

NATIONAL SERVICE DOG TRAINING CENTRE INC.
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

NATIONAL SERVICE DOG TRAINING CENTRE INC.
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YEAR ENDED DECEMBER 31, 2023

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INDEPENDENT AUDITOR'S 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, 2023, and the statements of changes in net assets, operations and cash flows 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, 2023, and its results of operations and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-for-Profit Organizations (ASNPO).

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 which are not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the accounting for the amounts recorded in the records of the organization. Therefore, we were unable to determine whether any adjustments might be necessary to events revenue, excess of revenues over expenditure, and cash flows from operations for the years ended December 31, 2022 and December 31, 2021, current assets and net assets as at December 31, 2021. Our opinion on the financial statements for the year ended December 31, 2021 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' 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.

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 ASNPO, 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 of 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.

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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.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Cambridge, Ontario
June 5, 2024


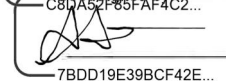
Racolta Jensen LLP

Racolta Jensen LLP
Chartered Professional Accountants
Licensed Public Accountants

NATIONAL SERVICE DOG TRAINING CENTRE INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023

	2023	2022
ASSETS		
CURRENT		
Cash (Note 3)	\$ 100,091	\$ 699,970
Bequests receivable	-	41,500
Accounts receivable	13,461	-
Short-term investments (Note 4)	257,795	-
Prepaid expenses	11,197	11,039
Government remittances recoverable	31,432	27,097
	413,976	779,606
CAPITAL ASSETS (Note 5)	488,236	457,889
	\$ 902,212	\$ 1,237,495
LIABILITIES		
CURRENT		
Accounts, payable and accrued	\$ 56,076	\$ 60,496
Deferred revenue (Note 6)	10,000	141,000
	66,076	201,496
DEFERRED REVENUE (Note 6)	132,500	132,500
	198,576	333,996
CONTINGENT LIABILITIES (Note 7)		
ORGANIZATION'S NET ASSETS		
NET ASSETS	703,636	903,499
	\$ 902,212	\$ 1,237,495

ON BEHALF OF THE BOARD

 _____ Director
 _____ Director

NATIONAL SERVICE DOG TRAINING CENTRE INC.
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2023

	2023	2022
NET ASSETS - BEGINNING OF YEAR	\$ 903,499	\$ 785,729
DEFICIENCY OF REVENUE OVER EXPENDITURES	<u>(199,863)</u>	<u>117,770</u>
NET ASSETS - END OF YEAR	<u>\$ 703,636</u>	<u>\$ 903,499</u>

NATIONAL SERVICE DOG TRAINING CENTRE INC.

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2023

	2023	2022
REVENUE		
General donations <i>(Note 6)</i>	\$ 370,145	\$ 632,407
Contributions from other registered charities	546,607	587,600
Events	116,526	45,588
Gifts-in-kind <i>(Note 2)</i>	50,512	41,145
Fees	31,739	16,042
	<u>1,115,529</u>	<u>1,322,782</u>
EXPENDITURES		
Wages and benefits	845,491	755,352
Animal care	137,799	120,313
Supplies, gifts-in-kind	43,396	41,145
Occupancy and operating costs	156,037	119,364
Client services	25,785	33,144
General	37,077	63,023
Consulting fees	24,946	22,867
Marketing and fundraising material	26,967	32,470
Amortization of tangible assets	17,894	17,334
	<u>1,315,392</u>	<u>1,205,012</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>\$ (199,863)</u>	<u>\$ 117,770</u>

(See accompanying notes to financial statements)

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NATIONAL SERVICE DOG TRAINING CENTRE INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023

	2023	2022
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenditures	\$ (199,863)	\$ 117,770
Item not affecting cash:		
Amortization	17,894	17,334
	<u>(181,969)</u>	<u>135,104</u>
Changes in non-cash working capital:		
Bequests receivable	41,500	(41,500)
Accounts receivable	(13,461)	-
Short-term investments	(257,795)	162
Prepaid expenses	(158)	(11,039)
Government remittances recoverable	(4,335)	(11,712)
Accounts, payable and accrued	(4,418)	16,311
Deferred income	(131,000)	40,000
	<u>(369,667)</u>	<u>(7,778)</u>
Cash flow from (used by) operating activities	<u>(551,636)</u>	<u>127,326</u>
INVESTING ACTIVITY		
Purchase of capital assets	(48,243)	(16,214)
INCREASE (DECREASE) IN CASH	(599,879)	111,112
CASH - BEGINNING OF YEAR	699,970	588,858
CASH - END OF YEAR	\$ 100,091	\$ 699,970

NATIONAL SERVICE DOG TRAINING CENTRE INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

1. PURPOSE OF THE ORGANIZATION

National Service Dog Training Centre Inc. (the "organization") is a not-for-profit organization of Ontario. As a registered charity the organization is exempt from the payment of income tax under Subsection 149(1) of the Income Tax Act.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Short-term investments

Short-term investments consist of financial instruments maturing to cash within one year and any gifts-in-kind of financial securities. They are recorded at fair value and subsequently measured at amortized cost and fair value respectively.

Capital assets

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

Building, 1286 Cedar Creek Road	4%	declining-balance method
Computer equipment	30%	declining-balance method
Fencing	20%	declining balance method
Kennel Equipment	15%	declining balance method
Land, 1286 Cedar Creek Road	N/A	non-depreciable
Leasehold improvements	5 years	straight-line method
Furniture and fixtures	20%	declining balance method
Maintenance Equipment	20%	declining balance method
Office Equipment	20%	declining balance method
Office Furniture	20%	declining balance method

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

Impairment of long-lived assets

The organization tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected future net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent the carrying value exceeds its fair value.

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.

Revenue recognition

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

National Service Dog Training Centre Inc. 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.

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NATIONAL SERVICE DOG TRAINING CENTRE INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

General donations are recognized in the period in which they are received, if the revenue is receivable and the amount is known, a receivable is recorded and revenue is accrued. 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, management 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.

Income taxes

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

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could 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.

3. 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, 2023, there was no balance outstanding. The carrying value of security is \$460,631.

The operating loan facility requires that a covenant be maintained. As at December 31, 2023 the organization was in compliance with the lending covenants.

4. SHORT-TERM INVESTMENTS

Pursuant to the organization's investment policy and approved by the board of directors, short-term investments will maintain safety of principal and liquidity, and consist of Guaranteed Investments Certificates (GICs) maintained in an investment account administered by the executive director, overseen by the Board Treasurer and reported to the board quarterly. Investments held at year-end totalled \$257,780 (2022 - NIL); including cash of \$280, with interest accruing monthly based on the investment statements, interest rates on the GICs vary from 3% to 4.8% annually.

In addition, this account is used for donations of financial instruments which are deposited into this account, to be sold and transferred by the executive director immediately to a non-investment bank account in alignment with capital management policy.

NATIONAL SERVICE DOG TRAINING CENTRE INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

5. CAPITAL ASSETS

	Cost	Accumulated amortization	2023 Net book value	2022 Net book value
Building, 1286 Cedar Creek Road	\$ 476,427	\$ 214,040	\$ 262,387	\$ 224,072
Computer Equipment	17,502	13,966	3,536	5,052
Fencing	12,028	6,811	5,217	6,521
Kennel equipment	11,458	6,837	4,621	5,776
Land, 1286 Cedar Creek Road	200,000	-	200,000	200,000
Leasehold improvements	7,144	2,143	5,001	6,430
Maintenance equipment	3,090	2,711	379	542
Office Equipment	12,753	12,215	538	672
Office Furniture	4,235	1,186	3,049	3,812
Vehicle	33,211	29,703	3,508	5,012
Software	7,450	7,450	-	-
	<u>\$ 785,298</u>	<u>\$ 297,062</u>	<u>\$ 488,236</u>	<u>\$ 457,889</u>

6. 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 with amounts restricted to specific programs such as Post Traumatic Stress Disorder, Autism Spectrum Disorder, Canine Assisted Intervention and Skilled Companion Dogs.

	2023	2022
Deferred income	\$ 273,500	\$ 233,500
Add: funds received in advance	-	111,000
Less: funds recognized in revenue during the year.	(131,000)	(71,000)
Deferred revenue, ending	<u>\$ 142,500</u>	<u>\$ 273,500</u>

Contributions in the amount of \$132,500 are not expected to be spent until beyond January 1, 2025 and are therefore presented as long-term.

Residual revenues from an estate totalling \$100,000 were delayed in 2023 and anticipated to be received in the next fiscal year.

7. CONTINGENT LIABILITIES

The organization entered into a lease of a unit in a building. The term of the lease commenced on May 1, 2023 and is to be terminated on April 30, 2027. The base rent shall be payable in monthly installments, as per below:

2023	\$42,510
2024	\$43,200
2025	\$44,330
2026	\$45,240

NATIONAL SERVICE DOG TRAINING CENTRE INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

8. 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.

9. FINANCIAL INSTRUMENTS

(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 2023.

(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 increased in 2023.

Unless otherwise noted, it is management's opinion that the organization is not exposed to significant other price risks arising from these financial instruments.