

**The Canadian Kennel Club
Foundation
Financial Statements
For the year ended December 31, 2018**

Contents

Independent Auditor's Report	2 - 3
Financial Statements	
Statement of Financial Position	4
Statement of Operations	5
Statement of Changes in Net Assets	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 8

Independent Auditor's Report

To the Board of Directors of The Canadian Kennel Club Foundation

Qualified Opinion

We have audited the accompanying financial statements of The Canadian Kennel Club Foundation, which comprise the statement of financial position as at December 31, 2018, and the statements of operations, 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 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 Canadian Kennel Club Foundation as at December 31, 2018, 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.

Basis for Qualified Opinion

In common with many not-for-profit organizations, The Canadian Kennel Club 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 Canadian Kennel Club Foundation. Therefore, we were not able to determine whether any adjustments might be necessary to revenue from donations, deficiency of revenues over expenditures, and cash flows from operations for the years ended December 31, 2018 and 2017, current assets as at December 31, 2018 and 2017, and net assets as at January 1 and December 31 for both the 2018 and 2017 years. 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 in 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 Canadian Kennel Club Foundation 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 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 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.

In preparing the financial statements, management is responsible for assessing The Canadian Kennel Club Foundation'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 Canadian Kennel Club Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing The Canadian Kennel Club Foundation's financial reporting process.

Independent Auditor's Report (continued)

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 Canadian Kennel Club Foundation'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 Canadian Kennel Club Foundation'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 Canadian Kennel Club Foundation 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Mississauga, Ontario
March 4, 2019

The Canadian Kennel Club Foundation
Statement of Financial Position

December 31	2018	2017
Assets		
Current		
Cash	\$ 37,899	\$ 40,513
Accounts receivable	139	-
Prepaid expenses	1,558	-
Short-term investment	50,211	50,286
	\$ 89,807	\$ 90,799
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities	\$ -	\$ 60
Due to related party (Note 2)	53	125
	53	185
Net assets		
Internally restricted (Note 3)	13,595	30,695
Unrestricted	76,159	59,919
	\$ 89,807	\$ 90,799

On behalf of the Board:

_____ Director

_____ Director

The Canadian Kennel Club Foundation

Statement of Operations

For the year ended December 31	2018	2017
Revenue		
Donations	\$ 6,249	\$ 5,423
Interest revenue	516	530
	6,765	5,953
Expenditures		
Professional fees	4,500	3,500
Insurance	1,622	1,680
Fundraising	908	1,168
Office expenses	494	306
Sundry expenses	101	227
Handling costs	-	14
Donations	-	8,415
	7,625	15,310
Deficiency of revenue over expenditures	\$ (860)	\$ (9,357)

Statement of Changes in Net Assets

For the year ended December 31	2018	2017
Internally Restricted Funds		
Balance , beginning of year	\$ 30,695	\$ 39,110
Transfer to unrestricted net assets (Note 3)	(17,100)	-
Deficiency of revenue over expenditures for the year	-	(8,415)
Balance , end of year	\$ 13,595	\$ 30,695
Unrestricted Net Assets		
Balance , beginning of year	\$ 59,919	\$ 60,861
Deficiency of revenue over expenditures for the year	(860)	(942)
Transfer from internally restricted funds (Note 3)	17,100	-
Balance , end of year	\$ 76,159	\$ 59,919

The accompanying notes are an integral part of these financial statements.

The Canadian Kennel Club Foundation

Statement of Cash Flows

For the year ended December 31	2018	2017
Cash provided by (used in)		
Operating activities		
Deficiency of revenue over expenditures for the year	\$ (860)	\$ (9,357)
Adjustments to reconcile deficiency of revenue over expenditures to net cash provided by operating activities		
Changes in non-cash working capital balances:		
Accounts receivable	(139)	-
Prepaid expenses	(1,558)	1,621
Accounts payable and accrued liabilities	(60)	60
	(2,617)	(7,676)
Investing activity		
Decrease (increase) in short-term investment	75	(75)
Financing activity		
Repayment to related party	(72)	(289)
Decrease in cash during the year	(2,614)	(8,040)
Cash, beginning of year	40,513	48,553
Cash, end of year	\$ 37,899	\$ 40,513

The accompanying notes are an integral part of these financial statements.

The Canadian Kennel Club Foundation

Notes to Financial Statements

December 31, 2018

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 and 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. During the year, the Board of Directors approved the allocation of this Fund to unrestricted.

Short-Term Investment

The short-term investment consists of a Guaranteed Investment Certificate with an interest rate of 2.15% (2017 - 0.9%), maturing in November 2019 (2017 - October 2018) 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, 2018

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	\$ 6,335	\$ 7,260	\$ 17,100	\$ 30,695
Transfer to unrestricted fund	-	-	(17,100)	(17,100)
Donations awarded	-	-	-	-
Balance , end of year	\$ 6,335	\$ 7,260	- \$	13,595

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.