

FARLEY FOUNDATION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To: The Members of Farley Foundation

Qualified Opinion

We have audited the accompanying financial statements of **Farley Foundation** (the Organization), which comprise the statement of financial position as at **August 31, 2021**, the statement of operations and changes in net assets and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, *the financial statements present fairly, in all material respects, the financial position of the Organization at August 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.*

Basis for Qualified Opinion

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 is sufficient and appropriate to provide a basis for our opinion.

In common with many non-profit organizations, the Organization derives revenue from 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 Organization and we were not able to determine whether any adjustments might be necessary to revenues, excess of revenues over expenditures for the year and cash flows from operations for the years ended August 31, 2021 and August 31, 2020, current assets as at August 31, 2021 and August 31, 2020, and net assets as at September 1, 2020 and 2019 and August 31, 2021 and 2020.

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.



Guelph, Ontario
November 24, 2021

WCO Professional Corporation
Chartered Professional Accountants
Authorized to practise public accounting by the
Chartered Professional Accountants of Ontario

**FARLEY FOUNDATION
STATEMENT OF FINANCIAL POSITION
AS AT AUGUST 31, 2021**

	2021	2020
A S S E T S		
CURRENT		
Cash	\$ 1,033,750	\$ 775,812
Due from Ontario Veterinary Medical Association (note 2)	13,442	17,356
HST recoverable	50,264	22,191
Inventory	380	380
Prepaid expenses	<u>19,981</u>	<u>24,599</u>
	1,117,817	840,338
OTHER ASSET		
Portfolio investments (note 6)	<u>904,701</u>	<u>562,084</u>
	<u>\$ 2,022,518</u>	<u>\$ 1,402,422</u>

L I A B I L I T I E S

CURRENT		
Accounts payable and accrued liabilities	\$ 19,275	\$ 2,536
Deferred revenue (note 4)	<u>13,063</u>	<u>26,803</u>
Total Liabilities	32,338	29,339

N E T A S S E T S

UNRESTRICTED	<u>1,990,180</u>	<u>1,373,083</u>
	<u>\$ 2,022,518</u>	<u>\$ 1,402,422</u>

APPROVED BY THE ORGANIZATION:

_____ Member

_____ Member

FARLEY FOUNDATION
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED AUGUST 31, 2021

	2021	2020
REVENUE		
Estate gifts (note 5)	\$ 582,020	\$ 65,262
Donations	470,146	331,970
Petline insurance	69,763	84,566
Fundraising	68,653	365,886
SafePet grant income	55,001	0
Investment income	28,310	24,553
Miscellaneous	140	818
	<u>1,274,033</u>	<u>873,055</u>
EXPENDITURES		
Contributions towards veterinary costs	535,006	512,256
SafePet program	55,000	0
Promotion and fundraising	29,164	85,488
Office	32,341	41,768
Professional fees	12,272	8,392
Postage	6,422	11,933
Bad debts	2,330	184
Bank charges and interest	1,605	1,103
Insurance	990	891
Website	372	77
Board and committee expense	0	914
Travel	0	838
	<u>675,502</u>	<u>663,844</u>
EXCESS OF REVENUE OVER EXPENDITURES from operations	598,531	209,211
CHANGE IN UNREALIZED GAIN ON INVESTMENTS	<u>18,566</u>	<u>0</u>
EXCESS OF REVENUE OVER EXPENDITURES for the year	617,097	209,211
NET ASSETS beginning of the year	<u>1,373,083</u>	<u>1,163,872</u>
NET ASSETS end of the year	<u>\$ 1,990,180</u>	<u>\$ 1,373,083</u>

see accompanying notes

FARLEY FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2021

	2021	2020
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Excess of revenue over expenditures for the year	\$ 617,097	\$ 209,211
Change in unrealized gain on investments	<u>(18,566)</u>	<u>0</u>
	598,531	209,211
 Changes in non-cash working capital items		
Decrease in prepaid expenses	4,618	26,277
Increase in accounts payable and accrued liabilities	16,739	0
(Increase) decrease in HST recoverable	(28,073)	4,907
Decrease in deferred revenue	(13,740)	(51,423)
Decrease in due from OVMA	<u>3,914</u>	<u>28,495</u>
	<u>581,989</u>	<u>217,467</u>
 INVESTING ACTIVITIES		
Purchase of portfolio investments, net of proceeds from sales	<u>(324,051)</u>	<u>(15,682)</u>
 NET INCREASE IN CASH	257,938	201,785
 CASH, BEGINNING OF YEAR	<u>775,812</u>	<u>574,027</u>
 CASH, END OF YEAR	<u>\$ 1,033,750</u>	<u>\$ 775,812</u>

see accompanying notes

FARLEY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

NATURE OF BUSINESS

The Farley Foundation is a charitable organization that provides financial assistance to help cover the veterinary costs of sick and injured pets that belong to low income seniors and people with disabilities in Ontario. The organization is exempt from corporate income taxes.

1. SUMMARY OF ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and are in accordance with Canadian generally accepted accounting principles.

(a) REVENUE RECOGNITION

Revenue from fundraising and special events is recognized when the event is held. Unrestricted donations are recognized when received. Restricted donations are recognized when expended. Investment income is recognized when earned. Petline Insurance Revenue and miscellaneous revenue are recognized when received.

(b) SHORT-TERM INVESTMENTS AND PORTFOLIO INVESTMENTS

Investments, consisting principally of marketable securities, are valued at fair value. Fair value is determined by the closing sale price on the recognized stock exchange on which the investments are listed or principally traded.

(c) INVENTORY

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

(d) FINANCIAL INSTRUMENTS

Measurement of financial instruments

The Organization initially measures its financial assets and liabilities at fair value. The Organization subsequently measures all its financial assets and liabilities at 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 net income.

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

Financial liabilities measured at amortized cost include the accounts payable and accrued liabilities.

FARLEY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

1. SUMMARY OF ACCOUNTING POLICIES *(continued)*

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The 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 the reversal is recognized in net income.

Transaction costs

For financial instruments subsequently measured at fair value, the Organization recognizes transaction costs directly attributable to their origination, issuance or assumption in net income in the period incurred. When a financial instrument is measured at amortized cost, transaction costs are included in the initial measurement of the instrument.

(e) CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and highly liquid short-term deposits with an original maturity date from date of purchase of less than three months.

(f) CONTRIBUTED SERVICES AND GOODS

Volunteers contribute a significant amount of time per year to assist the Organization in carrying out its activities. Because the difficulty of determining their fair value, contributed services and goods are not recognized in the financial statements.

(g) 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the year. Actual results could differ from those estimates. Estimates are reviewed on a regular basis and, as adjustments become necessary, they are reported in income in the periods in which they become known. The assets and liabilities which require management to make significant estimates and assumptions in determining carrying values include accounts receivable, accounts payable and accrued liabilities.

**FARLEY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021**

2. DUE FROM ONTARIO VETERINARY MEDICAL ASSOCIATION

The Ontario Veterinary Medical Association and the entity are related through a common Board of Directors. The loan is non-interest bearing and there are no specific terms of repayment.

The Ontario Veterinary Medical Association provides office space and administrative staff to the Foundation at a cost of \$83,430 (2020 - \$30,000). This fee includes the administration costs for the SafePet program in the current year.

3. ACCOUNTS RECEIVABLE

Accounts receivable at August 31, 2021 is net of an allowance for impairment in the amount of \$1,360 (2020 - \$1,360).

4. DEFERRED REVENUE

Deferred revenue consists of funds received prior to the year end for fundraising events being held in the fall of 2021 and for Fundraise for Farley Month, also held during the fall of 2021.

5. ESTATE GIFT

The Organization is the beneficiary of several Estates and during the fiscal year received distributions of \$582,020. No further distributions are anticipated from these estates.

FARLEY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

6. PORTFOLIO INVESTMENTS

The carrying value and fair value of portfolio investments at August 31, 2021 are as follows:

	2021		2020	
	COST	FAIR VALUE	COST	FAIR VALUE
Fixed Income				
Home Bank GIC, 0.82% due May 16, 2022	75,000	75,184	0	0
Home Bank Trust Company GIC, 0.82% due May 16, 2022	75,000	75,184	0	0
Equitable Trust Ann GIC, 2.09% due Feb 14, 2022	62,000	62,710	62,820	62,820
Haventree Bank Ann GIC, 2.15%, due May 4, 2023	56,000	56,393	56,492	56,492
Equitable Bank Ann GIC, 2.09% due Feb 14, 2022	50,000	50,573	50,661	50,661
Equitable Bank NCI GIC, 0.85% due Feb 13, 2023	50,000	50,234	0	0
Equitable Bank NCI GIC, 2.24% due Dec 5, 2022	25,000	25,414	0	0
MCAN Mortgage Corp Ann GIC, 2.30% due Sep 12, 2022	12,900	13,188	12,618	12,618
Equitable Bank Ann GIC, 2.66% due Feb 8, 2021	0	0	50,856	50,856
Concentra Bank Ann GIC, 2.8% due July 4, 2021	0	0	30,203	30,203
Equitable Trust Ann GIC, 2.24% due Dec 5, 2022	0	0	25,462	25,462
	<u>405,900</u>	<u>408,879</u>	<u>289,112</u>	<u>289,112</u>

FARLEY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

6. PORTFOLIO INVESTMENTS *(continued)*

	2021		2020	
	COST	FAIR VALUE	COST	FAIR VALUE
Preferred Shares				
3000 Premium Income Corp - PFD	45,245	45,690	45,245	38,280
4000 Dividend 15 Split Corp 5.75% PFD	40,655	40,600	0	0
1500 Power Financial Corp 5.9%	38,325	38,925	0	0
1400 EL Financial Corp 5.5%	35,408	36,050	0	0
1200 Brookfield Renewable PTNRS	30,120	30,416	0	0
1000 Great West Life 5.65% PFD	25,890	26,100	0	0
1000 Power Financial Corp 5.75%	25,785	26,000	0	0
1000 Power Corp 5.6%	25,427	26,130	0	0
1000 Power Corp 5.6% PR-A	25,270	26,090	25,270	25,150
1000 Power Financial	25,100	25,910	25,100	25,210
2000 North American Financial	20,480	20,240	0	0
2000 TDB Split	20,140	20,700	20,140	19,893
600 Smartcentres Real Estate	17,958	18,306	0	0
700 Enbridge Inc.	17,659	17,976	17,659	17,016
700 Power Corp 5.8% PF-C	17,050	18,340	17,050	17,668
900 Sun Life Financial	16,855	22,635	16,855	20,468
600 Power Corp 5.35 Ser-B	14,652	15,570	14,652	15,000
600 Power Finl 5.25% NC PFD-E	13,887	15,444	13,887	15,180
1100 Financial 15 Split CRP PF	10,950	11,682	10,950	10,708
400 BONC NVCC 4.85%	7,762	10,336	7,762	8,188
100 Great West Life	2,500	2,682	2,500	2,490
800 Royal Bank S-W PFD	0	0	19,818	20,080
800 Royal Bank AA PFD	0	0	15,377	20,080
400 E-L Financial Corp	0	0	10,040	10,020
300 Power Corp 5.6% PF-G	0	0	7,570	7,541
	<u>477,118</u>	<u>495,822</u>	<u>269,875</u>	<u>272,972</u>
	<u>\$ 883,018</u>	<u>\$ 904,701</u>	<u>\$ 558,987</u>	<u>\$ 562,084</u>

The cost of portfolio investments as at August 31, 2021 includes accrued interest of \$2,979 (2020 - \$3,212).

7. COMPARATIVE FIGURES

Certain reclassifications for the year ended August 31, 2020 have been made for the purpose of comparability.

FARLEY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

8. UNCERTAINTY DUE TO COVID-19

Due to public health directives as a result of the COVID-19 pandemic, the Organization was unable to continue traditional fundraising and events. The pandemic has not prevented the Organization from continuing to fund the needs of qualifying pet owners.

The COVID-19 pandemic has also created volatility in the global markets. This volatility impacts the Organization by creating significant fluctuations in market conditions, which in turn, impact the market prices of the investments held by the Organization. Management believes any decreases in fair value are temporary and not a permanent impairment of the investment.

The financial impact of the COVID-19 pandemic on the Organization cannot be estimated as of the reporting date.

9. FINANCIAL RISK MANAGEMENT

The Organization may be exposed to a variety of financial risks including credit risk, liquidity risk, and market risk (including interest rate risk, currency risk, and other price risk). It is management's opinion that the Organization's risk exposure has not changed since the previous year.

a) Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation that is entered into with the Organization. It is management's opinion that the Organization is not exposed to significant credit risk.

b) Liquidity risk

Liquidity risk is the risk that the Organization will not be able to meet a demand for cash or fund its obligations as they come due. It is management's opinion that the Organization is not exposed to significant liquidity risk.

c) Market risk

Interest rate risk arises from the possibility that changes in interest rates will affect the fair value of financial instruments.

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign currencies.

Other price risk is the risk that the value of financial instruments will fluctuate as a result 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 a market.

It is management's opinion that the Organization is exposed to some market risk in its portfolio investments.