

**NATIONAL SERVICE DOG TRAINING
CENTRE INC.**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

CONTENTS

	Page
Independent Auditors' report	1 - 2
Statement of financial position	3
Statement of operations and surplus	4
Statement of cash flows	5
Notes to financial statements	6 - 10

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 of the statement of financial position as at December 31, 2017 and the statements of operations and surplus and cash flows for the year 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, 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 Canadian accounting standards for not-for-profit organizations, since the organization is not amortizing its building on 1286 Cedar Creek Road, Cambridge, Ontario. If amortization was recorded the current year's additional charge would be \$10,995. The cumulative effect of this policy change from 2009 on the property and surplus would be \$106,813.

Qualified 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 organization as at December 31, 2017 and the results of its financial performance and cash flows for the year then ended in accordance with Canadian generally accepted accounting standards for not-for-profit organizations.

Cambridge, Ontario
June 18, 2018

Szczepski, Racolta, Jensen & Co. LLP
Licensed Public Accountants

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

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2017
(With comparative figures as at 2016)

	2017	2016
ASSETS		
CURRENT		
Bank	\$ 314,374	\$ 75,277
Accounts receivable	-	21,890
Temporary investments	2,224	16
Government remittances recoverable	<u>6,545</u>	<u>18,826</u>
	323,143	116,009
PROPERTY AND EQUIPMENT (note 3)	<u>586,982</u>	<u>589,437</u>
	<u>\$ 910,125</u>	<u>\$ 705,446</u>
LIABILITIES		
CURRENT		
Accounts, payable and accrued	\$ 32,646	\$ 23,770
Deferred revenue (note 4)	165,000	20,000
Scheduled repayments of long-term debt due within one year (note 5)	<u>8,915</u>	<u>129,299</u>
	206,561	173,069
DEFERRED REVENUE (note 4)	132,500	112,500
LONG-TERM DEBT (note 5)	<u>111,372</u>	<u>-</u>
	<u>450,433</u>	<u>285,569</u>
CONTINGENT LIABILITIES (note 6)		
ORGANIZATION'S SURPLUS		
SURPLUS	<u>459,692</u>	<u>419,877</u>
	<u>\$ 910,125</u>	<u>\$ 705,446</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, 2017

(With comparative figures for 2016)

	2017	%	2016	%
REVENUE				
General donations (note 4)	\$ 332,769	39.9	\$ 457,508	53.3
Contributions from other registered charities	180,063	21.6	108,513	12.6
Events	131,804	15.8	138,281	16.1
Gifts-in-kind	118,645	14.2	139,997	16.3
Fees	<u>69,931</u>	<u>8.4</u>	<u>14,327</u>	<u>1.7</u>
	<u>833,212</u>	<u>100.0</u>	<u>858,626</u>	<u>100.0</u>
 EXPENDITURE				
Wages and benefits	380,179	45.6	464,207	54.1
Supplies, gifts-in-kind	118,645	14.2	139,996	16.3
Animal care	84,682	10.2	79,672	9.3
General	64,180	7.7	56,052	6.5
Occupancy costs	43,925	5.3	47,355	5.5
Client services	41,134	4.9	47,088	5.5
Consulting	28,875	3.5	-	-
Marketing and fundraising material	20,437	2.5	49,078	5.7
Amortization	6,874	0.8	9,878	1.2
Interest on long-term debt (note 5)	<u>4,466</u>	<u>0.5</u>	<u>7,564</u>	<u>0.9</u>
	<u>793,397</u>	<u>95.2</u>	<u>900,890</u>	<u>104.9</u>
 EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURE	39,815	<u>4.8</u>	(42,264)	<u>(4.9)</u>
 SURPLUS, beginning	<u>419,877</u>		<u>462,141</u>	
SURPLUS, ending	<u>\$ 459,692</u>		<u>\$ 419,877</u>	

(See accompanying notes to financial statements)

NATIONAL SERVICE DOG TRAINING CENTRE INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2017

(With comparative figures for 2016)

	2017	2016
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenditure for the year	\$ 39,815	\$ (42,264)
Charges not requiring cash:		
Amortization	<u>6,874</u>	<u>9,878</u>
	46,689	(32,386)
CHANGES IN NON-CASH WORKING CAPITAL		
Decrease (increase) in accounts receivable	21,890	(21,890)
(Increase) decrease in temporary investments	(2,208)	77
Decrease in government remittances recoverable	12,281	1,240
Increase (decrease) in accounts, payable and accrued	8,871	(5,106)
Increase (decrease) in deferred revenue	<u>165,000</u>	<u>(80,000)</u>
Cash from (used in) operating activities	<u>252,523</u>	<u>(138,065)</u>
FINANCING ACTIVITIES		
Proceeds from long-term debt	-	132,817
Repayments of long-term debt	<u>(9,012)</u>	<u>(220,096)</u>
Cash used in financing activities	<u>(9,012)</u>	<u>(87,279)</u>
INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(4,414)</u>	<u>-</u>
Cash used in investing activities	<u>(4,414)</u>	<u>-</u>
INCREASE (DECREASE) IN CASH	239,097	(225,344)
BANK, beginning	<u>75,277</u>	<u>300,621</u>
BANK, ending	<u>\$ 314,374</u>	<u>\$ 75,277</u>

(See accompanying notes to financial statements)

NATIONAL SERVICE DOG TRAINING CENTRE INC.

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2017

PURPOSE OF THE ORGANIZATION

The organization is incorporated without share capital under the laws of Canada as a not for profit organization to operate a facility providing training of service dogs for individuals with disabilities.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting standards for not-for-profit organizations and reflect the following policies:

(a) Temporary investments

Temporary investments consist of gifts-in-kind of financial securities. The securities are recognized initially at fair value on the date they are received. They are subsequently measured at fair value.

(b) Property and equipment

Property and equipment are recorded at cost. Amortization is provided at the following annual rates:

Building, 1286 Cedar Creek Road	- not amortized
Computer equipment	- 30% declining balance basis
Computer software	- 3 years on a straight line basis
Fencing	- 20% declining balance basis
Kennel equipment	- 20% declining balance basis
Maintenance Equipment	- 20% declining balance basis
Office equipment	- 20% declining balance basis
Vehicle	- 30% declining balance basis

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

The land and building at 1286 Cedar Creek Road has been appraised by the Municipal Property Assessment Corporation at a value of \$746,000 which is in excess of its net book value of \$570,695. Accordingly, no amortization has been recorded by management in order to realistically disclose the organization's capital investment.

(c) Impairment of long-lived assets

A long-lived asset is tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the asset no longer has long-term service potential to the organization. No impairment has been recognized on long-lived assets.

(d) Measurement of financial instruments

The organization initially measures its financial assets and liabilities at fair value. Financial assets measured at amortized cost include bank and temporary investments. Financial liabilities measured at amortized cost include accounts payable and long-term debt. The organization has designated temporary investments to be subsequently measured at fair value.

continued...

NATIONAL SERVICE DOG TRAINING CENTRE INC.

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(e) Revenue recognition

The organization's activities are supported through donations, grants and fundraising activities.

The organization follows the deferral method of accounting for contributions.

The organization recognizes revenue when the amount of revenue can be measured reliably and collection is reasonably assured. Revenue is measured at the fair value of consideration received or receivable.

General donations are recognized in the period in which they are received. Restricted donations are recognized as deferred revenue in the period in which the donation is received and then are recognized as revenue as the expenses are incurred.

Gifts-in-kind are recognized at their estimated fair value when the goods are received. As there is often no readily available fair market for these goods, the Board uses its expertise and knowledge to estimate the fair value. The offsetting expense is always equal to the fair value. Gifts-in-kind received as donations in the form of temporary investments are presented with general donations. Gifts-in-kind used in the course of programming are presented as Gifts-in-Kind.

Event revenue is recognized when the event revenue is earned, the amount collectible is known, and any performance of services have been completed.

(f) Income taxes

The organization is a registered charity under the Income Tax Act and is exempt from income tax.

(g) Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting standards for not-for-profit organizations 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 include the useful lives of property and equipment and the fair value of revenues and expenses recognized as gifts-in-kind.

2. BANK INDEBTEDNESS

The organization has an available operating loan facility from the TD Commercial Banking in the amount of \$140,000. Interest is charged on outstanding balances at TD Bank prime plus 3%. The balance is due on demand and is secured by a general security agreement, limited first charge on 1286 Cedar Creek Road, Cambridge, Ontario in the amount of \$390,000 and assignment of fire insurance in the amount of \$390,000. As at December 31, 2017, there was no balance outstanding. The carrying value of security is \$570,695.

The operating loan facility requires that a covenant be maintained. As at December 31, 2017 the organization was in compliance with the lending covenants.

NATIONAL SERVICE DOG TRAINING CENTRE INC.

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2017

3. PROPERTY AND EQUIPMENT

	Cost	Accumulated Amortization	2017 Net Book Value	2016 Net Book Value
Building, 1286 Cedar Creek Road	\$ 408,695	\$ 38,000	\$ 370,695	\$ 370,695
Computer equipment	9,505	9,122	383	547
Computer software	7,450	7,450	-	1,242
Fencing	711	702	9	11
Kennel equipment	4,824	2,436	2,388	61
Land, 1286 Cedar Creek	200,000	-	200,000	200,000
Maintenance Equipment	1,500	1,037	463	661
Office equipment	12,753	10,701	2,052	518
Vehicle	<u>88,709</u>	<u>77,717</u>	<u>10,992</u>	<u>15,702</u>
	<u>\$ 734,147</u>	<u>\$ 147,165</u>	<u>\$ 586,982</u>	<u>\$ 589,437</u>

4. DEFERRED REVENUE

Deferred revenue represents designated contributions for which the organization has not yet spent the money on the specific expenditure. This revenue is deferred and recognized as revenue in the year in which related expenses are incurred. Examples include funds for service dogs trained but not placed throughout the year.

	2017	2016
Deferred revenue, beginning	\$ 132,500	\$ 212,500
Add: funds received in advance	165,000	-
Less: funds recognized in revenue during the year	<u>-</u>	<u>80,000</u>
Deferred revenue, ending	<u>\$ 297,500</u>	<u>\$ 132,500</u>

Contributions in the amount of \$132,500 are not expected to be spent until beyond January 1, 2019 and are therefore presented as long-term.

NATIONAL SERVICE DOG TRAINING CENTRE INC.

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2017

5. LONG-TERM DEBT

	2017	2016
TD Commercial Banking loan - repayable in monthly payments of \$1,178 principal plus interest, bearing interest at 4.49%, due for renewal August 2022. Secured by land and building at 1286 Cedar Creek Road, Cambridge, Ontario. The carrying value of the security is \$570,695.	\$ 120,287	\$ 129,299
Less scheduled repayments due within one year	<u>8,915</u>	<u>129,299</u>
	<u>\$ 111,372</u>	<u>\$ -</u>

Interest expense for the above loan totaled approximately \$4,500 (2016 - \$7,600). Principal payments are as follows:

2018	\$ 8,915
2019	9,325
2020	9,753
2021	10,200
2022	<u>82,135</u>
	<u>\$ 120,328</u>

6. CONTINGENT LIABILITIES

The organization has a claim against it for an employment matter. The matter was settled after year-end for a net cost of \$2,000.

7. 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 nature of other volunteer services provided is not verifiable and therefore is not recognized in these financial statements.

8. FINANCIAL INSTRUMENT RISKS

(a) Credit risk

Credit risk refers to the risk that other parties may default on their financial obligations.

The organization is exposed to credit risk on its bank balance.

Credit risk associated with bank is minimized substantially by ensuring that these assets are invested in a major financial institution.

The extent of the organization's exposure to credit risk increased in 2017.

NATIONAL SERVICE DOG TRAINING CENTRE INC.

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2017

8. FINANCIAL INSTRUMENT RISKS - continued

(b) Liquidity risk

Liquidity risk refers to the risk that the company will not be able to meet a demand for cash or fund its obligations as they come due. Liquidity risk also includes the risk of the company not being able to liquidate assets in a timely manner at a reasonable price.

The company meets its liquidity requirements by monitoring cash flows from operations, anticipating investing and financing activities and holding assets that can be readily converted into cash. The company has a credit facility in place should it be required to meet temporary fluctuations in cash requirements (see Note 2).

The extent of the company's exposure to liquidity risk did not change in 2017.

9. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform with the presentation adopted in the current year.