

**NATIONAL SERVICE DOG TRAINING
CENTRE INC.**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2010

CONTENTS

	Page
Independent Auditor's report	
Statement of financial position	1
Statement of operations and surplus	2
Statement of cash flows	3
Notes to financial statements	4 - 7



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, 2010, 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 consistent with Generally accepted accounting principles, since the organization is not amortizing its building on 1286 Cedar Creek, Cambridge, Ontario.

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, 2010, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Cambridge, Ontario
May 30, 2011

Embree & Co. LLP
Chartered Accountants
Licensed Public Accountants

485 Pinebush Road, Suite 301, Cambridge, Ontario N1T 0A6
Phone (519) 621-5660 Fax (519) 621-2918 Toll Free 888-653-6539 cambridge@embreellp.ca

350 Speedvale Avenue W., Suite 8, Guelph, Ontario N1H 7M7
Phone (519) 821-1555 Fax (519) 821-6168 Toll Free 866-531-1555 general@embreellp.ca

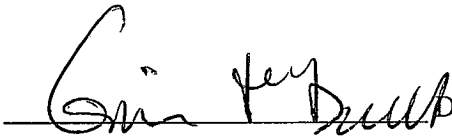
NATIONAL SERVICE DOG TRAINING CENTRE INC.
(Incorporated under the laws of Ontario)

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2010
(With comparative figures as at 2009)

	2010	2009
ASSETS		
CURRENT		
Bank (note 2)	\$ 13,496	\$ 28,737
Temporary investments (note 2)	5,428	-
Sales tax recoverable	<u>10,087</u>	<u>4,701</u>
	29,011	33,438
CAPITAL (notes 2 and 3)	<u>564,644</u>	<u>569,525</u>
	<u>\$ 593,655</u>	<u>\$ 602,963</u>
LIABILITIES		
CURRENT		
Accounts, payable and accrued	\$ 19,393	\$ 19,705
Current portion of long-term debt (note 4)	<u>39,692</u>	<u>51,795</u>
	59,085	71,500
LONG-TERM DEBT (note 4)	<u>297,081</u>	<u>336,721</u>
	<u>356,166</u>	<u>408,221</u>
ORGANIZATION'S EQUITY		
SURPLUS , available for future operations	<u>237,489</u>	<u>194,742</u>
	<u>\$ 593,655</u>	<u>\$ 602,963</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, 2010

(With comparative figures for 2009)

	2010	2009
REVENUE		
Donations, general	\$ 477,447	\$ 426,780
Donations, third parties	108,727	106,402
Fee for service	<u>6,584</u>	<u>8,270</u>
	<u>592,758</u>	<u>541,452</u>
EXPENDITURE		
Amortization	4,881	6,705
Animal care	61,417	59,406
Bank charges	1,803	2,843
Insurance	8,713	8,384
Interest on long-term debt (note 4)	16,506	18,721
Marketing and fund raising material	19,751	21,963
Occupancy costs	15,375	13,580
Office	12,088	10,256
Professional fees	53,291	52,818
Research and development	-	22,550
Salaries and wages	298,421	273,248
Telephone, IT web and server	10,574	17,994
Training	28,436	26,823
Vehicle	<u>18,755</u>	<u>14,791</u>
	<u>550,011</u>	<u>550,082</u>
SURPLUS (DEFICIENCY) OF REVENUE OVER EXPENDITURE	42,747	(8,630)
GAIN ON DISPOSAL OF VEHICLE	<u>-</u>	<u>1,043</u>
SURPLUS (DEFICIENCY) OF REVENUE OVER EXPENDITURE	42,747	(7,587)
SURPLUS, beginning	<u>194,742</u>	<u>202,329</u>
SURPLUS, ending	<u>\$ 237,489</u>	<u>\$ 194,742</u>

(See accompanying notes to financial statements)

NATIONAL SERVICE DOG TRAINING CENTRE INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2010
(With comparative figures for 2009)

	2010	2009
OPERATING ACTIVITIES		
Surplus (deficiency) of revenue over expenditure	\$ 42,747	\$ (7,587)
Charges to earnings not requiring cash:		
Amortization	4,881	6,705
Gain on disposal of vehicle	<u>-</u>	<u>(1,043)</u>
	47,628	(1,925)
CHANGES IN NON-CASH WORKING CAPITAL		
Increase in temporary investments	(5,428)	-
Decrease in accounts, payable and accrued	(311)	(5,083)
Increase (decrease) in sales tax recoverable	<u>(5,386)</u>	<u>1,206</u>
Cash from (used in) operating activities	<u>36,503</u>	<u>(5,802)</u>
FINANCING ACTIVITIES		
Repayments of note payable	(51,744)	(36,618)
Repayment of capital lease liability	<u>-</u>	<u>(1,233)</u>
Cash used in financing activities	<u>(51,744)</u>	<u>(37,851)</u>
INVESTING ACTIVITIES		
Purchases of capital assets	<u>-</u>	<u>(756)</u>
Cash used in investing activities	<u>-</u>	<u>(756)</u>
DECREASE IN CASH	(15,241)	(44,409)
BANK, beginning	<u>28,737</u>	<u>73,146</u>
BANK, ending	<u>\$ 13,496</u>	<u>\$ 28,737</u>
REPRESENTED BY:		
Bank	<u>\$ 13,496</u>	<u>\$ 28,737</u>
SUPPLEMENTARY INFORMATION:		
Interest paid	\$ 16,506	\$ 18,721

(See accompanying notes to financial statements)

NATIONAL SERVICE DOG TRAINING CENTRE INC.

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2010

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, 2010 was approximately \$6,281.

(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 book value, accordingly, no amortization will be recorded in order to realistically disclose the organization's book value.

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 \$25,000. Interest is charged on outstanding balances at prime plus 1.75%. Balance is due on demand and is secured by a general security agreement. As at December 31, 2010, there was a balance outstanding of \$12,000 (2009 - \$0).

continued....

NATIONAL SERVICE DOG TRAINING CENTRE INC.

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2010

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) Financial instruments

Financial instruments consist of bank, temporary investments, accounts payable and accrued and long-term debt. In accordance with CICA Handbook section 3855 "Financial Instruments - recognition and measurement", these financial assets and liabilities are classified as held-for-trading and measured at their fair value.

(f) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires the '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	2010 Net Book Value	2009 Net Book Value
Office equipment	\$ 10,934	\$ 8,826	\$ 2,108	\$ 2,635
Kennel equipment	2,225	1,977	248	310
Vehicle	64,254	55,320	8,934	12,763
Computer equipment	8,756	7,702	1,054	1,506
Fencing	711	667	44	55
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>\$ 112,492</u>	<u>\$ 564,644</u>	<u>\$ 569,525</u>

NATIONAL SERVICE DOG TRAINING CENTRE INC.

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2010

4. LONG-TERM DEBT

	2010	2009
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.	\$ 14,254	\$ 21,694
The private second mortgage bearing interest at 8 per cent is repayable in monthly interest payments, the loan was completely discharged in April 2010.	-	12,000
Royal Bank first mortgage bearing interest at bank prime plus 2.05 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.	267,429	294,200
Royal bank loan bearing interest at bank prime plus 2.05 per cent is repayable in quarterly principal payments of \$1,377 each plus monthly interest payments, due October 2020. It is secured by property located at 1286 Cedar Creek Road, Cambridge.	<u>55,090</u>	<u>60,622</u>
	336,773	388,516
Less principal due within one year	<u>39,692</u>	<u>51,795</u>
	<u>\$ 297,081</u>	<u>\$ 336,721</u>

Interest expense for the above loans totalled approximately \$16,506 (2009 - \$18,721). Principal payments are as follows:

2011	\$	39,692
2012		39,066
2013		32,252
2014		32,252
2015		32,252
thereafter		<u>161,259</u>
	\$	<u>336,773</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 nature of which 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, 2010

6. FINANCIAL INSTRUMENTS

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. COMPARATIVE FIGURES

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

8. FUTURE CHANGE IN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

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