

THE HAMILTON/BURLINGTON SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

Financial Statements
for the Year Ended March 31, 2026
and Independent Auditor's Report

THE HAMILTON/BURLINGTON SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

FINANCIAL STATEMENTS
MARCH 31, 2026

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CHARTERED
PROFESSIONAL
ACCOUNTANTS

DURWARD JONES BARKWELL
& COMPANY LLP

Big enough to know. SMALL ENOUGH TO CARE.

570 Highland Road West
Unit 1
Hamilton, ON L8W 0C4
T. 905.525.9520
TF. 866.358.8240
F. 905.522.3113

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Hamilton/Burlington Society for the Prevention of Cruelty to Animals:

Qualified Opinion

We have audited the accompanying financial statements of The Hamilton/Burlington Society for the Prevention of Cruelty to Animals (the "Organization"), which comprise the statement of financial position as at March 31, 2026 and the statement of operations, statement of changes in net assets, and statement of cash flows for the year then ended, and notes to the 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 financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2026, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Organization derives revenue from voluntary contributions, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenses, and cash flows from operations for the year ended March 31, 2026 and 2025, current assets as at March 31, 2026 and 2025, and net assets as at April 1 and March 31 for both the 2026 and 2025 years. The audit opinion on the financial statements for the year ended March 31, 2025 was modified accordingly because of the possible effects of this limitation of scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Organization 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 in our audit is sufficient and appropriate to provide a basis for our qualified opinion.

Responsibilities of Management and Those Charged With Governance for the Financial Statements

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

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

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

Auditor's 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 auditor's 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 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 Organization'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 Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- 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.

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.

Durward Jones Barkwell + Company LLP

Durward Jones Barkwell & Company LLP
Licensed Public Accountants
Hamilton, Ontario
June 22, 2026

THE HAMILTON/BURLINGTON SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2026

	Operating Fund	Restricted Fund	Total 2026	2025
REVENUE				
Appeals	\$ 325,943	\$ -	\$ 325,943	\$ 238,828
Bequests	1,237,018	-	1,237,018	911,039
Donations	1,151,490	-	1,151,490	969,354
Events and sponsorships	52,460	-	52,460	45,153
Gifts in kind	3,847,084	-	3,847,084	3,429,705
Grants and subsidies	438,928	-	438,928	368,239
Investment and other	56,598	376,917	433,515	314,883
Lotteries	220,651	-	220,651	200,370
Membership and merchandise sales	455,858	-	455,858	365,352
Program fees	3,167,661	-	3,167,661	2,652,134
	10,953,691	376,917	11,330,608	9,495,057
EXPENSES				
Animal care supplies - redistributed	3,645,282	-	3,645,282	3,370,806
Animal care supplies - used in operations	581,998	-	581,998	353,293
Building rent and maintenance	317,175	-	317,175	121,045
Communications and information technology	375,444	-	375,444	401,619
Equipment repairs and maintenance	68,500	-	68,500	57,146
Insurance	37,788	-	37,788	29,946
Interest, bank charges, and investment fees	102,431	75,963	178,394	153,018
Interest on long-term debt	695	-	695	1,047
Interest on obligation under capital lease	14,336	-	14,336	17,311
Interest on occupancy buyout obligation	30,418	-	30,418	-
Marketing and promotion	585,583	-	585,583	417,281
Memberships and dues	13,236	-	13,236	15,274
Office	72,672	-	72,672	57,419
Professional fees	170,849	-	170,849	210,551
Program supplies	387,593	-	387,593	311,757
Salaries, wages and benefits	4,422,096	-	4,422,096	3,333,622
Shelter services	129,886	-	129,886	128,598
Staff and volunteer development	225,272	-	225,272	218,186
Utilities	158,882	-	158,882	136,618
Vehicles and travel	113,897	-	113,897	47,975
	11,454,033	75,963	11,529,996	9,382,512
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE OTHER REVENUE (EXPENSES)	(500,342)	300,954	(199,388)	112,545
OTHER REVENUE (EXPENSES)				
Amortization of capital assets	(333,305)	-	(333,305)	(377,653)
Amortization of deferred capital contributions	80,243	-	80,243	60,026
Gain on disposal of investments	-	1,032,607	1,032,607	469,051
Unrealized gain on investments	-	186,803	186,803	487,275
	(253,062)	1,219,410	966,348	638,699
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ (753,404)	\$ 1,520,364	\$ 766,960	\$ 751,244

The accompanying notes are an integral part of these financial statements.

Durward Jones Barkwell & Company LLP, Chartered Professional Accountants

THE HAMILTON/BURLINGTON SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

STATEMENT OF CHANGES IN NET ASSETS YEAR ENDED MARCH 31, 2026

	Operating Fund	Restricted Fund	<u>2026</u>	Total <u>2025</u>
NET ASSETS, BEGINNING OF YEAR	\$ 1,077,322	\$ 13,042,188	\$ 14,119,510	\$ 13,368,266
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(753,404)	1,520,364	766,960	751,244
INTERFUND TRANSFER (Note 12)	1,342,366	(1,342,366)	-	-
NET ASSETS, END OF YEAR	\$ 1,666,284	\$ 13,220,186	\$ 14,886,470	\$ 14,119,510

The accompanying notes are an integral part of these financial statements.

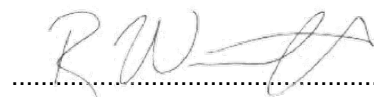
Durward Jones Barkwell & Company LLP, Chartered Professional Accountants

THE HAMILTON/BURLINGTON SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

STATEMENT OF FINANCIAL POSITION MARCH 31, 2026

	Operating Fund	Restricted Fund	Total 2026	2025
ASSETS				
Current assets				
Cash	\$ 471,513	\$ -	\$ 471,513	\$ 1,039,388
Accounts receivable	316,024	-	316,024	303,017
Prepaid expenses	148,410	-	148,410	84,713
Inventory	7,500	-	7,500	9,540
Restricted investment (Note 2)	-	50,000	50,000	50,000
	943,447	50,000	993,447	1,486,658
Long-term investments	-	13,107,198	13,107,198	12,992,188
Deferred financing fees (Note 3)	-	62,988	62,988	-
Capital and other assets (Note 4)	4,592,784	-	4,592,784	2,779,576
	\$ 5,536,231	\$ 13,220,186	\$ 18,756,417	\$ 17,258,422
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	\$ 632,898	\$ -	\$ 632,898	\$ 449,500
Deferred contributions (Note 5)	2,006,726	-	2,006,726	1,984,108
Current portion of long-term debt	3,129	-	3,129	2,832
Current portion of obligation under capital lease	41,281	-	41,281	37,372
Current portion of occupancy buyout obligation	56,150	-	56,150	-
	2,740,184	-	2,740,184	2,473,812
Long-term debt (Note 6)	2,267	-	2,267	5,394
Obligation under capital lease (Note 7)	69,774	-	69,774	109,496
Occupancy buyout obligation (Note 8)	587,755	-	587,755	-
Deferred capital contributions (Note 9)	469,967	-	469,967	550,210
Commitments (Note 10)	3,869,947	-	3,869,947	3,138,912
NET ASSETS				
Internally restricted	-	13,220,186	13,220,186	13,042,188
Unrestricted	1,666,284	-	1,666,284	1,077,322
	1,666,284	13,220,186	14,886,470	14,119,510
	\$ 5,536,231	\$ 13,220,186	\$ 18,756,417	\$ 17,258,422

Approved by the Board:



Director



Director

The accompanying notes are an integral part of these financial statements.

Durward Jones Barkwell & Company LLP, Chartered Professional Accountants

THE HAMILTON/BURLINGTON SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2026

	<u>2026</u>	<u>2025</u>
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 766,960	\$ 751,244
Items not affecting cash		
Amortization of capital assets	333,305	377,653
Amortization of deferred capital contributions	(80,243)	(60,026)
Gain on disposal of investments	(1,032,607)	(469,051)
Unrealized gain on investments	(186,803)	(487,275)
	<u>(199,388)</u>	112,545
Changes in non-cash operating assets and liabilities		
Accounts receivable	(13,007)	(102,335)
Prepaid expenses	(63,697)	(31,810)
Inventory	2,040	(5,167)
Accounts payable and accrued liabilities	183,398	279,136
Deferred contributions	22,618	1,259,894
	<u>(68,036)</u>	1,512,263
INVESTING ACTIVITIES		
Purchase of restricted investment	-	(17,500)
Net proceeds (purchase) of long-term investments	1,104,400	(822,398)
Purchase of capital assets	(1,443,026)	(705,729)
Deferred capital contributions received	-	170,965
	<u>(338,626)</u>	(1,374,662)
FINANCING ACTIVITIES		
Repayments of long-term debt	(2,830)	(2,564)
Repayments of obligation under capital lease	(35,813)	(32,753)
Repayment of occupancy buyout obligation	(59,582)	-
Financing fees paid	(62,988)	-
	<u>(161,213)</u>	(35,317)
INCREASE (DECREASE) IN CASH	<u>(567,875)</u>	102,284
CASH, BEGINNING OF YEAR	<u>1,039,388</u>	937,104
CASH, END OF YEAR	<u>\$ 471,513</u>	<u>\$ 1,039,388</u>

SUPPLEMENTAL INFORMATION TO THE STATEMENT OF CASH FLOWS

During the year, the Organization agreed to pay the City of Hamilton \$900,000 in connection with their transition from the property. The amount will be paid over 10 years in equal payments of \$90,000, and the present value of \$703,487 has been capitalized to building under development and occupancy buyout obligation. This transaction has been excluded from the statement of cash flows. During the year, the Organization made the first \$90,000 payment of which \$59,582 was applied against the present value of the liability and the remaining portion is included in interest on occupancy buyout obligation.

The accompanying notes are an integral part of these financial statements.

Durward Jones Barkwell & Company LLP, Chartered Professional Accountants

THE HAMILTON/BURLINGTON SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2026

1. SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Basis of accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Nature of the Organization

The Hamilton/Burlington Society for the Prevention of Cruelty to Animals was established in 1887 with the objective of providing an effective means for the prevention of cruelty to animals. The Organization is incorporated without share capital under the Ontario Not-for-Profit Corporations Act and is a registered charity under the Income Tax Act.

Fund accounting

The Organization uses fund accounting whereby financial statement elements are reported by fund.

- (i) Operating Fund - represents the resources that are available for the day-to-day operations and general activities of the Organization. Transactions and events relating to routine operational expenses, revenues, and unrestricted contributions are recorded within the Operating Fund.
- (ii) Restricted Fund - includes resources that have been subject to management-imposed restrictions. The Organization ensures that resources in the Restricted Fund are utilized in accordance with the stipulations set forth by the donors and management for specific purposes or programs to ensure long-term financial stability. Certain investment income earned on internally restricted funds is recorded as revenue of the Restricted Fund.

Revenue recognition

The Organization follows the deferral method of accounting for revenue generated through contributions, sponsorships, grants, fundraising events, and memberships. Unrestricted revenues are recognized when received or when the amount can be reasonably estimated and collection is reasonably assured. Donor-imposed or management-imposed funds received for specific services, programs or designated projects that have not yet been spent or fully spent, are deferred and recognized in future periods. Lottery and program fee revenue received for future services are deferred until the service is provided. Merchandise sales are recognized at the time of sale. Investment income is recognized as revenue as earned.

Government assistance

Government assistance related to current expenses or revenues are included in the statement of operations for the year. When government assistance relates to expenses of future accounting periods, the appropriate amounts shall be deferred and amortized to the statement of operations as related expenses occur.

Contributed good and services

Volunteers contribute a significant number of hours per year. Due to the difficulty of determining their fair value, contributed services are not recognized in the financial statements. Contributed good are recognized in the financial statements at fair value at the date of contribution, but only when a fair value can be reasonably estimated and when the goods are used in the normal course of operations, and would otherwise have been purchased.

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

THE HAMILTON/BURLINGTON SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2026

1. SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION - continued

Capital and other assets

Capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. The Organization provides for amortization on a straight-line basis at rates designated to amortize the cost of the capital assets over their estimated useful lives. The annual amortization rates are as follows:

Buildings and building renovations	straight-line until the year 2036
Parking lot	8%
Office equipment	10%
Shelter equipment	10%
Animal hospital equipment	10%
Outdoor facilities	10%
Computer equipment	30%
Website	30%
Leasehold improvements	33%
Vehicles	40%

One-half the normal rate of amortization is provided for the year of acquisition.

Assets under capital lease

Capital assets taken on lease with terms which transfer substantially all of the benefits and risks of ownership to the Organization are accounted for as capital leases, as though an asset had been purchased and a liability incurred. All other items held on lease are accounted for as operating leases.

Impairment of long-lived assets

Long-lived assets are tested for recoverability if events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying amount of the long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted cash flows expected to result from its use and eventual disposition. Impairment losses are measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

Income taxes

No provision is required as the Organization is exempt from income taxes under Section 149(1)(l) of the Canadian Income Tax Act.

Financial instruments

(a) Measurement of financial instruments

(i) Initial measurement

The Organization initially measures its financial assets and liabilities originated or exchanged in arm's length transactions at fair value. Financial assets and liabilities originated or exchanged in related party transactions, except for those that involve parties whose sole relationship with the organization is in the capacity of management, are initially measured at cost.

The cost of a financial instrument in a related party transaction depends on whether the instrument has repayment terms. If it does, the cost is determined using its undiscounted cash flows, excluding interest and dividend payments, less any impairment losses previously recognized by the transferor. Otherwise, the cost is determined using the consideration transferred or received by the organization in the transaction.

THE HAMILTON/BURLINGTON SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2026

1. SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION - continued

Financial instruments - continued

(ii) *Subsequent measurement*

The Organization subsequently measures all its financial assets and liabilities at cost or amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in income in the period incurred.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial assets measured at fair value include restricted investment and long-term investments, which consists of various investment portfolios.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, long-term debt, obligation under capital lease and occupancy buyout obligation.

(b) *Transaction costs*

Transaction costs attributable to financial instruments subsequently measured at fair value and to those originated or exchanged in a related party transaction are recognized in income in the period incurred. Transaction costs related to financial instruments originated or exchanged in an arm's length transaction that are subsequently measured at cost or amortized cost are recognized in the original cost of the instrument. When the instrument is measured at amortized cost, transaction costs are recognized in income over the life of the instrument using the straight-line method.

(c) *Impairment*

For financial assets measured at cost or amortized cost, the Organization determines whether there are indications of possible impairment. When there are, and the Organization determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in income. If the indicators of impairment have decreased or no longer exist, the previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may be 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 the reversal is recognized in income.

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty. The effect of changes in such estimates on the financial statements in future periods could be significant. Accounts specifically affected by estimates in these financial statements include allowance for doubtful accounts receivable, impairment of long-lived assets, determination of useful lives of capital assets, revenue recognition, accrued liabilities and contingent liabilities.

External events such as domestic and international pandemics, geopolitical unrest, natural disasters, climate change or inflationary pressures may cause economic uncertainty for many organizations. Management assesses available information about the future, considers the possible outcomes, and develops a planned response to mitigate the effect of significant events or changes in conditions impacting the Organization. Although it is not guaranteed that these efforts will be successful, management is of the opinion that the actions that the Organization has taken are sufficient to mitigate these uncertainties.

THE HAMILTON/BURLINGTON SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2026

2. RESTRICTED INVESTMENT

Restricted investment is comprised of a Guaranteed Investment Certificate earning interest at a rate of 2.25% (2025 - 3.50%), with a maturity date of July 10, 2026. The investment is restricted in that it is held as collateral on a letter of credit for the same amount in favour of the Alcohol and Gaming Commission of Ontario.

3. DEFERRED FINANCING FEES

To assist with financing the Unleash Love expansion, the Organization intends to issue community bonds in future fiscal years. During the year, the Organization incurred financing fees paid to Tapestry Capital related to facilitating the planned issuance of the community bonds. Once the bonds have been issued, the financing fees will be amortized over the amortization period of the related bonds and netted against them for financial statement purposes.

4. CAPITAL AND OTHER ASSETS

	<u>2026</u>		<u>2025</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Cost</u>	<u>Accumulated Amortization</u>
Land	\$ 255,491	\$ -	\$ 255,491	\$ -
Building under development	2,147,926	-	297,147	-
Buildings	3,616,983	2,097,251	3,616,983	1,940,663
Parking lot	57,167	11,433	57,167	6,860
Office equipment	226,113	77,050	102,060	64,593
Shelter equipment	244,753	169,349	238,204	156,194
Animal hospital equipment	279,401	182,295	269,717	162,417
Outdoor facilities	197,693	60,130	150,400	44,781
Computer equipment	226,466	145,234	164,393	115,692
Website	122,981	101,499	113,531	73,112
Leasehold improvements	15,879	2,646	-	-
Vehicles	395,818	347,000	375,065	296,270
	<u>\$ 7,786,671</u>	<u>3,193,887</u>	<u>\$ 5,640,158</u>	<u>2,860,582</u>
Net book value		<u>\$ 4,592,784</u>		<u>\$ 2,779,576</u>

No amortization is taken on the building under development until it is ready for use.

Included in capital assets are vehicles under capital lease with a net book value of \$30,341 (2025 - \$50,568) and amortization expense of \$20,227 (2025 - \$33,713).

Building under development is comprised of costs related to Unleash Love in the amount of \$1,444,439 (2025 - \$297,147) and occupancy buyout costs of \$703,487 (2025 - \$Nil).

THE HAMILTON/BURLINGTON SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2026

5. DEFERRED CONTRIBUTIONS

Deferred contributions consists of restricted contributions and unspent funding as follows:

	<u>2026</u>	<u>2025</u>
Opening balance	\$ 1,984,108	\$ 724,214
Received	1,312,820	2,520,928
Recognized	<u>(1,290,202)</u>	<u>(1,261,034)</u>
Ending balance	<u>\$ 2,006,726</u>	<u>\$ 1,984,108</u>

6. LONG-TERM DEBT

	<u>2026</u>	<u>2025</u>
Royal Bank of Canada - demand loan bearing interest at 9.99% per annum, repayable in monthly blended payments of \$294, matures November 2027, and secured by a vehicle with a net book value of \$5,659 (2025 - \$9,432)	\$ 5,396	\$ 8,226
Less: current portion	<u>(3,129)</u>	<u>(2,832)</u>
	<u>\$ 2,267</u>	<u>\$ 5,394</u>

The scheduled principal repayments required over the next two years are due as follows:

2027	\$ 3,129
2028	<u>2,267</u>
	<u>\$ 5,396</u>

7. OBLIGATION UNDER CAPITAL LEASE

The following is a schedule of minimum lease payments under the capital lease expiring March 2028, together with the balance of the obligation:

Years ending	2027	\$ 50,148
	2028	<u>71,481</u>
Total minimum lease payments		121,629
Less amount representing interest at 9.99%		<u>(10,574)</u>
		111,055
Less: current portion		<u>(41,281)</u>
		<u>\$ 69,774</u>

THE HAMILTON/BURLINGTON SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2026

8. OCCUPANCY BUYOUT OBLIGATION

	<u>2026</u>	<u>2025</u>
City of Hamilton - lease buyout agreement requiring annual payments of \$90,000, discounted to present value at an interest rate of 5.95%, matures June 2034 as described below	\$ 643,905	\$ -
Less: current portion	<u>(56,150)</u>	-
	<u>\$ 587,755</u>	\$ -

The scheduled principal repayments required over the next five years are due as follows:

2027	\$ 56,150
2028	59,491
2029	63,031
2030	66,781
2031	<u>70,755</u>
	<u>\$ 316,208</u>

The City of Hamilton currently occupies a portion of the building owned by the Organization, under a lease agreement requiring base rent of \$1 per annum plus its pro-rata share of operating expenses. Both the Organization and the City of Hamilton desire to expand their operations which necessitates the departure of one of the parties from the property. As a result, the Organization and the City of Hamilton entered into a memorandum of agreement for the Organization to have unencumbered occupancy and use of the property. In recognition of the transition of the City of Hamilton from the property, the Organization has agreed to pay the City of Hamilton an amount of \$900,000 to be paid in equal annual payments of \$90,000, which commenced on June 1, 2025 .

THE HAMILTON/BURLINGTON SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2026

9. DEFERRED CAPITAL CONTRIBUTIONS

	<u>2026</u>		<u>2025</u>	
	<u>Capital Contributions</u>	<u>Accumulated Amortization</u>	<u>Capital Contributions</u>	<u>Accumulated Amortization</u>
Capital donations				
Building renovations	\$ 106,081	\$ 26,143	\$ 106,081	\$ 16,081
Vehicles	80,538	48,323	80,538	16,108
Government assistance				
Shelter	1,147,346	872,742	1,147,346	844,058
Animal Hospital	175,160	111,159	175,160	104,422
Fence	25,450	25,450	25,450	25,450
Mechanical	26,342	7,133	26,342	4,588
	<u>1,560,917</u>	<u>1,090,950</u>	<u>1,560,917</u>	<u>1,010,707</u>
Net book value	<u>\$ 469,967</u>		<u>\$ 550,210</u>	

Capital donations and government assistance received for capital assets have been accounted for on a deferred basis and amortization is provided for using the same method and rates as the respective capital assets in Note 1. Funds for the construction of the shelter building in 1996 and the Companion Animal Hospital building in 2009 has been included in buildings. Additional assistance received in 2015 for the supply and installation of a fence for the leash free park is included in outdoor facilities and in fiscal 2022 to replace mechanical equipment is included in shelter equipment.

10. COMMITMENTS

The Organization leases storage and office space in Hamilton, Ontario as well as equipment under agreements expiring between May 2026 and June 2028, requiring the following annual payments:

2027	\$ 121,841
2028	81,469
2029	<u>20,625</u>
	<u>\$ 223,935</u>

In addition to the annual lease costs of the storage and office space, the Organization is responsible for its pro-rata share of certain common area expenses.

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11. SOURCES OF CONTRIBUTIONS

During the year, contributions were received from the following sources:

	<u>2026</u>	<u>2025</u>
Individuals and estates	\$ 2,631,847	\$ 2,070,257
Corporations	261,296	304,258
Foundations and other charities	4,091,446	3,507,879
Government of Canada - summer jobs program	15,874	34,771
	<u>\$ 7,000,463</u>	<u>\$ 5,917,165</u>

Contributions include the following balances:

Appeals	\$ 325,943	\$ 238,828
Bequests	1,237,018	911,039
Donations	1,151,490	969,354
Gifts in kind	3,847,084	3,429,705
Grants and subsidies	438,928	368,239
	<u>\$ 7,000,463</u>	<u>\$ 5,917,165</u>

12. INTERFUND TRANSFER

During the year, there was a transfer of \$1,342,366 in excess restricted funds from the restricted fund to the operating fund (2025 - \$662,793 from the operating fund to the restricted fund). The transfer is in line with the purpose of the restricted fund outlined in the fund accounting policy in Note 1 to ensure the future viability of the Organization.

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13. FINANCIAL RISK MANAGEMENT

The Organization has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The risks that arise from transacting financial instruments include interest rate risk, market (other price) risk, currency risk, credit risk, and liquidity risk. Price risk arises from changes in interest rates, foreign currency exchange rates and market prices.

(a) 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. The Organization's investments in securities quoted in an active market exposes the Organization to price risks as these investments are subject to price changes in an open market. The Organization does not use derivative financial instruments to alter the effects of this risk.

(b) 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. The Organization's main credit risks relate to its accounts receivable. The Organization is not exposed to significant credit risk as it monitors credit to its clients in the normal course of operations.

It is management's opinion that the Organization is not exposed to significant interest rate, currency, or liquidity risks arising from its financial instruments.
