

CAT ACTION TEAM INC.
Financial Statements
December 31, 2012

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INDEPENDENT AUDITOR'S REPORT

To the managements of CAT Action Team Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of CAT Action Team Inc., which comprise the statement of financial position as at December 31, 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many not-for-profit organizations, CAT Action Team Inc. derives revenue from fundraising activities 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 CAT Action Team Inc.. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the year ended December 31, 2012, current assets and net assets as at January 1, 2012 and December 31, 2012

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the
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financial statements present fairly, in all material respects, the financial position of CAT Action Team Inc. as at December 31, 2012 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.

Comparative Information

Without modifying our opinion, we draw attention to Note 8 to the financial statements which describes that CAT Action Team Inc. adopted Canadian Accounting Standards for Not-for-Profit Organizations on January 1, 2012 with a transition date of January 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statements of financial position as at December 31, 2011 and January 1, 2011 and the statements of revenues and expenditures and cash flows for the year ended December 31, 2011 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

MRSB Chartered Accountants

MRSB CHARTERED ACCOUNTANTS

Charlottetown, PE

April 7, 2013

CAT ACTION TEAM INC.
Statement of Financial Position
December 31, 2012

	December 31 2012	December 31 2011	January 1 2011
ASSETS			
Current			
Cash	\$ 19,565	\$ 27,614	\$ 14,498
Accounts receivable (Note 4)	2,549	1,487	2,621
Inventory	716	1,149	656
	<u>\$ 22,830</u>	<u>\$ 30,250</u>	<u>\$ 17,775</u>
LIABILITIES			
Current			
Accounts payable and accrued liabilities	\$ 1,600	\$ 2,283	\$ 1,599
Deferred income	2,588	-	-
	<u>4,188</u>	<u>2,283</u>	<u>1,599</u>
NET ASSETS			
Unrestricted net assets (Statement 3)	<u>18,642</u>	<u>27,967</u>	<u>16,176</u>
	<u>\$ 22,830</u>	<u>\$ 30,250</u>	<u>\$ 17,775</u>

ON BEHALF OF THE BOARD

_____ *Director*

_____ *Director*

Notes 1 - 8 are an integral part of these financial statements

CAT ACTION TEAM INC.
Statement of Revenues and Expenditures
Year Ended December 31, 2012

	2012	2011
Income		
Grant	\$ 22,212	\$ 14,916
Fundraising (Note 5)	22,055	48,594
General donations	17,086	24,939
Memberships	350	340
	<u>61,703</u>	<u>88,789</u>
Expenses		
Advertising	533	150
Fundraising costs and supplies	1,413	14,009
Hand mice supplies	1,104	863
Health care	7,718	11,918
Interest and bank charges	173	246
Neuter day (Note 6)	55,441	43,582
Office	642	711
Professional fees	1,981	1,868
Shelter supplies	2,023	3,104
Transport	-	547
	<u>71,028</u>	<u>76,998</u>
Excess (deficiency) of income over expenses	\$ (9,325)	\$ 11,791

Notes 1 - 8 are an integral part of these financial statements

CAT ACTION TEAM INC.
Statement of Cash Flows
Year Ended December 31, 2012

	2012	2011
Cash flows from operating activities		
Excess (deficiency) of income over expenses	\$ (9,325)	\$ 11,791
Changes in non-cash working capital:		
Accounts receivable	(1,062)	1,134
Inventory	433	(493)
Accounts payable and accrued liabilities	(683)	684
Deferred income	2,588	-
	<u>1,276</u>	<u>1,325</u>
Increase (decrease) in cash	(8,049)	13,116
Cash - beginning of year	27,614	14,498
Cash - end of year	\$ 19,565	\$ 27,614

Notes 1 - 8 are an integral part of these financial statements

CAT ACTION TEAM INC.
Notes to Financial Statements
Year Ended December 31, 2012

1. DESCRIPTION OF BUSINESS

The CAT Action Team Inc. was incorporated on April 4, 2011 to provide spay/neuter activities and medical attention to homeless cats on Prince Edward Island. The organization has registered charity status with Canada Revenue Agency.

2. BASIS OF PRESENTATION

The financial statements were prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations (ASNFPO).

3. SIGNIFICANT ACCOUNTING POLICIES

Cash

Cash is comprised of cash on hand and cash in banks.

Accounts receivable

Accounts receivable arise from Goods and Services Tax receivable.

Inventory

Inventories are stated at the lower of cost and net realizable value. Cost includes the costs to purchase, costs to convert, an applicable share of overhead costs, and other costs directly attributable to the inventories. Cost is determined using the first in, first out method. Net realizable value represents the amount that may be realized from the sale of an inventory item under normal business conditions.

Revenue recognition

The organization follows the deferral method of accounting for revenues. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Donated goods are recorded at their fair market value when information is readily available.

Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments that are subsequently measured at amortized cost are shown as an adjustment to the carrying value of the related financial instrument.

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CAT ACTION TEAM INC.
Notes to Financial Statements
Year Ended December 31, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed services

Volunteers contribute significant hours each year to assist the organization in carrying out its service delivery activities. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

Measurement uncertainty

When preparing financial statements according to Accounting standards for non-profit organizations, management makes estimates and assumptions relating to:

- reported amounts of revenues and expenses
- reported amounts of assets and liabilities
- disclosure of contingent assets and liabilities.

Estimates are based on a number of factors including historical experience, current events and actions that the organization may undertake in the future, and other assumptions that management believes are reasonable under the circumstances. By their nature, these estimates are subject to measurement uncertainty and actual results could differ. In particular, estimates are used in accounting for certain items such as revenues, allowance for doubtful accounts, useful lives of capital assets, asset impairments, legal and tax contingencies, employee compensation plans, employee benefit plans, retained interest in securitized receivables, income taxes, and goodwill impairment.

4. ACCOUNTS RECEIVABLE

	<u>2012</u>	<u>2011</u>
GST receivable	<u>\$ 1,693</u>	<u>\$ 1,487</u>

CAT ACTION TEAM INC.
Notes to Financial Statements
Year Ended December 31, 2012

5. FUNDRAISING REVENUE

	<u>2012</u>		<u>2011</u>
Catnip mice	\$ 9,034	\$	9,902
Christmas Cheer Basket	4,215		2,977
Raffles	2,464		2,503
Yard sales	1,247		2,640
Liquor store jars	1,117		476
Crafts and fleamarkets	898		1,368
Cookbooks	846		976
Feed the Ferals	838		-
Grocery bagging	688		-
Kitty Kat Fun Festival	397		-
50/50 draws	311		-
Motorcycle tickets	-		27,050
Special promotions	-		682
Hats, brochures, etc.	-		20
	<u>\$ 22,055</u>	\$	<u>48,594</u>

6. NEUTER DAY

	<u>2012</u>		<u>2011</u>
O'Leary Vet Clinic	\$ 29,580	\$	18,262
Montague Vet Clinic	10,875		12,140
Summerside Animal Hospital	7,272		6,126
Kensington Vet Clinic	6,277		7,054
Neuter Day medications	1,080		-
Abegweit Animal Hospital	357		-
	<u>\$ 55,441</u>	\$	<u>43,582</u>

7. FINANCIAL INSTRUMENTS

The company's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities.

The organization is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the organization's risk exposure and concentration as of December 31, 2012.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The organization is exposed to this risk mainly in respect of its receipt of funds from its customers and other related sources and accounts payable.

CAT ACTION TEAM INC.
Notes to Financial Statements
Year Ended December 31, 2012

8. FIRST TIME ADOPTION OF ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

During the year, the organization adopted accounting standards for not-for-profit organizations. These financial statements are the first prepared in accordance with these standards. The changes have been applied retrospectively, and have not resulted in any changes to unrestricted net assets, excess (deficiency) of income over expenses, restatement of assets and liabilities, or material changes in the statement of cash flows.