

DOGS WITH WINGS ASSISTANCE DOG SOCIETY
Financial Statements
Year Ended December 31, 2021

DOGS WITH WINGS ASSISTANCE DOG SOCIETY
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Year Ended December 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Members of Dogs With Wings Assistance Dog Society

Opinion

I 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, 2021, and the statements of revenues and expenses, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2021, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Society in accordance with ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 Society'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 Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my 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.

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

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my 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.

I 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 I identify during my audit.



St. Albert, Alberta
May 9, 2022

Ken Macrae Professional Corporation
CHARTERED PROFESSIONAL ACCOUNTANT

DOGS WITH WINGS ASSISTANCE DOG SOCIETY
Statement of Financial Position
December 31, 2021

	2021	2020 <i>Restated</i>
ASSETS		
CURRENT		
Cash	\$ 248,539	\$ 169,084
Term deposits (Note 3)	77,432	77,270
Restricted cash (Note 4)	9,120	17,619
Accounts receivable	37,663	771
Government receivable (Note 5)	-	3,502
Goods and services tax recoverable	5,447	2,561
Prepaid expenses	1,138	461
	379,339	271,268
CAPITAL ASSETS (Note 6)	743,284	768,030
LONG TERM INVESTMENTS (Note 7)	18,311	18,311
	\$ 1,140,934	\$ 1,057,609
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable	\$ 39,045	\$ 13,514
Wages payable	13,769	24,315
Deferred revenue (Note 9)	25,110	33,609
Current portion of long term debt (Note 10)	30,269	29,577
	108,193	101,015
LONG TERM DEBT (Note 10)	187,958	217,892
DEFERRED CAPITAL CONTRIBUTIONS (Note 11)	221,910	231,156
	518,061	550,063
NET ASSETS	622,873	507,546
	\$ 1,140,934	\$ 1,057,609

ON BEHALF OF THE BOARD

Director

Director

Ken Macrae Chartered Professional Accountant

DOGS WITH WINGS ASSISTANCE DOG SOCIETY**Statement of Revenues and Expenses****Year Ended December 31, 2021**

	2021	2020
REVENUES		
Donations, sponsorships and fundraising	\$ 827,901	\$ 669,412
Grants	198,317	208,000
Bingo income	31,935	4,522
Donations in kind	31,565	25,506
Annual fundraising gala	23,246	44,700
Other income	22,174	27,678
Casino income	16,299	96,700
Deferred capital contribution	9,246	9,631
	<u>1,160,683</u>	<u>1,086,149</u>
GENERAL EXPENSES		
Salaries and wages	690,424	706,136
Veterinary	67,605	78,780
Dog supplies and food	51,417	35,411
Donated goods and services	31,565	25,506
Amortization	30,598	32,057
Advertising and promotion	26,448	17,277
Fundraising costs	18,389	12,983
Travel	16,210	15,743
Telephone and utilities	16,053	14,702
Office	14,816	14,970
Insurance	14,171	12,411
Professional fees	13,853	18,822
Computer	9,396	8,499
Condo fees and rent	8,580	9,628
Interest and bank charges	7,412	4,154
Interest on long term debt	7,045	9,086
Licenses and memberships	4,947	4,674
Repairs and maintenance	4,645	3,064
Graduation and gala costs	4,271	6,393
Bad debts	3,028	-
Professional development	2,318	7,389
Training costs	2,270	3,065
Meals and entertainment	182	218
	<u>1,045,643</u>	<u>1,040,968</u>
EXCESS OF REVENUES OVER GENERAL EXPENSES FROM OPERATIONS	<u>115,040</u>	<u>45,181</u>
OTHER INCOME		
Expense recoveries	125	-
Interest income	162	843
	<u>287</u>	<u>843</u>
EXCESS OF REVENUES OVER GENERAL EXPENSES	<u>\$ 115,327</u>	<u>\$ 46,024</u>

DOGS WITH WINGS ASSISTANCE DOG SOCIETY

Statement of Changes in Net Assets

Year Ended December 31, 2021

	2020 Balance	Excess (deficiency) of revenues over expenses	Transfers	2021 Balance
Operating Fund	\$ 169,829	\$ 115,327	\$ 3,146	\$ 288,302
Property & Equipment Fund	319,406	-	(3,146)	316,260
Endowment Fund	18,311	-	-	18,311
	<u>\$ 507,546</u>	<u>\$ 115,327</u>	<u>\$ -</u>	<u>\$ 622,873</u>

	2019 Balance	Excess (deficiency) of revenues over expenses	Transfers	2020 Balance
Operating Fund	\$ 127,707	\$ 70,439	\$ (28,317)	\$ 169,829
Bingo Fund	1,235	(1,235)	-	-
Casino Fund	2,111	(2,111)	-	-
Property & Equipment Fund	313,514	(22,425)	28,317	319,406
Endowment Fund	16,955	1,356	-	18,311
	<u>\$ 461,522</u>	<u>\$ 46,024</u>	<u>\$ -</u>	<u>\$ 507,546</u>

DOGS WITH WINGS ASSISTANCE DOG SOCIETY

Statement of Cash Flows

Year Ended December 31, 2021

	2021	2020
OPERATING ACTIVITIES		
Excess of revenues over general expenses	\$ 115,327	\$ 46,024
Items not affecting cash:		
Amortization of capital assets	30,598	32,057
Amortization of deferred capital	(9,246)	(9,631)
Gain on disposal of capital assets	(125)	-
	-	-
Change in fair market value of investments	-	-
	<u>136,554</u>	<u>68,450</u>
Changes in non-cash working capital:		
Accounts receivable	(36,892)	979
Accounts payable	25,531	(4,754)
Government receivable	3,502	(3,502)
Restricted cash	8,499	(9,564)
Deferred revenue	(8,499)	16,109
Prepaid expenses	(677)	1,978
Goods and services tax payable	(2,886)	1,384
Wages payable	(10,546)	7,965
	<u>(21,968)</u>	<u>10,595</u>
Cash flow from operating activities	<u>114,586</u>	<u>79,045</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(6,727)	(1,116)
Proceeds on disposal of capital assets	1,000	-
Purchase of term deposits	(162)	(842)
Purchase in ECF endowment fund	-	(1,356)
Cash flow used by investing activities	<u>(5,889)</u>	<u>(3,314)</u>
FINANCING ACTIVITIES		
Proceeds from long term debt	-	30,000
Repayment of long term debt	(29,242)	(27,201)
Cash flow from (used by) financing activities	<u>(29,242)</u>	<u>2,799</u>
INCREASE IN CASH FLOW	<u>79,455</u>	<u>78,530</u>
Cash - beginning of year	<u>169,084</u>	<u>90,554</u>
CASH - END OF YEAR	<u>\$ 248,539</u>	<u>\$ 169,084</u>
CASH CONSISTS OF:		
Cash at bank	<u>\$ 248,539</u>	<u>\$ 169,084</u>

DOGS WITH WINGS ASSISTANCE DOG SOCIETY

Notes to Financial Statements

Year Ended December 31, 2021

1. PURPOSE OF THE ORGANIZATION

Dogs With Wings Assistance Dog Society (the "Society") is a not-for-profit organization incorporated provincially under the Societies Act of Alberta on May 10, 1996. As a registered charity the organization is exempt from the payment of income tax under Section 149(1) of the Income Tax Act.

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

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Fund accounting

Dogs With Wings Assistance Dog Society follows the deferral method of accounting for contributions.

Revenues and expenses related to program delivery and administrative activities are reported in the Operating Fund.

The Capital Fund reports the assets, liabilities, revenues, and expenses related to Dogs With Wings Assistance Dog Society's capital assets and building improvements campaign.

Endowment contributions are reported in the Endowment Fund. Investment income earned on resources of the Endowment Fund is reported in the Endowment Fund or Operating Fund depending on the nature of any restrictions imposed by contributors of funds for endowment.

Revenue recognition

Dogs With Wings Assistance Dog 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 received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Deferred capital contributions are recognized as revenue of the Capital fund in relation to the amortization of the property purchased.

Government grants

Government grants are recorded when there is a reasonable assurance that the Society had complied with and will continue to comply with, all the necessary conditions to obtain the grants.

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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Ken Macrae Chartered Professional Accountant

DOGS WITH WINGS ASSISTANCE DOG SOCIETY

Notes to Financial Statements

Year Ended December 31, 2021

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

Income Tax

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

Fund accounting

These financial statements include the following funds:

Operating Fund - Unrestricted

Capital Fund - Externally Restricted

Endowment Fund - Externally Restricted

Donated services and materials

The value of donated goods and services is recorded as revenue and as 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 operations of the organization depend heavily on the contribution of time by volunteers. The fair value of volunteer services cannot be reasonably determined and are therefore not reflected in these financial statements.

Cash and cash equivalents

Cash includes cash and cash equivalents. Cash equivalents are short term investments and are valued at cost plus accrued interest. The carrying amounts approximate fair value because they have maturities at the date of purchase of less than ninety days.

Capital assets

Capital assets are stated at cost or deemed cost less accumulated amortization and are amortized over their estimated useful lives on a declining balance basis at the following rates and methods:

Buildings	4%	declining balance method
Furniture and equipment	20%	declining balance method
Leasehold improvements	20%	declining balance method
Artwork	20%	declining balance method
Motor vehicles	30%	declining balance method
Computer equipment	55%	declining balance method

The Society regularly reviews its capital assets to eliminate obsolete items.

Capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

Allocation of General Expenses between programs

Management allocates general expenses to programs based on management's best estimate of each programs utilization of the cost.

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Ken Macrae Chartered Professional Accountant

DOGS WITH WINGS ASSISTANCE DOG SOCIETY

Notes to Financial Statements

Year Ended December 31, 2021

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

Measurement uncertainty

When preparing financial statements according to ASNPO, management makes estimates and assumptions relating to:

- reported amounts of revenues and expenses
- reported amounts of assets and liabilities
- disclosure of contingent assets and liabilities.

Estimates are based on a number of factors including historical experience, current events and actions that the Society may undertake in the future, and other assumptions that management believes are reasonable under the circumstances. By their nature, these estimates are subject to measurement uncertainty and actual results could differ. In particular, estimates are used in accounting for certain items such as revenues, allowance for doubtful accounts, useful lives of capital assets, asset impairments, legal and tax contingencies, employee compensation plans, employee benefit plans, retained interest in securitized receivables, and goodwill impairment.

Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other 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.

3. TERM DEPOSITS

Term deposits with stated interest rate of 0.20% (2020: 0.25%) maturing within the next 12 months.

	<u>2021</u>	<u>2020</u>
	<u>\$ 77,432</u>	<u>\$ 77,270</u>

The market value of these investments approximate their cost.

DOGS WITH WINGS ASSISTANCE DOG SOCIETY

Notes to Financial Statements

Year Ended December 31, 2021

4. RESTRICTED CASH

There are two (2) bank accounts included in restricted cash: 1) a "bingo" bank account to hold funds received from the AGLC until spent on authorized programs and 2) a "casino" bank account to hold funds received from AGLC until spent on authorized programs. The breakdown is as follows:

	2021	2020
Cash in Bank - Bingo - TD	\$ 824	\$ 14,319
Cash in Bank - Casino TD	8,296	3,300
	<u>\$ 9,120</u>	<u>\$ 17,619</u>

The organization receives funding from the Alberta Gaming and Liquor Commission (AGLC) from volunteering to work shifts at Casinos and Bingos. The funds received pay for operating expenses, special projects and capital assets, as requested in the organization's application for a "gaming license" and approved by the AGLC.

5. GOVERNMENT RECEIVABLE

The government receivable of \$NIL (2020: \$3,502) is from the Canadian Emergency Wage Subsidy (CEWS), part of the federal government COVID-19 relief program.

6. CAPITAL ASSETS

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
Buildings	\$ 1,019,760	\$ 352,584	\$ 667,176	\$ 694,975
Land	64,000	-	64,000	64,000
Furniture and equipment	40,798	31,590	9,208	3,941
Computer equipment	28,198	27,568	630	1,401
Artwork	14,900	14,081	819	1,024
Motor vehicles	-	-	-	875
Leasehold improvements	7,560	6,109	1,451	1,814
	<u>\$ 1,175,216</u>	<u>\$ 431,932</u>	<u>\$ 743,284</u>	<u>\$ 768,030</u>

Amortization provided in the current period totalled \$30,598 (2020: \$32,057). The current breakdown of capital assets now includes a "land" portion which was separated from the buildings amount which, up until this year, had included land and buildings together.

DOGS WITH WINGS ASSISTANCE DOG SOCIETY

Notes to Financial Statements

Year Ended December 31, 2021

7. LONG TERM INVESTMENTS

The organization established a permanent endowment fund with Edmonton Community Foundation. The organization'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.

Fair market value of the fund balance is \$18,311 (2020: \$18,311).

8. BANK OVERDRAFT

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

9. DEFERRED REVENUE

Deferred revenue represents unspent restricted contributions or funding received in advance of the actual funding period. The deferred revenue is made up of the following:

	2020 Balance	Received	Revenue recognized	2021 Balance
SIT Program	\$ 15,990	\$ -	\$ -	\$ 15,990
Bingo funds - AGLC	14,319	18,440	31,935	824
Casino funds - AGLC	3,300	21,295	16,299	8,296
	<u>\$ 33,609</u>	<u>\$ 39,735</u>	<u>\$ 48,234</u>	<u>\$ 25,110</u>

The SIT programs deferred revenues will reallocate next year to the operating fund at the request of the donor.

DOGS WITH WINGS ASSISTANCE DOG SOCIETY**Notes to Financial Statements****Year Ended December 31, 2021****10. LONG TERM DEBT**

	<u>2021</u>	<u>2020</u>
TD Canada Trust (Canada Emergency Business Account) loan bearing interest at 0% per annum, repayable on maturity. The loan matures on December 31, 2023.	\$ 30,000	\$ 30,000
Mortgage Payable loan bearing interest at 3.45% per annum, repayable in monthly blended payments of \$3,024. The loan is secured by real property which had a carrying value of \$667,176.	188,227	217,469
	218,227	247,469
Amounts payable within one year	(30,269)	(29,577)
	\$ 187,958	\$ 217,892

Principal repayment terms are approximately:

2022	\$ 30,269
2023	61,330
2024	32,428
2025	33,564
2026	34,741
Thereafter	25,895
	\$ 218,227

11. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital 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 revenue at the same rate as the building is amortized. The changes in the deferred contributions balances are as follows:

	<u>2021</u>	<u>2020</u>
Deferred contributions, beginning of the year	231,156	240,787
Less amount amortized to revenue	(9,246)	(9,631)
Deferred contributions, end of year	\$ 221,910	\$ 231,156

12. FUND DEVELOPMENT

Resource development expenses incurred for the purpose of soliciting contributions were \$175,855 (2020: \$163,933). Of that, \$151,998 (2020: \$136,661) was remuneration paid to employees whose duties mostly involve fundraising.

No expenditures were paid to third parties for soliciting contributions. .

DOGS WITH WINGS ASSISTANCE DOG SOCIETY

Notes to Financial Statements

Year Ended December 31, 2021

13. CANADA EMERGENCY BUSINESS LOAN

As part of the Government of Canada's COVID -19 Economic Response Plan the company received a \$40,000 loan in 2020 under the Canada Emergency Business Account registered with TD Canada Trust. This loan is non - interest bearing with no repayment required until December 31, 2023. Repayment of any portion of this loan on or before December 31, 2023 will result in loan forgiveness of 25% of the amount paid. The \$10,000 forgivable portion of the loan was recognized as revenue in the 2020 year, as per the terms of the agreement.

Should the company choose to carry a balance beyond December 31, 2023, the remaining principal owed will be renewed with a 5% per annum interest rate and an amended maturity date.

14. FINANCIAL INSTRUMENTS

The Society is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Society's risk exposure and concentration as of December 31, 2021.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Society is exposed to this risk mainly in respect of its receipt of funds from its grants and other related sources, long-term debt and accounts payable.

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

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk. The Society is mainly 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 risk

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.

DOGS WITH WINGS ASSISTANCE DOG SOCIETY

Notes to Financial Statements

Year Ended December 31, 2021

15. SUBSEQUENT EVENTS

In March 2020, the World Health Organization declared a global pandemic due to the novel coronavirus (COVID-19). The situation is constantly evolving, and the measures put in place are having multiple impacts on local, provincial, national and global economies.

As at May 09, 2022, the Society is aware of changes in its operations as a result of the COVID-19 crisis, including how they deliver their programs.

Management is uncertain of the effects of these changes on its financial statements and believes that any disturbance may be temporary; however, there is uncertainty about the length and potential impact of the disturbance.

As a result, we are unable to estimate the potential impact on the Society's operations as at the date of these financial statements.

16. INTERFUND TRANSFERS

The organization transferred \$3,146 from the Operating fund to the Capital fund during the year for the repayment of long-term debt and the purchase of equipment.

The organization decided in 2020 that the financial statements will present unspent Bingo and Casino funds as deferred revenue, rather than treating them as separate funds.

17. COMPARATIVE FIGURES

Some of the comparative figures have been restated to conform to the current year's presentation.
