

**NATIONAL SERVICE DOG TRAINING  
CENTRE INC.**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2016**



**SZCZEPSKI, RACOLTA, JENSEN & CO. LLP**  
LICENSED PUBLIC ACCOUNTANTS

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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 of the statement of financial position as at December 31, 2016 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 \$11,453. The cumulative effect of this policy change from 2009 on the property and surplus would be \$95,818.

## 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, 2016 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  
April 18, 2017

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




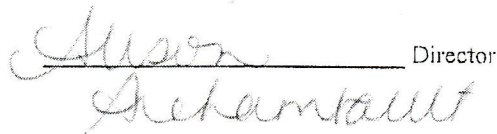
NATIONAL SERVICE DOG TRAINING CENTRE INC.  
(Incorporated under the laws of Canada)

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2016  
(With comparative figures as at 2015)

	2016	2015
<b>ASSETS</b>		
<b>CURRENT</b>		
Bank	\$ 75,277	\$ 300,621
Accounts receivable	21,890	-
Temporary investments	16	93
Government remittances recoverable	<u>18,826</u>	<u>20,066</u>
	116,009	320,780
<b>PROPERTY AND EQUIPMENT (note 3)</b>	<u>589,437</u>	<u>599,316</u>
	<u>\$ 705,446</u>	<u>\$ 920,096</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts, payable and accrued	\$ 23,770	\$ 28,877
Deferred revenue (note 4)	20,000	42,500
Scheduled repayments of long-term debt due within one year (note 5)	<u>129,299</u>	<u>13,182</u>
	173,069	84,559
<b>DEFERRED REVENUE (note 4)</b>	112,500	170,000
<b>LONG-TERM DEBT (note 5)</b>	<u>-</u>	<u>203,396</u>
	<u>285,569</u>	<u>457,955</u>
<b>ORGANIZATION'S SURPLUS</b>		
<b>SURPLUS</b>	<u>419,877</u>	<u>462,141</u>
	<u>\$ 705,446</u>	<u>\$ 920,096</u>

APPROVED ON BEHALF OF THE BOARD:

 Director

 Director

(See accompanying notes to financial statements)

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NATIONAL SERVICE DOG TRAINING CENTRE INC.

STATEMENT OF OPERATIONS AND SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 2016

(With comparative figures for 2015)

	2016	%	2015	%
<b>REVENUE</b>				
General donations (note 4)	\$ 566,021	65.9	\$ 603,286	70.2
Fees	14,327	1.7	11,599	1.3
Gifts-in-kind	139,997	16.3	100,827	11.7
Events	<u>138,281</u>	<u>16.1</u>	<u>143,727</u>	<u>16.7</u>
	<u>858,626</u>	<u>100.0</u>	<u>859,439</u>	<u>100.0</u>
<b>EXPENDITURE</b>				
Amortization	9,878	1.2	7,620	0.9
Animal care	79,672	9.3	95,189	11.1
Client services	47,088	5.5	53,333	6.2
General	56,052	6.5	46,889	5.5
Interest on long-term debt (note 5)	7,564	0.9	9,208	1.1
Marketing and fundraising material	49,078	5.7	20,820	2.4
Occupancy costs	47,355	5.5	40,528	4.7
Salaries and wages	464,207	54.1	418,392	48.7
Supplies, gifts-in-kind	<u>139,996</u>	<u>16.3</u>	<u>100,827</u>	<u>11.7</u>
	<u>900,890</u>	<u>104.9</u>	<u>792,806</u>	<u>92.2</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURE</b>	(42,264)	<u>(4.9)</u>	66,633	<u>7.8</u>
<b>SURPLUS, beginning</b>	<u>462,141</u>		<u>395,508</u>	
<b>SURPLUS, ending</b>	<u>\$ 419,877</u>		<u>\$ 462,141</u>	

(See accompanying notes to financial statements)

NATIONAL SERVICE DOG TRAINING CENTRE INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2016

(With comparative figures for 2015)

	2016	2015
<b>OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenue over expenditure for the year	\$ (42,264)	\$ 66,633
Charges not requiring cash:		
Amortization	<u>9,878</u>	<u>7,620</u>
	(32,386)	74,253
<b>CHANGES IN NON-CASH WORKING CAPITAL</b>		
(Increase) decrease in accounts receivable	(21,890)	5,843
Decrease in temporary investments	77	1,939
Decrease (increase) in government remittances recoverable	1,240	(1,518)
(Decrease) increase in accounts, payable and accrued	(5,106)	10,066
Decrease in deferred revenue	<u>(80,000)</u>	<u>(85,657)</u>
Cash (used in) from operating activities	<u>(138,065)</u>	<u>4,926</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from long-term debt	132,817	-
Repayments of long-term debt	<u>(220,096)</u>	<u>(12,833)</u>
Cash used in financing activities	<u>(87,279)</u>	<u>(12,833)</u>
<b>INVESTING ACTIVITIES</b>		
Purchases of property and equipment	<u>-</u>	<u>(25,202)</u>
Cash used in investing activities	<u>-</u>	<u>(25,202)</u>
<b>DECREASE IN CASH</b>	(225,344)	(33,109)
<b>BANK, beginning</b>	<u>300,621</u>	<u>333,730</u>
<b>BANK, ending</b>	<u>\$ 75,277</u>	<u>\$ 300,621</u>

(See accompanying notes to financial statements)

NATIONAL SERVICE DOG TRAINING CENTRE INC.

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2016

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
Vehicles	- 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.

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NATIONAL SERVICE DOG TRAINING CENTRE INC.

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2016

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, 2016, 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, 2016 the organization was in compliance with the lending covenants.

NATIONAL SERVICE DOG TRAINING CENTRE INC.

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2016

3. PROPERTY AND EQUIPMENT

	Cost	Accumulated Amortization	2016 Net Book Value	2015 Net Book Value
Building, 1286 Cedar Creek Road	\$ 408,695	\$ 38,000	\$ 370,695	\$ 370,695
Computer equipment	9,505	8,958	547	781
Computer software	7,450	6,208	1,242	3,725
Fencing	711	700	11	14
Kennel equipment	2,225	2,164	61	76
Land, 1286 Cedar Creek	200,000	-	200,000	200,000
Maintenance equipment	1,500	839	661	945
Office equipment	10,934	10,416	518	648
Vehicles	<u>88,709</u>	<u>73,007</u>	<u>15,702</u>	<u>22,432</u>
	<u>\$ 729,729</u>	<u>\$ 140,292</u>	<u>\$ 589,437</u>	<u>\$ 599,316</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.

	2016	2015
Deferred revenue, beginning	\$ 212,500	\$ 298,157
Add: funds received in advance	-	10,000
Less: funds recognized in revenue during the year	<u>(80,000)</u>	<u>(95,657)</u>
Deferred contributions, ending	<u>\$ 132,500</u>	<u>\$ 212,500</u>

Contributions in the amount of \$112,500 are not expected to be spent until beyond January 1, 2018 and are therefore presented as long-term.

5. LONG-TERM DEBT

	2016	2015
TD Commercial Banking loan - repaid during the year.	\$ -	\$ 216,578
TD Commercial Banking loan - repayable in monthly payments of \$1,128 principal plus interest, bearing interest at 3.5%, due for renewal August 2017. Secured by land and building at 1286 Cedar Creek Road, Cambridge, Ontario. The carrying value of the security is \$570,695.	<u>129,299</u>	<u>-</u>
	129,299	216,578
Less scheduled repayments due within one year	<u>129,299</u>	<u>13,182</u>
	<u>\$ -</u>	<u>\$ 203,396</u>

Interest expense for the above loans totaled approximately \$7,564 (2015 - \$9,208).

NATIONAL SERVICE DOG TRAINING CENTRE INC.

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2016

**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 decreased in 2016.

(b) Currency risk

Currency risk refers to the risk that the fair value of financial instruments will fluctuate in value relative to the Canadian dollar due to changes in foreign exchange rates. The organization does not have any financial instruments to be settled in a currency other than the Canadian dollar.

The organization is not exposed to significant currency risk.

The extent of the organization's exposure to currency risk did not change in 2016.

(c) Interest rate risk

Interest rate risk refers to the risk that the fair value of the financial instruments will fluctuate due to changes in market interest rates.

The organization is exposed to interest rate risk on their bank indebtedness and long-term debt facilities which are based on the TD Bank prime rate of interest. A 1% increase in the prime rate would increase interest rate expense approximately \$1,293.

The extent of the organization's exposure to interest rate risk decreased in 2016.

NATIONAL SERVICE DOG TRAINING CENTRE INC.

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2016

**7. FINANCIAL INSTRUMENT RISKS - continued**

(d) 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 3).

The extent of the company's exposure to liquidity risk did not change in 2016.

(e) Other price risk

Other price risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual instrument or its issuer, or factors affecting all instruments traded in the market.

The organization is not exposed to significant other price risks.

The extent of the organization's exposure to other price risk did not change in 2016.

(f) Market risk

Market risk refers to the risk that the fair value of financial instruments will fluctuate because of changes in market prices. Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk.

The organization is not exposed to significant market risks.

The extent of the organization's exposure to market risk did not change in 2016.

**8. COMPARATIVE FIGURES**

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