216,941

See accompanying notes to financial statements.

CANADIAN COUNCIL ON ANIMAL CARE/CONSEIL CANADIEN DE PROTECTION DES ANIMAUX

Statement of Cash Flows

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Deficiency of revenue over expenses	\$ (111,488)	\$ (38,285)
Items not involving cash:		
Amortization of tangible capital and intangible assets, which does not involve cash	22,690	37,294
Unrealized loss (gain) on investments	33,206	(655)
Net change in operating working capital:		
Accounts receivable	60,940	(37,102)
Prepaid expenses	(34,219)	9,361
Accounts payable and accrued liabilities	(4,767)	16,010
Deferred contributions	(7,000)	(25,500)
	(40,638)	(38,877)
Investing activities:		
Net decrease (increase) in investments	(29,861)	33,428
Additions to tangible capital and intangible assets	(23,573)	(8,119)
	(53,434)	25,309
Decrease in cash	(94,072)	(13,568)
Cash, beginning of year	328,630	342,198
Cash, end of year	\$ 234,558	\$ 328,630

See accompanying notes to financial statements.

CANADIAN COUNCIL ON ANIMAL CARE/CONSEIL CANADIEN DE PROTECTION DES ANIMAUX

Notes to Financial Statements

Year ended March 31, 2020

The Canadian Council on Animal Care/Conseil canadien de protection des animaux (the "Council") is incorporated as a not-for-profit corporation under Part II of the Canada Corporations Act. As a not-for-profit organization, the Council is exempt from income taxes under paragraph 149(1)(l) of the Income Tax Act (Canada).

Effective May 16, 2014, the Council continued its incorporation under the Canada Not-for-profit Corporations Act.

The mandate of the Council is to act in the interests of the people of Canada and advance animal ethics and care in science by:

- developing science-informed standards that incorporate expert opinion, the values of Canadians and strategies to reduce the need for, and harm of, animals in science, while promoting their well-being;
- encouraging the implementation of the highest standards of ethics and care for animals in science in collaboration with the animal care community and scientists across Canada;
- providing assessment and certification programs that empower scientific institutions in achieving high standards of animal ethics and care; and
- providing education, training and networking opportunities to support individuals, animal care committees and institutions in implementing our guidelines and sharing best practices in the oversight of animal ethics and care in science.

1. Economic dependence:

The Council's mandate and operations are dependent on grants from the Canadian Institutes of Health Research and the Natural Sciences and Engineering Research Council of Canada. Revenue includes grants received from these organizations of \$1,750,000 (2019 - \$1,750,000).

CANADIAN COUNCIL ON ANIMAL CARE/CONSEIL CANADIEN DE PROTECTION DES ANIMAUX

Notes to Financial Statements (continued)

Year ended March 31, 2020

2. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook - Accounting and include the following significant accounting policies:

(a) Revenue recognition:

The Council follows the deferral method of accounting for contributions for not-for-profit organizations.

Unrestricted contributions are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

Program participation fees are recorded in income in the year to which they relate, and deferred when received in advance.

(b) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Council has elected to carry any of its financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the effective interest rate method.

CANADIAN COUNCIL ON ANIMAL CARE/CONSEIL CANADIEN DE PROTECTION DES ANIMAUX

Notes to Financial Statements (continued)

Year ended March 31, 2020

2. Significant accounting policies (continued):

(b) Financial instruments (continued):

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Council determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Council expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial impairment change.

(c) Tangible capital and intangible assets:

Tangible capital and intangible assets are recorded at cost. Amortization is provided on the declining balance method using the following annual rates:

Asset	Rate
Tangible capital assets:	
Furniture and fixtures	20%
Computer equipment	30%
Intangible assets:	
Computer software	30%

Leasehold improvements are amortized on a straight-line basis over the term of the lease.

When a tangible capital or intangible asset no longer contributes to the Council's ability to provide services, its carrying amount is written down to its residual value.

(d) Expenses:

In the statement of operations, the Council presents its expenses by object, with the exception of projects, which are presented by function. Expenses are recognized in the year incurred and are recorded to the function to which they are directly related.

The Council does not allocate expenses between functions after initial recognition.

CANADIAN COUNCIL ON ANIMAL CARE/CONSEIL CANADIEN DE PROTECTION DES ANIMAUX

Notes to Financial Statements (continued)

Year ended March 31, 2020

2. Significant accounting policies (continued):

(e) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates. These estimates are reviewed annually and, as adjustments become necessary, they are recognized in the financial statements in the period they become known.

3. Investments:

	2020	2019
Federal, provincial and corporate bonds	\$ 483,210	\$ 469,519
Preferred shares	67,343	92,298
Canadian, International and US equities	119,641	111,722
	\$ 670,194	\$ 673,539

Federal, provincial and corporate bonds have interest rates from 1.1% to 5.5% (2019 - 1.1% to 5.5%) and mature between June 2021 and June 2029 (2019 - June 2019 and June 2026).

4. Tangible capital and intangible assets:

	2020		2019	
	Cost	Accumulated amortization	Net book value	Net book value
Tangible capital assets:				
Furniture and fixtures	\$ 113,671	\$ 100,472	\$ 13,199	\$ 15,534
Computer equipment	334,424	271,154	63,270	59,020
Leasehold improvements	20,547	20,547	-	-
Intangible assets:				
Computer software	61,038	58,629	2,409	3,441
	\$ 529,680	\$ 450,802	\$ 78,878	\$ 77,995

CANADIAN COUNCIL ON ANIMAL CARE/CONSEIL CANADIEN DE PROTECTION DES ANIMAUX

Notes to Financial Statements (continued)

Year ended March 31, 2020

4. Tangible capital and intangible assets (continued):

Cost and accumulated amortization at March 31, 2019 amounted to \$506,107 and \$428,112, respectively.

5. Accounts payable and accrued liabilities:

At year-end, there were no amounts payable for government remittances, which include harmonized sales tax and payroll-related taxes.

6. Commitments:

The Council leases its office space under an operating lease that expires March 31, 2026.

The future minimum payments for the next five years and thereafter are as follows

2021	\$	174,011
2022		175,336
2023		176,662
2024		179,312
2025		179,312
Thereafter		179,312
	\$	1,063,945

7. Net assets:

The Council considers its capital to consist of its net assets. The objective of the Council with respect to unrestricted net assets is to fund ongoing operations and future projects. The unrestricted net assets are also considered a reserve in case of a short-term operating shortfall during the transition from a primarily grant-based funding model to a combination of grant and fees-based funding.

The objective of the Council with respect to its net assets invested in tangible capital and intangible assets is to fund the past acquisition of tangible capital and intangible assets required for operational purposes.

CANADIAN COUNCIL ON ANIMAL CARE/CONSEIL CANADIEN DE PROTECTION DES ANIMAUX

Notes to Financial Statements (continued)

Year ended March 31, 2020

7. Net assets (continued):

The Council is not subject to externally imposed capital requirements and its overall strategy with respect to capital remains unchanged from the year ended March 31, 2019.

8. Pension plan:

All employees hired since January 1, 1989 are required to participate in the Council's money-purchase defined contribution pension plan administered by Universities Canada and registered with the Financial Services Commission of Ontario. The Council's contributions to the plan are based on participants' earnings up to a maximum of 7% and are expensed as incurred. Expenses for the year were \$130,294 (2019 - \$123,281) and are recorded in salaries and benefits expense.

9. Financial risk management:

(a) Liquidity risk:

Liquidity risk is the risk that the Council will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Council manages its liquidity risk by monitoring its operating requirements. The Council prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Council is exposed to credit risk on its accounts receivable. The Council assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. At year end, there were no amounts allowed for in accounts receivable.

(c) 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. The Council is exposed to other price risk through its equity investments as disclosed in note 3.

CANADIAN COUNCIL ON ANIMAL CARE/CONSEIL CANADIEN DE PROTECTION DES ANIMAUX

Notes to Financial Statements (continued)

Year ended March 31, 2020

9. Financial risk management (continued):

(d) Interest rate risk:

The Council is exposed to interest rate risk on its fixed interest rate financial instruments. Further details about the fixed rate investments are included in note 3.

(e) Currency risk:

Currency risk refers to certain assets that are exposed to foreign exchange fluctuations. The Council believes it is not subject to significant currency risks.

(g) Impact of COVID-19 pandemic:

Impact on financial risks of the COVID-19 pandemic are outlined in note 10.

These financial risks are not considered to be significant to operations by management.

10. Impact of COVID-19:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocation impact.

At the time of approval of these financial statements, The Council has experienced the following indicators of financial implications and undertaken the following activities in relation to the pandemic:

- Temporary declines in the fair value of investments
- Closed administrative offices (starting March 23, 2020) based on public health recommendations
- Implemented mandatory work-from-home arrangements for those able to do so.
- Participant assessments being conducted virtually or postponed.
- Modified collection policies adopted to provide elongated payment terms on annual participation fees

CANADIAN COUNCIL ON ANIMAL CARE/CONSEIL CANADIEN DE PROTECTION DES ANIMAUX

Notes to Financial Statements (continued)

Year ended March 31, 2020

10. Impact of COVID-19 (continued):

Financial statements are required to be adjusted for events occurring between the date of the financial statements and the date of the auditor's report that provide additional evidence relating to conditions that existed as at year-end. Management has assessed the financial impacts and there are no additional adjustments required to the financial statements at this time.