Financial Statements of

# CANADIAN GUIDE DOGS FOR THE BLIND

Year ended December 31, 2017

KPMG

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# INDEPENDENT AUDITORS' REPORT

To the Directors of Canadian Guide Dogs for the Blind

We have audited the accompanying financial statements of Canadian Guide Dogs for the Blind, which comprise the statement of financial position as at December 31, 2017, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising 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.

*Auditors' 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 our 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, we consider 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.

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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 entity derives revenue from fundraising, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of the entity and we were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenses, assets and net assets.

*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 Canadian Guide Dogs for the Blind as at December 31, 2017, and its results of operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

April 26, 2018

# CANADIAN GUIDE DOGS FOR THE BLIND

Statement of Financial Position

December 31, 2017, with comparative information for 2016

| | 2017 | 2016 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash | $ 650,596 | $ 446,774 |
| Amounts receivable | 37,827 | 344,652 |
| Inventory | 51,289 | 50,242 |
| Deposits and prepaid expenses | 8,025 | 11,274 |
| | 747,737 | 852,942 |
| Endowment assets (note 2) | 304,347 | 290,767 |
| Investments (note 3) | 12,160,952 | 11,017,365 |
| Tangible capital assets (note 4) | 1,833,487 | 1,629,732 |
| | $ 15,046,523 | $ 13,790,806 |
| **Liabilities and Net Assets** | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities (note 5) | $ 77,229 | $ 68,706 |
| Current portion of long-term debt (note 6) | 10,977 | 4,914 |
| | 88,206 | 73,620 |
| Deferred capital contributions | 458,322 | 467,968 |
| Long-term debt (note 6) | 28,658 | 9,828 |
| Net assets (note 8): | | |
| Invested in tangible capital assets | 1,335,530 | 1,147,022 |
| Heather Gillin Endowment Fund (note 9) | 131,133 | 120,733 |
| Adams Endowment Fund | 126,350 | 126,350 |
| Thornton Endowment Fund | 46,864 | 43,684 |
| Unrestricted | 12,831,460 | 11,801,601 |
| | 14,471,337 | 13,239,390 |
| Deferred gifts (note 10) | | |
| | $ 15,046,523 | $ 13,790,806 |

See accompanying notes to financial statements.

On behalf of the Board:

_______________ Director

_______________ Director

# CANADIAN GUIDE DOGS FOR THE BLIND

Statement of Operations

Year ended December 31, 2017, with comparative information for 2016

| | 2017 | 2016 |
|---|---|---|
| Revenue: | | |
| Contributions: | | |
| Individuals | $ 339,090 | $ 290,375 |
| Other foundations | 77,885 | 59,282 |
| Corporations | 35,993 | 20,640 |
| Clubs and associations | 13,993 | 14,782 |
| Client donations | 5,157 | 2,135 |
| Donations in kind | 2,373 | 7,046 |
| | 474,491 | 394,260 |
| Fundraising | 494,509 | 461,215 |
| Investment income | 372,655 | 345,306 |
| Break-open ticket sales (net of expenses of $132,918; 2016 - $152,577) (note 11) | 117,130 | 113,998 |
| Sales (net of expenses of $8,118; 2015 - $7,627) | 42,107 | 34,342 |
| Amortization of deferred capital contributions | 11,246 | 11,246 |
| | 1,512,138 | 1,360,367 |
| Expenses: | | |
| Training | 1,018,862 | 983,474 |
| Fundraising | 148,834 | 151,295 |
| Dogs | 138,241 | 127,230 |
| Administration | 132,164 | 184,363 |
| Property | 113,313 | 98,592 |
| Amortization of tangible capital assets | 98,000 | 104,252 |
| Clients | 69,030 | 81,255 |
| Vehicles | 55,000 | 47,837 |
| | 1,773,444 | 1,778,298 |
| Deficiency of revenue over expenses before undernoted | (261,306) | (417,931) |
| Testamentary bequests | 771,511 | 1,474,244 |
| Gain on disposal of tangible capital assets | 3,000 | 500 |
| Unrealized gains on investments | 710,362 | 487,852 |
| Excess of revenue over expenses | $ 1,223,567 | $ 1,544,665 |

See accompanying notes to financial statements.

# CANADIAN GUIDE DOGS FOR THE BLIND

Statement of Changes in Net Assets

Year ended December 31, 2017, with comparative information for 2016

| | Invested in tangible capital assets | Heather Gillin Endowment Fund | Adams Endowment Fund | Thornton Endowment Fund | Unrestricted | Total 2017 | Total 2016 |
|---|---|---|---|---|---|---|---|
| Net assets, beginning of year | $ 1,147,022 | $ 120,733 | $ 126,350 | $ 43,684 | $ 11,801,600 | $ 13,239,389 | $ 11,685,935 |
| Excess of revenue over expenses | - | - | - | - | 1,223,567 | 1,223,567 | 1,544,665 |
| Endowment contributions | - | 10,400 | - | 3,180 | (5,200) | 8,380 | 8,789 |
| Tangible capital asset additions | 301,755 | - | - | - | (301,755) | - | - |
| Increase (decrease) in long-term debt | (30,312) | - | - | - | 30,312 | - | - |
| Amortization of tangible capital assets | (98,000) | - | - | - | 98,000 | - | - |
| Repayment of long-term debt | 5,419 | - | - | - | (5,419) | - | - |
| Deferred capital contributions received | (1,600) | - | - | - | 1,600 | - | - |
| Amortization of deferred capital contributions | 11,246 | - | - | - | (11,246) | - | - |
| Net assets, end of year | $ 1,335,530 | $ 131,133 | $ 126,350 | $ 46,864 | $ 12,831,459 | $ 14,471,336 | $ 13,239,389 |

See accompanying notes to financial statements.

# CANADIAN GUIDE DOGS FOR THE BLIND

Statement of Cash Flows

Year ended December 31, 2017, with comparative information for 2016

| | 2017 | 2016 |
|---|---|---|
| Cash provided by (used in): | | |
| Operations: | | |
| Excess of revenue over expenses | $ 1,223,567 | $ 1,544,665 |
| Items not involving cash: | | |
| Amortization of tangible capital assets | 98,000 | 104,252 |
| Amortization of deferred capital contributions | (11,246) | (11,246) |
| Gain on disposal of tangible capital assets | (3,000) | (500) |
| Change in non-cash operating working capital (note 7) | 317,550 | (333,532) |
| | 1,624,871 | 1,303,639 |
| Financing: | | |
| Increase in long-term debt | 30,312 | - |
| Payments made on long-term debt | (5,419) | (4,914) |
| | 24,893 | (4,914) |
| Investments: | | |
| Increase in endowment assets | (13,580) | (14,174) |
| Net increase in investments | (1,143,587) | (1,714,795) |
| Purchase of tangible capital assets | (301,755) | (418,867) |
| Increase in deferred capital contributions | 1,600 | 386,600 |
| Proceeds on disposal of tangible capital assets | 3,000 | 500 |
| Endowment contributions received | 8,380 | 8,789 |
| | (1,445,942) | (1,751,947) |
| Increase (decrease) in cash | 203,822 | (453,222) |
| Cash, beginning of year | 446,774 | 899,996 |
| Cash, end of year | $ 650,596 | $ 446,774 |

Cash excludes restricted cash included in endowment assets.

See accompanying notes to financial statements.

Canadian Guide Dogs for the Blind (the "Organization") was incorporated under Part II of the Canada Corporations Act on January 12, 1984 and is a registered charity under the Income Tax Act (Canada). Its objectives are to provide trained and educated dogs to act as efficient and safe guides for blind and other disabled persons and to train and educate blind and other disabled persons in the proper and safe use of guide dogs and to provide such additional services and facilities for the relief of blind and other disabled persons as shall from time to time be deemed necessary.

## 1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook and include the following significant accounting policies.

(a) Revenue recognition:

The Organization follows the deferral method of accounting for contributions for not-for-profit organizations and uses fund accounting.

Contributions and donations without restrictions are recognized as revenue in the year in which they are received.

Contributions and donations received for specific purposes are deferred and recognized as revenue in the year in which the specific purpose occurs.

Revenue from fundraising is recorded when received.

(b) Fund accounting:

The Unrestricted Fund reports the revenue, expenses, assets, liabilities and fund balances of the Organization's general operations and services to users.

The Invested in Tangible Capital Assets Fund is the Organization's investment in capital assets.

Endowment Asset Funds are restricted for the purpose of the endowment fund to which they relate. Net assets restricted for endowment purposes are subject to externally imposed restrictions stipulating that the resources must be maintained permanently or for a prescribed period of time. Investment income on these amounts is unrestricted.

(c) Inventory:

Inventory is carried at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

## 1. Significant accounting policies (continued):

(d) Endowment assets:

Cash and investments are restricted for the purpose of the endowment fund to which they relate. Restricted investments are recorded at fair value. Fair value is determined at quoted market prices. Sales and purchases of investments are recorded at the settlement date. Transaction costs related to the acquisition of restricted investments are expensed.

(e) Tangible capital assets:

Purchased tangible capital assets are recorded at cost. Contributed tangible capital assets are recorded at fair value at the date of contribution. Assets acquired under capital leases are amortized over the estimated life of the assets or over the lease term, as appropriate. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a tangible capital asset no longer contributes to the Organization's ability to provide services, its carrying amount is written down to its residual value.

| Asset | Useful life |
|---|---|
| Training centre and kennels | 40 years |
| Site development | 20 years |
| Furniture and equipment | 5-10 years |
| Vehicles | 4 years |
| Collecting boxes | 4 years |

(f) Deferred capital contributions:

Contributions restricted for the purchase of tangible capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related tangible capital assets.

(g) Expenses:

In the statement of operations, the Organization presents its salary expenses by function.

Expenses are recognized in the year incurred and are recorded in the function to which they are directly related.

**1. Significant accounting policies (continued):**

(g) Expenses (continued):

The Organization does not allocate expenses between functions after initial recognition.

(h) Donated tangible capital assets, materials and services:

The operation of the Organization is dependent on donations of tangible capital assets, materials and services provided without charge by volunteers.

Donated tangible capital assets are recorded at fair value when received.

Donated materials that are receipted are recorded at fair value when received. Unreceipted material donations are not recorded as the fair value is not determinable.

The fair value of services is not determinable and therefore is not recorded in these financial statements.

(i) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Organization has elected to carry all financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Organization determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Organization expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

## 1. Significant accounting policies (continued):

(j) Use of estimates:

The preparation of the financial statements in conformity 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates. These estimates are reviewed annually and as adjustments become necessary, they are recognized in the financial statements in the period they become known.

## 2. Endowment assets:

| | 2017 | 2016 |
|---|---|---|
| Cash | $ 10,237 | $ 5,869 |
| Fixed income investments | 162,977 | 164,165 |
| Common shares | 131,133 | 120,733 |
| | $ 304,347 | $ 290,767 |

## 3. Investments:

| | 2017 | 2016 |
|---|---|---|
| Mutual funds | $ 4,357,287 | $ 3,772,803 |
| Fixed income | 887,157 | 911,895 |
| Common shares | 3,028,863 | 2,848,896 |
| Preferred shares | 3,669,280 | 3,099,579 |
| Foreign securities | 218,365 | 206,426 |
| Other | - | 177,766 |
| | $ 12,160,952 | $ 11,017,365 |

## 4. Tangible capital assets:

| | Cost | Accumulated amortization | 2017 Net book value | 2016 Net book value |
|---|---|---|---|---|
| Land | $ 277,460 | $ - | $ 277,460 | $ 277,460 |
| Training centre and kennels | 1,921,664 | 818,290 | 1,103,374 | 1,089,785 |
| Site development | 466,847 | 318,769 | 148,078 | 156,905 |
| Furniture and equipment | 400,110 | 388,389 | 11,721 | 11,951 |
| Vehicles | 339,594 | 289,220 | 50,374 | 41,787 |
| Collecting boxes | 222,102 | 218,081 | 4,021 | 2,535 |
| Training centre and kennels - under construction | 238,459 | - | 238,459 | 49,309 |
| | $ 3,866,236 | $ 2,032,749 | $ 1,833,487 | $ 1,629,732 |

Cost and accumulated amortization of capital assets at December 31, 2016 amounted to $3,612,513 and $1,982,781, respectively.

The Organization disposed of fully amortized tangible capital assets of $48,032 (2016 - $21,714) in the year resulting in a gain on disposal of $3,000 (2016 - $500).

## 5. Accounts payable and accrued liabilities:

There are no amounts payable included in accounts payable and accrued liabilities for government remittances such as HST and payroll-related taxes as at December 31, 2017 and 2016.

## 6. Long-term debt:

The Organization has entered into long-term debt agreements as follows:

| | | 2017 | | 2016 |
|---|---|---|---|---|
| Ford Credit Canada, 0% due November 7, 2022, monthly payments of $505 | $ | 29,807 | $ | - |
| Ford Canada, 0% interest due December 11, 2019, monthly payments of $410 | | 9,828 | | 14,742 |
| Current portion of long-term debt | | 10,977 | | 4,914 |
| | $ | 28,658 | $ | 9,828 |

## 7. Statement of cash flows:

Change in non-cash operating working capital is as follows:

| | | 2017 | | 2016 |
|---|---|---|---|---|
| Amounts receivable | $ | 306,825 | $ | (322,979) |
| Inventory | | (1,047) | | 1,021 |
| Deposits and prepaid expenses | | 3,249 | | (310) |
| Accounts payable and accrued liabilities | | 8,523 | | (11,266) |
| | $ | 317,550 | $ | (333,534) |

## 8. Capital management:

The Organization considers its capital to consist of its net assets including invested in tangible capital assets, endowment funds and unrestricted net assets.

The objective of the Organization with respect to long-term debt is to fund the acquisition of tangible capital assets as required for operational purposes.

The objective of the Organization with respect to invested in tangible capital assets is to fund the Organization's tangible capital assets.

## 8. Capital management (continued):

The objective of the Organization with respect to endowments is to maintain the capital as required by the donors and generate investment revenue to fund the operations of the Organization.

The objective of the Organization with respect to unrestricted net assets is to provide funds for future tangible capital acquisitions and ongoing operations.

The Organization is not subject to externally imposed capital requirements and its overall strategy with respect to capital remains unchanged from the year ended December 31, 2016.

## 9. Internally restricted net assets:

The Board of Directors' policy is to match donations made to the Heather Gillin Endowment Fund. During the year, $5,200 (2016 - $5,384) was transferred from unrestricted net assets to the Heather Gillin Endowment Fund.

## 10. Deferred gifts:

Life insurance:

The Organization has been designated as the irrevocable beneficiary of life insurance policies. As at December 31, 2017, the estimated amount of insurance in force for which the Organization has been designated as beneficiary totals $220,000 (2016 - $220,000). Premiums paid during the year by the insured are $7,547 (2016 - $7,547), which are receipted by the Organization for income tax purposes. These amounts are not recorded in these financial statements.

## 11. Administration of break-open tickets:

Total revenue and expenses for the year with respect to the sale of break-open tickets under provincial license in Ontario, as required by provincial authorities is as follows:

| | 2017 | 2016 |
|---|---|---|
| Revenue | $ 315,520 | $ 336,374 |
| Less: promotion fees - retailer | (57,662) | (61,782) |
| Net revenue | 257,858 | 274,592 |
| Expenses: | | |
| Cost of tickets sold | 37,781 | 43,186 |
| Promotion fees - agent | 34,139 | 39,100 |
| Licence fees | 58,987 | 67,354 |
| Miscellaneous | 2,011 | 2,937 |
| | 132,918 | 152,577 |
| Net proceeds from provincial break-open tickets | $ 124,940 | $ 122,015 |

## 12. Related party transactions:

The Organization has significant influence over the Canadian Guide Dogs for the Blind Foundation (the "Foundation") through common Board members. The Foundation was incorporated on November 20, 2000 under Part II of the Canada Corporations Act and is a registered charity. Effective September 25, 2014, the Foundation transitioned its Articles of Incorporation to the Canada Not-for-profit Corporations Act.

The Foundation's objective is to accept and hold invested donations, gifts, legacies and bequests and to disburse from the income derived thereof and the capital thereof to the Organization not less than the minimum amount required by law.

During the year, the Organization provided the Foundation with office space and administrative services without charge and received $10,000 (2016 - $90,000) in contributions from the Foundation.

**13. Financial risks:**

(a) Liquidity risk:

Liquidity risk is the risk that the Organization will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Organization manages its liquidity risk by monitoring its operating requirements. The Organization prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Organization is exposed to credit risk with respect to the accounts receivable. The Organization assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. At year-end, there were no amounts allowed for in accounts receivable.

(c) Interest rate risk:

The Organization believes it is not subject to significant interest rate risk arising from its financial instruments.

There has been no change to the risk exposures from 2016.