

**NATIONAL SERVICE DOG TRAINING  
CENTRE INC.**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2011**

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## INDEPENDENT AUDITORS' REPORT

To the Directors of National Service Dog Training Centre Inc.:

We have audited the accompanying financial statements of National Service Dog Training Centre Inc. which comprise the statement of financial position as at December 31, 2011, and the statements of operations and surplus and cash flows for the year then ended 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 generally accepted accounting principles, 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.

### Auditors' 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 audit opinion.

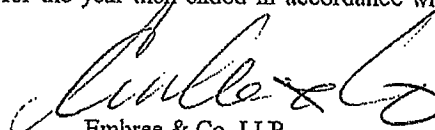
### Basis for Qualified Opinion

In common with many not-for-profit organizations, the National Service Dog Training Centre Inc. derives a portion of its revenue from the general public in the form of fees, donations and fundraising events which are not susceptible to complete audit verification. Accordingly, our verification of these revenues was limited to the accounting for the amounts recorded in the records of the organization. The organization's amortization policy on the building is not in accordance with generally accepted accounting principles, since the organization is not amortizing its building on 1286 Cedar Creek, Cambridge, Ontario. If amortization was recorded, the current year's charge would be \$12,985. The cumulative effect of this policy change from 2009 on the capital and surplus would be \$40,601.

### Opinion

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 National Service Dog Training Centre Inc. as at December 31, 2011, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Cambridge, Ontario  
June 5, 2012

  
Embree & Co. LLP  
Chartered Accountants  
Licensed Public Accountants

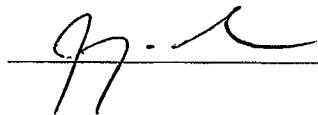
**NATIONAL SERVICE DOG TRAINING CENTRE INC.**  
(Incorporated under the laws of Ontario)

**STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2011**  
(With comparative figures as at 2010)

	2011	2010
<b>ASSETS</b>		
<b>CURRENT</b>		
Bank (note 2)	\$ 22,201	\$ 13,496
Temporary investments (note 2)	689	5,428
Sales tax recoverable	<u>12,393</u>	<u>10,087</u>
	35,283	29,011
<b>CAPITAL</b> (notes 2 and 3)	<u>561,167</u>	<u>564,644</u>
	<u>\$ 596,450</u>	<u>\$ 593,655</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts, payable and accrued	\$ 19,606	\$ 19,393
Current portion of long-term debt (note 4)	<u>32,391</u>	<u>39,692</u>
	51,997	59,085
<b>LONG-TERM DEBT</b> (note 4)	<u>264,685</u>	<u>297,081</u>
	<u>316,682</u>	<u>356,166</u>
<b>ORGANIZATION'S EQUITY</b>		
<b>SURPLUS</b> , available for future operations	<u>279,768</u>	<u>237,489</u>
	<u>\$ 596,450</u>	<u>\$ 593,655</u>

**APPROVED ON BEHALF OF THE BOARD:**

 Director

 Director

(See accompanying notes to financial statements)

NATIONAL SERVICE DOG TRAINING CENTRE INC.

STATEMENT OF OPERATIONS AND SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 2011

(With comparative figures for 2010)

	2011	2010
<b>REVENUE</b>		
Donations, general	\$ 506,483	\$ 477,447
Donations, third parties	120,893	108,727
Fee for service	<u>8,642</u>	<u>6,584</u>
	<u>636,018</u>	<u>592,758</u>
<b>EXPENDITURE</b>		
Amortization	3,477	4,881
Animal care	127,536	61,417
Bank charges	1,670	1,803
Insurance	8,669	8,713
Interest on long-term debt (note 4)	15,676	16,506
Marketing and fund raising material	23,059	19,751
Occupancy costs	17,636	15,375
Office	9,246	12,088
Professional fees	33,320	53,291
Salaries and wages	291,457	298,421
Telephone, web and server	8,838	10,574
Training	33,164	28,436
Vehicle	<u>19,991</u>	<u>18,755</u>
	<u>593,739</u>	<u>550,011</u>
<b>SURPLUS OF REVENUE OVER EXPENDITURE</b>	42,279	42,747
<b>SURPLUS, beginning</b>	<u>237,489</u>	<u>194,742</u>
<b>SURPLUS, ending</b>	<u>\$ 279,768</u>	<u>\$ 237,489</u>

ANIMAL CARE INCREASE: Plea

(See accompanying notes to financial statements)

**NATIONAL SERVICE DOG TRAINING CENTRE INC.**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED DECEMBER 31, 2011**

**(With comparative figures for 2010)**

	2011	2010
<b>OPERATING ACTIVITIES</b>		
Surplus of revenue over expenditure	\$ 42,279	\$ 42,747
Charges to earnings not requiring cash:		
Amortization	<u>3,477</u>	<u>4,881</u>
	45,756	47,628
<b>CHANGES IN NON-CASH WORKING CAPITAL</b>		
Decrease (increase) in temporary investments	4,739	(5,428)
Increase (decrease) in accounts, payable and accrued	213	(311)
(Increase) in sales tax recoverable	<u>(2,306)</u>	<u>(5,386)</u>
Cash from operating activities	<u>48,402</u>	<u>36,503</u>
<b>FINANCING ACTIVITIES</b>		
Repayments of long-term debt	<u>(39,697)</u>	<u>(51,744)</u>
Cash used in financing activities	<u>(39,697)</u>	<u>(51,744)</u>
<b>INCREASE (DECREASE) IN CASH</b>	8,705	(15,241)
<b>BANK, beginning</b>	<u>13,496</u>	<u>28,737</u>
<b>BANK, ending</b>	\$ <u>22,201</u>	\$ <u>13,496</u>
<b>REPRESENTED BY:</b>		
Bank	\$ <u>22,201</u>	\$ <u>13,496</u>
<b>SUPPLEMENTARY INFORMATION:</b>		
Interest paid	\$ 15,676	\$ 16,506

(See accompanying notes to financial statements)

NATIONAL SERVICE DOG TRAINING CENTRE INC.

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2011

1. PURPOSE OF THE ORGANIZATION

The organization is incorporated without share capital under the laws of the province of Ontario as a not for profit organization to operate a facility providing training of service dogs for individuals with disabilities. The organization is a registered charity under the Income Tax Act and is exempt from income tax.

The organization's activities are supported through donations, grants and fundraising activities. The on-going operations of the association could not continue without these sources of funding.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared consistently in accordance with Canadian generally accepted accounting principles except that the building is not being amortized, and reflect the following policies:

(a) Temporary investments

Marketable securities are recorded at fair market value. Market value as at December 31, 2011 was approximately \$689.

(b) Capital assets and amortization

Capital assets are recorded at cost. Amortization is provided at the following annual rates:

Office equipment	- 20% declining balance basis
Kennel equipment	- 20% declining balance basis
Vehicle	- 30% declining balance basis
Computer equipment	- 30% declining balance basis
Fencing	- 20% declining balance basis
Building, 1286 Cedar Creek	Not amortized

Amortization is calculated at one-half of the normal rate in the year of acquisition.

The building has been appraised by the Municipal Property Assessment Corporation in excess of its historical value, accordingly, no amortization will be recorded in order to realistically disclose the organization's capital investment.

Capital assets are subject to an assessment for impairment. An impairment loss is recognized when the carrying amount of property and equipment is not recoverable and exceeds its fair value. Management does not feel that there has been an impairment to the carrying amount of the capital assets.

(c) Bank line of credit

The company has an available operating loan from the Royal Bank of Canada in the amount of \$75,000. Interest is charged on outstanding balances at prime plus 1.75 per cent. Balance is due on demand and is secured by a general security agreement. As at December 31, 2011, there was a balance outstanding of \$33,000 (2010 - \$12,000).

continued....

**NATIONAL SERVICE DOG TRAINING CENTRE INC.**

**NOTES TO FINANCIAL STATEMENTS**

**AS AT DECEMBER 31, 2011**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

(d) Revenue recognition

Revenues from donations and fundraising are recognized when received.

Revenues from grants are recognized in the period to which they relate.

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

(e) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires the organization's management to make estimates and assumptions that affect the amounts reported in the financial statements and related notes to the financial statements. Actual results may differ from these estimates. Items material to the financial statements that require the use of estimates are rates of amortization for capital assets.

**3. CAPITAL ASSETS**

	Cost	Accumulated Amortization	2011 Net Book Value	2010 Net Book Value
Office equipment	\$ 10,934	\$ 9,248	\$ 1,686	\$ 2,108
Kennel equipment	2,225	2,027	198	248
Vehicle	64,254	58,000	6,254	8,934
Computer equipment	8,756	8,018	738	1,054
Fencing	711	676	35	44
Building, 1286 Cedar Creek	390,256	38,000	352,256	352,256
Land, 1286 Cedar Creek	<u>200,000</u>	<u>-</u>	<u>200,000</u>	<u>200,000</u>
	<u>\$ 677,136</u>	<u>\$ 115,969</u>	<u>\$ 561,167</u>	<u>\$ 564,644</u>



NATIONAL SERVICE DOG TRAINING CENTRE INC.

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2011

4. LONG-TERM DEBT

	2011	2010
Scotia Bank term loan, bearing interest at bank prime plus 2.0 per cent per annum is repayable in monthly payments of \$620 principal plus interest, due November 2012. The loan is secured by two 2005 GMC cargo vans.	\$ 6,814	\$ 14,254
Royal Bank loan bearing interest at bank prime plus 1.75 per cent is repayable in quarterly principal payments of \$1,380 each plus monthly interest payments, due October 2020. It is secured by property located at 1286 Cedar Creek Road, Cambridge.	49,576	55,090
Royal Bank first mortgage bearing interest at bank prime plus 1.75 per cent is repayable in four principal payments of \$6,686 each plus monthly interest payments, due October 2020. It is secured by property located at 1286 Cedar Creek Road, Cambridge.	<u>240,686</u>	<u>267,429</u>
	297,076	336,773
Less principal due within one year	<u>32,391</u>	<u>39,692</u>
	<u>\$ 264,685</u>	<u>\$ 297,081</u>

Principal payments are as follows:

2012	\$ 32,391
2013	32,263
2014	32,263
2015	32,263
2016	26,743
thereafter	<u>141,153</u>
	<u>\$ 297,076</u>

5. DONATED GOODS AND SERVICES

The work of the organization is dependent on volunteer services of the Board of Directors, various committees and other volunteers. The organization is now recording donated gifts in kind, which were not recorded in previous years, however the nature of other volunteer services provided is not verifiable and therefore is not recognized in these financial statements.

**NATIONAL SERVICE DOG TRAINING CENTRE INC.**

**NOTES TO FINANCIAL STATEMENTS**

**AS AT DECEMBER 31, 2011**

**6. FINANCIAL INSTRUMENTS**

The organization's financial instruments consist of bank, temporary investments, accounts payable and long-term debt. The carrying value of these financial instruments approximates their fair value. It is management's opinion that the organization is not exposed to significant interest or currency risks arising from these financial instruments.

**7. FUTURE CHANGE IN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES**

Beginning January 1, 2012, the organization will adopt a new source of accounting principles being Canadian accounting standards for not-for-profit organizations. Management is currently evaluating the impact that this will have on the organization.