

DOGS WITH WINGS ASSISTANCE DOG SOCIETY

Financial Statements

Year Ended December 31, 2018

DOGS WITH WINGS ASSISTANCE DOG SOCIETY
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Year Ended December 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Members of Dogs With Wings Assistance Dog Society

Qualified Opinion

We have audited the financial statements of Dogs With Wings Assistance Dog Society (the Society), which comprise the statement of financial position as at December 31, 2018, and the statements of revenues and expenditures, changes in net assets and cash flow 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 Society as at December 31, 2018, and the results of its operations and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Society derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Society. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the year ended December 31, 2018, current assets and net assets as at December 31, 2018. Our audit opinion on the financial statements for the year ended December 31, 2017 was modified accordingly because of the possible effects of this limitation of scope.

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 Society 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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit 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 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.

In preparing the financial statements, management is responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

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Independent Auditor's Report to the Members of Dogs With Wings Assistance Dog Society *(continued)*

Those charged with governance are responsible for overseeing the Society'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. 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 Society'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 Society'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 Society 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.

Edmonton, Alberta
April 16, 2019

Bruce MS Mahon Professional Corporation
Chartered Professional Accountants

DOGS WITH WINGS ASSISTANCE DOG SOCIETY**Statement of Revenues and Expenditures****Year Ended December 31, 2018**

	2018	2017
REVENUES		
Donations, Sponsorships & Fundraising	\$ 682,892	\$ 710,643
Donations in kind	107,944	109,955
Casino income	107,271	74,999
Bequests	60,571	36,104
Bingo income	35,280	23,388
Other income	30,801	21,487
Grants	10,924	14,298
Interest income	1,404	2,091
Gain on sale of assets	-	4,894
	1,037,087	997,859
EXPENSES		
Salaries and wages	612,416	622,324
Donated goods and services	107,944	108,647
Veterinary	50,797	62,209
Travel	44,430	35,063
Professional fees	37,813	26,203
Amortization	36,083	36,421
Graduation and gala costs	34,455	41,987
Fundraising costs	21,659	13,280
Advertising and promotion	17,993	5,792
Telephone and utilities	16,707	16,412
Computer expenses	16,292	18,937
Office	13,941	17,361
Dog supplies and food	13,181	13,317
Interest on long term debt	12,916	12,486
Professional development	10,095	6,692
Condo fees and rent	10,017	9,534
Insurance	8,650	8,528
Licenses and memberships	8,245	3,766
Training costs	4,122	9,941
Interest and bank charges	3,956	3,733
Repairs and maintenance	3,908	2,274
Meals and entertainment	3,197	1,548
Amortization of deferred capital contributions	(10,451)	(10,886)
	1,078,366	1,065,569
DEFICIENCY OF REVENUES OVER EXPENSES	\$ (41,279)	\$ (67,710)

DOGS WITH WINGS ASSISTANCE DOG SOCIETY
Statement of Changes in Net Assets
Year Ended December 31, 2018

	2017 Balance	Excess (deficiency) of revenues over expenses	Transfers (Note 10)	2018 Balance
Operating Fund	\$ 398,800	\$ (159,383)	\$ (20,164)	\$ 219,253
Bingo Fund	10,891	35,280	(37,417)	8,754
Casino Fund	6,726	107,271	(74,101)	39,896
Property & Equipment Fund	209,900	(25,632)	131,682	315,950
Endowment Fund	16,361	1,185	-	17,546
	\$ 642,678	\$ (41,279)	\$ -	\$ 601,399

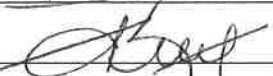
	2016 Balance	Excess (deficiency) of revenues over expenses	Transfers	2017 Balance
Operating Fund	\$ 431,444	\$ (140,854)	108,210	\$ 398,800
Bingo Fund	24,306	23,358	(36,773)	10,891
Casino Fund	26,965	74,999	(95,238)	6,726
Property & Equipment Fund	211,634	(25,535)	23,801	209,900
Endowment Fund	16,039	322	-	16,361
	\$ 710,388	\$ (67,710)	\$ -	\$ 642,678

DOGS WITH WINGS ASSISTANCE DOG SOCIETY
Statement of Financial Position
December 31, 2018

	2018	2017
ASSETS		
CURRENT		
Cash (Note 3)	\$ 302,830	\$ 264,748
Guaranteed Investment Certificates (Note 4)	-	200,955
Accounts receivable	14,886	1,500
Goods and services tax recoverable	3,049	4,250
Prepaid expenses	236	2,468
	321,001	473,921
PROPERTY AND EQUIPMENT (Note 5)	835,019	759,086
LONG TERM INVESTMENT (Note 6)	17,546	16,361
	\$ 1,173,566	\$ 1,249,368
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable	\$ 23,110	\$ 25,920
Wages payable	29,987	27,878
	53,097	53,798
Callable debt due thereafter (Note 7)	268,250	291,621
	321,347	345,419
DEFERRED CAPITAL CONTRIBUTIONS (Note 8)	250,820	261,271
	572,167	606,690
NET ASSETS		
Operating fund	219,253	398,800
Bingo fund	8,754	10,891
Casino fund	39,896	6,726
Property & Equipment fund	315,950	209,900
Endowment fund	17,546	16,361
	601,399	642,678
	\$ 1,173,566	\$ 1,249,368

ON BEHALF OF THE BOARD


 _____ Executive Director


 _____ Treasurer

DOGS WITH WINGS ASSISTANCE DOG SOCIETY

Statement of Cash Flow

Year Ended December 31, 2018

	2018	2017
OPERATING ACTIVITIES		
Deficiency of revenues over expenses	\$ (41,279)	\$ (67,710)
Items not affecting cash:		
Amortization of property and equipment	36,083	36,421
Amortization of deferred capital contributions	(10,451)	(10,886)
Change in fair market value of investments	(1,185)	(322)
Gain on disposal of property and equipment	-	(4,894)
	(16,832)	(47,391)
Changes in non-cash working capital:		
Accounts receivable	(13,386)	(34)
Interest receivable	-	(190)
Accounts payable	(2,808)	14,172
Prepaid expenses	2,232	(2,468)
Goods and services tax payable	1,201	1,241
Wages payable	2,109	27,878
	(10,652)	40,599
Cash flow used by operating activities	(27,484)	(6,792)
INVESTING ACTIVITIES		
Purchase of property and equipment	(112,017)	-
Proceeds on disposal of property and equipment	-	8,600
Purchase of guaranteed investment certificates	-	(200,740)
Proceeds on disposal of guaranteed investment certificate	200,955	300,000
Cash flow from investing activities	88,938	107,860
FINANCING ACTIVITY		
Repayment of callable debt	(23,371)	(23,802)
INCREASE IN CASH FLOW	38,083	77,266
Cash - beginning of year	264,748	187,482
CASH - END OF YEAR	\$ 302,831	\$ 264,748

DOGS WITH WINGS ASSISTANCE DOG SOCIETY

Notes to Financial Statements

Year Ended December 31, 2018

1. DESCRIPTION OF BUSINESS

Dogs With Wings Assistance Dog Society (the "Society") was incorporated under the Societies Act of Alberta on May 10, 1996, and is a registered charity for tax purposes and is not subject to income taxes.

The mission of the Society is to be the leading organization that fosters integration and independence for people by providing them with highly trained dogs and aftercare, in a timely manner.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared by management in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPPO). The financial statements have, in management's opinion, been properly prepared with consideration of materiality and within the framework of the following accounting policies:

Fund accounting

The Operating Fund is unrestricted and accounts for the Society's administrative activities.

The Bingo and Casino Funds are internally restricted funds that follow the regulations of the Alberta Gaming Commission provided that the use of the net proceeds from bingo and casino are limited to certain approved expenses of the Society.

The Property and Equipment fund represents the net book value of all capital assets, less any related debt and deferred capital contributions.

The Endowment Fund is externally restricted by the Edmonton Community Foundation.

Revenue recognition

The Society follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when they are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Deferred capital contributions are recognized as revenue of the Property and Equipment fund in relation to the amortization of the property and equipment purchased.

Donated goods and services

The value of donated goods and services is recorded as revenue and an expense in the financial statements when the fair value can be reasonably estimated and when the goods and services are normally purchased and would be paid for if not donated.

The Society's programs benefit substantially from services in the form of volunteer time. The value of volunteer services is not recorded in these financial statements as their fair value cannot be reasonably estimated.

Bequests

Bequests will not be recognized as a contribution receivable until a definite valuation is received from the executor of the estate after the will is probated.

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DOGS WITH WINGS ASSISTANCE DOG SOCIETY

Notes to Financial Statements

Year Ended December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash and cash equivalents

The Society's policy is to present bank deposit balances and bank overdraft positions in cash and cash equivalents.

Measurement uncertainty

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts 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 reporting period. Significant items subject to such estimates include the carrying amount of capital assets. These 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.

Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Income Tax

The Society is a registered charity under the Income Tax Act, and therefore is not subject to either Federal or Provincial income tax.

Property and equipment

Property and equipment are recorded at cost less accumulated amortization. The Society calculates amortization on its property and equipment over their estimated useful lives using the following methods and rates:

Buildings	4%	declining balance method
Furniture and fixtures	20%	declining balance method
Equipment	20%	declining balance method
Organizational costs	20%	declining balance method
Art work	20%	declining balance method
Computer equipment	30%	declining balance method
Motor vehicles	30%	declining balance method

The society regularly reviews its property and equipment to eliminate obsolete items.

Property and equipment acquired during the year but not placed into use are not amortized until they are placed into use.

DOGS WITH WINGS ASSISTANCE DOG SOCIETY

Notes to Financial Statements

Year Ended December 31, 2018

3. BANK OVERDRAFT

The Society's overdraft limit is \$150,000. As at year end, no amount was drawn against the overdraft.

4. GUARANTEED INVESTMENT CERTIFICATES

	2018	2017
GICs with stated interest rate of 0.75%, maturing February 7, 2018.	\$ -	\$ 200,930
Accrued interest receivable	-	25
	\$ -	\$ 200,955

The market value of these investments approximate their cost.

5. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Buildings	\$ 1,083,760	\$ 262,997	\$ 820,763	\$ 740,611
Equipment	2,012	1,629	383	479
Motor vehicles	12,500	10,714	1,786	2,551
Computer equipment	27,082	25,204	1,878	2,683
Furniture and fixtures	38,543	29,934	8,609	10,762
Art work	14,900	13,300	1,600	2,000
Organizational costs	1,075	1,075	-	-
	\$ 1,179,872	\$ 344,853	\$ 835,019	\$ 759,086

Amortization provided in the current period totalled \$36,083; (2017 - \$36,421)

6. LONG TERM INVESTMENTS

The Society established a permanent endowment fund with Edmonton Community Foundation. The Society's net income from the fund will be 3.5% of the market value of each fund at the prior fiscal year end, and it will be used within the intent and purpose of the funds.

The intent and purpose of the funds is to support qualified donees who foster the independence and integration of people living with disabilities, with the highest priority given to providing highly skilled guide or assistance dogs.

During the year the Society received \$702 from the fund, while the fair market value of the portfolio increased \$1,185. Fair market value of the fund balance is \$17,546 (2017 - \$16,361).

DOGS WITH WINGS ASSISTANCE DOG SOCIETY

Notes to Financial Statements

Year Ended December 31, 2018

7. CALLABLE LONG TERM DEBT

	2018	2017
Mortgage, bearing interest at prime plus 1.0% per annum, repayable in monthly blended payments of \$3,024. The mortgage is secured by a building with a net book value of \$820,763.	\$ 268,250	\$ 291,621

Principal repayment terms are approximately:

2019	\$ 23,533
2020	24,724
2021	25,977
2022	27,292
2023	28,674
Thereafter	<u>138,050</u>
	\$ 268,250

8. DEFERRED CONTRIBUTIONS

Deferred contributions represent contributions received to fund the cost of previous property and equipment additions. The funds were fully spent on the acquisition of the building. The capital contributions are amortized to income at the same rate as the building is amortized. The changes in the deferred contributions balances are as follows:

	2018	2017
Opening balance	\$ 261,271	\$ 272,157
Less: amounts amortized during the year	(10,451)	(10,886)
	\$ 250,820	\$ 261,271

9. RISK MANAGEMENT

Market risk

Market risk is the risk that the fair value or future cash flows of the Society's financial instruments will fluctuate because of changes in the market price. The Society is exposed to market risk on its long term investments held with the Edmonton Community Foundation. Risk is managed through the Foundation which professionally manages the diverse investment portfolio.

Interest Rate

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Society manages exposure through its normal operating and financing activities. The Society is exposed to interest rate risk primarily through its floating interest rate bank indebtedness and credit facilities.

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DOGS WITH WINGS ASSISTANCE DOG SOCIETY

Notes to Financial Statements

Year Ended December 31, 2018

9. RISK MANAGEMENT *(continued)*

Liquidity risk

Liquidity risk is the risk that the Society cannot meet a demand for cash or fund its obligations as they come due. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

The Society manages liquidity risk by maintaining adequate reserves, banking facilities, and monitoring forecast and actual cash flows. The Society has \$150,000 of available borrowing facilities.

10. INTERFUND TRANSFERS

The Society transferred \$131,682 from the Operating Fund to the Property & Equipment Fund during the year for the repayment of long-term debt and the purchase of property and equipment.

In 2018, the Society transferred \$37,417 from the Bingo Fund and \$74,101 from the Casino Fund to the Operating Fund to cover approved expenses.

11. COMPARATIVE FIGURES

Certain of the prior year's comparative figures have been reclassified to conform to the current year's presentation.
