DOGS WITH WINGS ASSISTANCE DOG SOCIETY

Financial Statements

Year Ended December 31, 2020

DOGS WITH WINGS ASSISTANCE DOG SOCIETY
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Year Ended December 31, 2020

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Professional Corporation

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INDEPENDENT AUDITOR'S REPORT

To the Members of Dogs With Wings Assistance Dog Society

Qualified 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, 2020, 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, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of my report, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2020, 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 Qualified Opinion

In common with many charitable organizations, the Society derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, my verification of these revenues was limited to the amounts recorded in the records of the Society and I was not able to determine whether any adjustments might be necessary to contributions, excess of revenues over expenses, current assets and net assets.

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 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 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.

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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.

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.

Ken Macrae

St. Albert, Alberta
May 18, 2021

Ken Macrae Professional Corporation
CHARTERED PROFESSIONAL ACCOUNTANT

DOGS WITH WINGS ASSISTANCE DOG SOCIETY

Statement of Financial Position

December 31, 2020

		2020		2019 *Restated*
ASSETS				
CURRENT				
Cash	$	**169,084**	$	90,554
Term deposits *(Note 3)*		**77,270**		76,428
Restricted cash *(Note 4)*		**17,619**		8,055
Accounts receivable		**771**		1,750
Government receivable *(Note 5)*		**3,502**		-
Goods and services tax recoverable		**2,561**		3,945
Prepaid expenses		**461**		2,439
		271,268		183,171
CAPITAL ASSETS *(Note 6)*		**768,031**		798,971
LONG TERM INVESTMENTS *(Note 7)*		**18,311**		16,955
	$	**1,057,610**	$	999,097
LIABILITIES AND NET ASSETS				
CURRENT				
Accounts payable	$	**13,515**	$	18,268
Wages payable		**24,315**		16,350
Deferred revenue *(Note 9)*		**33,609**		17,500
Current portion of long term debt *(Note 10)*		**29,577**		24,725
		101,016		76,843
LONG TERM DEBT *(Note 10)*		**217,892**		219,945
DEFERRED CAPITAL CONTRIBUTIONS *(Note 11)*		**231,156**		240,787
		550,064		537,575
NET ASSETS		**507,546**		461,522
	$	**1,057,610**	$	999,097

ON BEHALF OF THE BOARD

_________________________________ *Director*

_________________________________ *Director*

DOGS WITH WINGS ASSISTANCE DOG SOCIETY

Statement of Revenues and Expenses

Year Ended December 31, 2020

		2020		2019
REVENUES				
Donations, sponsorships and fundraising	$	**669,412**	$	696,936
Grants		**208,000**		82,254
Casino income		**96,700**		11,000
Annual fundraising gala		**44,700**		89,850
Other income		**27,678**		24,919
Donations in kind		**25,506**		66,321
Deferred capital contribution		**9,631**		10,033
Bingo income		**4,522**		25,840
		1,086,149		1,007,153
GENERAL EXPENSES				
Salaries and wages		**706,136**		689,917
Veterinary		**78,780**		46,616
Dog supplies and food		**35,411**		22,572
Amortization		**32,057**		36,048
Donated goods and services		**25,506**		66,321
Professional fees		**18,822**		27,914
Advertising and promotion		**17,277**		22,726
Travel		**15,743**		40,277
Office		**14,970**		15,933
Telephone and utilities		**14,702**		17,870
Fundraising costs		**12,983**		32,804
Insurance		**12,411**		9,238
Condo fees and rent		**9,628**		11,240
Interest on long term debt		**9,086**		12,708
Computer		**8,499**		10,580
Professional development		**7,389**		1,376
Graduation and gala costs		**6,393**		52,348
Licenses and memberships		**4,674**		11,126
Interest and bank charges		**4,154**		7,087
Training costs		**3,065**		5,829
Repairs and maintenance		**3,064**		3,929
Meals and entertainment		**218**		2,571
		1,040,968		1,147,030
EXCESS (DEFICIENCY) OF REVENUES OVER GENERAL EXPENSES FROM OPERATIONS		**45,181**		(139,877)
OTHER INCOME				
Interest income		**843**		-
EXCESS (DEFICIENCY) OF REVENUES OVER GENERAL EXPENSES	$	**46,024**	$	(139,877)

Ken Macrae Chartered Professional Accountant

See notes to financial statements

DOGS WITH WINGS ASSISTANCE DOG SOCIETY

Statement of Changes in Net Assets

Year Ended December 31, 2020

	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**
	$ 461,522	$ 46,024	$ -	**$ 507,546**

	2018 Balance	Excess (deficiency) of revenues over expenses	Transfers	2019 Balance
Operating Fund	$ 219,253	$ (150,111)	$ 58,565	$ 127,707
Bingo Fund	8,754	25,840	(33,359)	1,235
Casino Fund	39,896	11,000	(48,785)	2,111
Property & Equipment Fund	315,950	(26,015)	23,579	313,514
Endowment Fund	17,546	(591)	-	16,955
	$ 601,399	$ (139,877)	$ -	$ 461,522

DOGS WITH WINGS ASSISTANCE DOG SOCIETY

Statement of Cash Flows

Year Ended December 31, 2020

		2020		2019
OPERATING ACTIVITIES				
Excess (deficiency) of revenues over general expenses	$	46,024	$	(139,877)
Items not affecting cash:				
Amortization of capital assets		32,057		36,048
Amortization of deferred capital		(9,631)		(10,033)
Change in fair market value of investments		-		591
		68,450		(113,271)
Changes in non-cash working capital:				
Accounts receivable		979		13,136
Accounts payable		(4,754)		(4,842)
Government receivable		(3,502)		-
Restricted cash		(9,564)		(8,055)
Deferred revenue		16,109		17,500
Prepaid expenses		1,978		(2,203)
Goods and services tax payable		1,384		(896)
Wages payable		7,965		(13,637)
		10,595		1,003
Cash flow from (used by) operating activities		79,045		(112,268)
INVESTING ACTIVITIES				
Purchase of capital assets		(1,116)		-
Purchase of term deposits		(842)		(76,428)
Purchase in ECF endowment fund		(1,356)		-
Cash flow used by investing activities		(3,314)		(76,428)
FINANCING ACTIVITIES				
Proceeds from long term debt		30,000		-
Repayment of long term debt		(27,201)		(23,580)
Cash flow from (used by) financing activities		2,799		(23,580)
INCREASE (DECREASE) IN CASH FLOW		78,530		(212,276)
Cash - beginning of year		90,554		302,830
CASH - END OF YEAR	$	169,084	$	90,554
CASH CONSISTS OF:				
Cash at bank	$	169,084	$	90,554

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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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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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 0.25% (2019: 1.72%) maturing within the next 12 months.

	2020	2019
	$ 77,270	$ 76,428

The market value of these investments approximate their cost.

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:

	2020	2019
Cash in Bank - Bingo - TD	**$ 14,319**	$ 5,944
Cash in Bank - Casino TD	**3,300**	2,111
	$ 17,619	$ 8,055

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 $3,502 (2019: NIL) is from the Canadian Emergency Wage Subsidy (CEWS), part of the federal government COVID-19 relief program.

6. CAPITAL ASSETS

	Cost	Accumulated amortization	**2020 Net book value**	2019 Net book value
Buildings	$ 1,019,760	$ 324,785	**$ 694,975**	$ 787,932
Land	64,000	-	**64,000**	-
Furniture and equipment	34,071	30,129	**3,942**	4,927
Computer equipment	28,198	26,797	**1,401**	1,315
Artwork	14,900	13,876	**1,024**	1,280
Motor vehicles	12,500	11,625	**875**	1,250
Leasehold improvements	7,560	5,746	**1,814**	2,267
	$ 1,180,989	$ 412,958	**$ 768,031**	$ 798,971

Amortization provided in the current period totalled $32,057 (2019: $36,048). 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 buiildings together.

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 (2019: $16,955).

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:

	2019 Balance	Received	Revenue recognized	2020 Balance
SIT Program	$ 17,500	$ -	$ 1,510	**$ 15,990**
Bingo funds - AGLC	1,234	18,841	5,756	**14,319**
Casino funds - AGLC	2,111	100,000	98,811	**3,300**
	$ 20,845	$ 118,841	$ 106,077	**$ 33,609**

10. LONG TERM DEBT

	2020	2019
TD Canada Trust (Canada Emergency Business Account) loan bearing interest at 0% per annum, repayable on maturity. The loan matures on December 31, 2022.	$ **30,000**	$ -
Morgage Payable loan bearing interest at 3.29% per annum, repayable in monthly blended payments of $3,024. The loan is secured by real property which had a carrying value of $694,975.	**217,469**	244,670
	247,469	244,670
Amounts payable within one year	**(29,577)**	(24,725)
	$ **217,892**	$ 219,945

Principal repayment terms are approximately:

2021	$ 29,577
2022	60,564
2023	31,585
2024	32,640
2025	33,730
Thereafter	59,373
	$ 247,469

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:

	2020	2019
Deferred contributions, beginning of the year	**240,787**	250,820
Less amount amortized to revenue	**(9,631)**	(10,033)
Deferred contributions, end of year	$ **231,156**	$ 240,787

12. FUND DEVELOPMENT

Resource development expenses incurred for the purpose of soliciting contributions were $163,933 (2019: $191,214). Of that, $136,661 (2019: $112,560) was remuneration paid to employees whose duties mostly involve fundraising.

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

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 under the Canada Emergency Business Account registered with TD Canada Trust. This loan is non - interest bearing with no repayment required until December 31, 2022. Repayment of any portion of this loan on or before December 31, 2022 will result in loan forgiveness of 25% of the amount paid. The $10,000 forgivable portion of the loan has been recognized as revenue in the current year as per the terms of the agreement.

Should the company choose to carry a balance beyond December 31, 2022, 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, 2020.

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. Theorganization 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 inverstments 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.

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 10, 2021, 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 $28,317 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 the 2020 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.