

**The Canadian Kennel Club
Foundation
Financial Statements
For the year ended December 31, 2016**

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Independent Auditor's Report

**To the Board of Directors of
The Canadian Kennel Club Foundation**

We have audited the accompanying financial statements of The Canadian Kennel Club Foundation, which comprise the statement of financial position as at December 31, 2016 and the statements of operations, changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

In common with many charitable organizations, the Foundation derives revenue from donations, 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 Foundation. Therefore, we were not able to determine whether any adjustments might be necessary to revenue from donations, excess of revenue over expenses, and cash flows from operations for the years ended December 31, 2016 and 2015, current assets as at December 31, 2016 and 2015, and net assets as at January 1 and December 31 for both the 2016 and the 2015 years. Our audit opinion on the financial statements for the year ended December 31, 2015 was modified accordingly because of the possible effects of this limitation in scope.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of The Canadian Kennel Club Foundation as at December 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Mississauga, Ontario
March 19, 2017

The Canadian Kennel Club Foundation
Statement of Financial Position

December 31	2016	2015
Assets		
Current		
Cash	\$ 48,553	\$ 51,091
Accounts receivable	-	13
Prepaid expenses	1,621	1,620
Short-term investment	50,211	50,211
	\$ 100,385	\$ 102,935
Liabilities and Net Assets		
Current		
Due to related party (Note 2)	\$ 414	\$ -
Net assets		
Internally restricted (Note 3)	39,110	42,010
Unrestricted	60,861	60,925
	\$ 100,385	\$ 102,935

On behalf of the Board:

_____ Director

_____ Director

The Canadian Kennel Club Foundation
Statement of Operations

For the year ended December 31	2016	2015
Revenue		
Donations	\$ 6,072	\$ 5,994
Interest revenue	502	303
	<u>6,574</u>	<u>6,297</u>
Expenditures		
Donations	2,900	10,440
Fundraising	1,240	1,005
Handling costs	31	43
Office expenses	130	117
Professional fees	5,120	5,247
Sundry expenses (recovery)	117	(94)
	<u>9,538</u>	<u>16,758</u>
Deficiency of revenue over expenditures	\$ (2,964)	\$ (10,461)

Statement of Changes in Net Assets

For the year ended December 31	2016	2015
Internally Restricted Funds		
Balance , beginning of year	\$ 42,010	\$ -
Transfer from unrestricted net assets (Note 3)	-	52,450
Deficiency of revenue over expenditures for the year	<u>(2,900)</u>	<u>(10,440)</u>
Balance , end of year	\$ 39,110	\$ 42,010
Unrestricted Net Assets		
Balance , beginning of year	\$ 60,925	\$ 113,396
Deficiency of revenue over expenditures for the year	(64)	(21)
Transfer to internally restricted funds (Note 3)	<u>-</u>	<u>(52,450)</u>
Balance , end of year	\$ 60,861	\$ 60,925

The Canadian Kennel Club Foundation
Statement of Cash Flows

For the year ended December 31	2016	2015
Cash provided by (used in)		
Operating activities		
Deficiency of revenue over expenditures for the year	\$ (2,964)	\$ (10,461)
Adjustments to reconcile deficiency of revenue over expenditures to net cash provided by operating activities		
Changes in non-cash working capital balances:		
Accounts receivable	12	516
Accounts payable and accrued liabilities	-	(473)
	<u>(2,952)</u>	<u>(10,418)</u>
Investing activity		
Increase in short-term investments	-	(25,000)
Financing activity		
Advances from (repayment to) from related party	414	(804)
Decrease in cash during the year	(2,538)	(36,222)
Cash, beginning of year	51,091	87,313
Cash, end of year	\$ 48,553	\$ 51,091

The accompanying note are an integral part of these financial statements

The Canadian Kennel Club Foundation

Notes to Financial Statements

December 31, 2016

1. Significant Accounting Policies

Purpose of the Organization

The Canadian Kennel Club Foundation ("the Foundation") is a not-for-profit organization incorporated without share capital under the laws of Canada. Its purpose is to educate the public about the diverse and beneficial roles of dogs in Canadian Society and to support research into the causes, diagnoses and treatment of canine diseases. The Foundation is a registered charity and, as such, is exempt from income tax.

Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Revenue Recognition

The Foundation follows the deferral method of accounting for revenue. Unrestricted donations, gifts and fundraising revenues are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

The Wood Wood Fund is internally restricted as designated by the Board of Directors. The Fund sets aside reserves for the research study on lymphoma in dogs.

The Gartley Scholtz Fund is internally restricted as designated by the Board of Directors. The Fund sets aside reserves for the research study on blood clotting in dogs.

The Pawsitivity Fund is internally restricted as designated by the Board of Directors. The Fund sets aside funds to be distributed as grants.

Short-Term Investment

The short-term investment consists of a Guaranteed Investment Certificate with an interest rate of 0.9% (2015 - 1.0%), maturing in October 2017 and is recorded at amortized cost, which is principal plus accrued interest.

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for these items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

The Canadian Kennel Club Foundation

Notes to Financial Statements

December 31, 2016

2. Related Party Transactions

The amount due to related party is due to The Canadian Kennel Club, an organization that exercises significant influence over the operations of the Foundation. It is unsecured, non-interest bearing and is expected to be repaid within the next fiscal year.

3. Internally Restricted Net Assets

	Restricted for Wood and Wood Fund	Restricted for Gartley and Scholtz Fund	Restricted for Pawsitivity Fund	Total
Balance , beginning of year	\$ 14,750	\$ 7,260	\$ 20,000	\$ 42,010
Transfer from unrestricted fund	-	-	-	-
Donations awarded	-	-	(2,900)	(2,900)
Balance , end of year	\$ 14,750	\$ 7,260	\$ 17,100	\$ 39,110

4. Financial Instrument Risks

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Foundation is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the value of fixed income denominated investments. The risk has not changed from prior year.