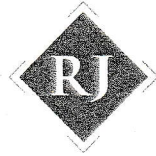


**NATIONAL SERVICE DOG TRAINING  
CENTRE INC.**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2018**



**INDEPENDENT AUDITORS' REPORT**

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

**Qualified Opinion**

We have audited the financial statements of National Service Dog Training Centre Inc. (the organization), which comprise the statement of financial position as at December 31, 2018, and the statements of operations and net assets for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the organization as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Accounting Standards for Not-For-Profit Organizations (ASNFPO).

**Basis for Qualified Opinion**

In common with many not-for-profit organizations, the organization derives a portion of its revenue from the community in the form of cash that are not subject to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the accounting for the amounts recorded in the records of the organization.

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 that we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

**Other Information**

Management is responsible for the other information. The other information comprises the Annual Report (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASNFPOs, 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 for 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.

Cambridge, Ontario  
May 22, 2019

*Racolta Jensen LLP*

Racolta Jensen LLP  
Chartered Professional Accountants  
Licensed Public Accountants

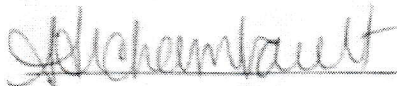


**NATIONAL SERVICE DOG TRAINING CENTRE INC.**  
(Incorporated under the laws of Canada)

**STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2018**  
(With comparative figures as at 2017)

	2018	2017 (note 9)
<b>ASSETS</b>		
<b>CURRENT</b>		
Bank	\$ 312,729	\$ 314,374
Temporary investments	130	2,224
Government remittances recoverable	<u>16,442</u>	<u>6,545</u>
	329,301	323,143
<b>PROPERTY AND EQUIPMENT</b> (note 3)	<u>454,615</u>	<u>469,174</u>
	<b><u>\$ 783,916</u></b>	<b><u>\$ 792,317</u></b>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts, payable and accrued	\$ 45,477	\$ 32,644
Deferred revenue (note 4)	159,000	165,000
Scheduled repayments of long-term debt due within one year (note 5)	<u>9,326</u>	<u>8,915</u>
	213,803	206,559
<b>DEFERRED REVENUE</b> (note 4)	132,500	132,500
<b>LONG-TERM DEBT</b> (note 5)	<u>102,024</u>	<u>111,372</u>
	<u>448,327</u>	<u>450,431</u>
<b>ORGANIZATION'S NET ASSETS</b>		
<b>NET ASSETS</b>	<u>335,589</u>	<u>341,886</u>
	<b><u>\$ 783,916</u></b>	<b><u>\$ 792,317</u></b>

APPROVED ON BEHALF OF THE BOARD:

 Director

 Director

(See accompanying notes to financial statements)



NATIONAL SERVICE DOG TRAINING CENTRE INC.

STATEMENT OF OPERATIONS AND NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2018

(With comparative figures for 2017)

	2018	%	2017 (note 9)	%
<b>REVENUE</b>				
General donations (note 4)	\$ 395,182	40.9	\$ 332,769	39.9
Contributions from other registered charities	295,309	30.5	180,063	21.6
Events	133,544	13.8	131,804	15.8
Gifts-in-kind	127,889	13.2	118,645	14.2
Fees	<u>14,934</u>	<u>1.5</u>	<u>69,931</u>	<u>8.4</u>
	<b><u>966,858</u></b>	<b><u>100.0</u></b>	<b><u>833,212</u></b>	<b><u>100.0</u></b>
<b>EXPENDITURE</b>				
Wages and benefits	476,595	49.3	380,179	45.6
Supplies, gifts-in-kind	127,889	13.2	118,645	14.2
Animal care	102,696	10.6	84,682	10.2
Consulting	77,554	8.0	28,875	3.5
General	54,717	5.7	64,180	7.7
Occupancy costs	48,664	5.0	43,925	5.3
Client services	40,522	4.2	41,134	4.9
Marketing and fundraising material	24,789	2.6	20,437	2.5
Amortization (note 9)	14,556	1.5	17,869	2.1
Interest on long-term debt (note 5)	<u>5,173</u>	<u>0.5</u>	<u>4,466</u>	<u>0.5</u>
	<b><u>973,155</u></b>	<b><u>100.7</u></b>	<b><u>804,392</u></b>	<b><u>96.5</u></b>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURE</b>	<b>(6,297)</b>	<b><u>(0.7)</u></b>	<b>28,820</b>	<b><u>3.5</u></b>
<b>NET ASSETS, beginning</b>	<u>341,886</u>		<u>313,066</u>	
<b>NET ASSETS, ending</b>	<b><u>\$ 335,589</u></b>		<b><u>\$ 341,886</u></b>	

(See accompanying notes to financial statements)

**NATIONAL SERVICE DOG TRAINING CENTRE INC.**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED DECEMBER 31, 2018**

**(With comparative figures for 2017)**

	2018	2017 (note 9)
<b>OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenue over expenditure for the year	\$ (6,297)	\$ 28,820
Charges not requiring cash:		
Amortization	<u>14,556</u>	<u>17,869</u>
	8,259	46,689
<b>CHANGES IN NON-CASH WORKING CAPITAL</b>		
Decrease in accounts receivable	-	21,890
Decrease (increase) in temporary investments	2,094	(2,208)
(Increase) decrease in government remittances recoverable	(9,897)	12,281
Increase in accounts, payable and accrued	12,837	8,871
(Decrease) increase in deferred revenue	<u>(6,000)</u>	<u>165,000</u>
Cash from operating activities	<u>7,293</u>	<u>252,523</u>
<b>FINANCING ACTIVITIES</b>		
Repayments of long-term debt	<u>(8,938)</u>	<u>(9,012)</u>
Cash used in financing activities	<u>(8,938)</u>	<u>(9,012)</u>
<b>INVESTING ACTIVITIES</b>		
Purchases of property and equipment	<u>-</u>	<u>(4,414)</u>
Cash used in investing activities	<u>-</u>	<u>(4,414)</u>
<b>INCREASE (DECREASE) IN CASH</b>	(1,645)	239,097
<b>BANK, beginning</b>	<u>314,374</u>	<u>75,277</u>
<b>BANK, ending</b>	<u>\$ 312,729</u>	<u>\$ 314,374</u>

(See accompanying notes to financial statements)

# NATIONAL SERVICE DOG TRAINING CENTRE INC.

## NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2018

### 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	- 4% declining balance basis
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.

#### (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.

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**NATIONAL SERVICE DOG TRAINING CENTRE INC.**

**NOTES TO FINANCIAL STATEMENTS**

**AS AT DECEMBER 31, 2018**

**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 '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.

(h) Change in accounting policy

Property and equipment

The organization's policy of not recording amortization on the building was inconsistent with Canadian accounting standards for not-for-profit organizations. This policy was changed in 2018, with amortization claimed in the current year, retrospectively, and prospectively.



**NATIONAL SERVICE DOG TRAINING CENTRE INC.**

**NOTES TO FINANCIAL STATEMENTS**

**AS AT DECEMBER 31, 2018**

**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, 2018, there was no balance outstanding. The carrying value of security is \$442,771.

The operating loan facility requires that a covenant be maintained. As at December 31, 2018 the organization was in compliance with the lending covenants.

**3. PROPERTY AND EQUIPMENT**

			<b>2018</b>	<b>2017</b>
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>	<b>(note 9) Net Book Value</b>
Building, 1286 Cedar Creek Road	\$ 408,695	\$ 165,924	\$ 242,771	\$ 252,887
Computer equipment	9,505	9,237	268	383
Computer software	7,450	7,450	-	-
Fencing	711	704	7	9
Kennel equipment	4,824	2,914	1,910	2,388
Land, 1286 Cedar Creek	200,000	-	200,000	200,000
Maintenance Equipment	1,500	1,176	324	463
Office equipment	12,753	11,112	1,641	2,052
Vehicle	88,709	81,015	7,694	10,992
	<u>\$ 734,147</u>	<u>\$ 279,532</u>	<u>\$ 454,615</u>	<u>\$ 469,174</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.

	<b>2018</b>	<b>2017</b>
		<b>(note 9)</b>
Deferred revenue, beginning	\$ 297,500	\$ 132,500
Add: funds received in advance	159,000	165,000
Less: funds recognized in revenue during the year	<u>165,000</u>	<u>-</u>
Deferred revenue, ending	<u>\$ 291,500</u>	<u>\$ 297,500</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, 2018**

**5. LONG-TERM DEBT**

	<b>2018</b>	<b>2017</b>
		<b>(note 9)</b>
TD Commercial loan - repayable in monthly blended payments of \$1,178, 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 \$442,771.	\$ 111,350	\$ 120,287
Less scheduled repayments due within one year	<u>9,326</u>	<u>8,915</u>
	<u>\$ 102,024</u>	<u>\$ 111,372</u>

Principal payments are as follows:

2019	\$	9,326
2020		9,754
2021		10,201
2022		<u>82,069</u>
	\$	<u>111,350</u>

**6. 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.

**7. 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 2018.

**NATIONAL SERVICE DOG TRAINING CENTRE INC.**

**NOTES TO FINANCIAL STATEMENTS**

**AS AT DECEMBER 31, 2018**

**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 2018.

**9. PRIOR PERIOD ADJUSTMENT**

As an organizational accounting policy, amortization on the building at 1286 Cedar Creek Road had not been taken since 2008. As a result of a change in this policy, the opening net assets for 2017 were adjusted for \$106,813 and amortization was recorded on the building in 2017 of \$10,995.