

**THE DONKEY SANCTUARY OF
CANADA**

**NON- CONSOLIDATED
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2018

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Martha M. Zettle, CPA, CA, LPA, TEP
CPA (Illinois)

Lori A. Halliday, CPA, CA, LPA
Michael J. Kerr, CPA, CA, LPA

Lisa A. Bursey, CPA, CA, LPA, TEP
Andrew W. Renner, CPA, CA

INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

To: The Shareholders of The Donkey Sanctuary of Canada

We have reviewed the accompanying non-consolidated financial statements of **The Donkey Sanctuary of Canada**, which comprise the non-consolidated statement of financial position as at **December 31, 2018** and the non-consolidated statements of operations and change 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 non-consolidated 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.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying non-consolidated financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on the non-consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the non-consolidated financial statements do not present fairly, in all material respects, the financial position of The Donkey Sanctuary of Canada as at December 31, 2018 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.

Guelph, Ontario
March 18, 2019

Weiler & Company
Chartered Accountants
Licensed Public Accountants

THE DONKEY SANCTUARY OF CANADA
NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018

	GENERAL FUND	CAPITAL FUND	2018	2017
ASSETS				
CURRENT				
Cash	\$ 373,252	\$ 0	\$ 373,252	\$ 420,495
HST recoverable	7,977	0	7,977	6,765
Inventory	23,278	0	23,278	21,939
Prepaid expenses	<u>20,306</u>	<u>0</u>	<u>20,306</u>	<u>11,044</u>
	<u>424,813</u>	<u>0</u>	<u>424,813</u>	<u>460,243</u>
CAPITAL ASSETS (note 2)				
Land	0	1,027,300	1,027,300	1,027,300
Building	0	490,120	490,120	490,120
Barn	0	166,583	166,583	162,562
Farm House	0	1,088,902	1,088,902	1,052,553
Parking lot	0	12,074	12,074	12,074
Office equipment	0	15,325	15,325	12,774
Farm equipment	0	223,556	223,556	267,734
Vehicle	0	38,042	38,042	38,042
Computer equipment	0	31,573	31,573	31,573
Fence	0	32,936	32,936	32,936
Tent	0	3,726	3,726	3,726
Trailer	<u>0</u>	<u>60,485</u>	<u>60,485</u>	<u>60,485</u>
	0	3,190,622	3,190,622	3,191,879
Less - accumulated depreciation	<u>0</u>	<u>(442,343)</u>	<u>(442,343)</u>	<u>(434,316)</u>
	<u>0</u>	<u>2,748,280</u>	<u>2,748,280</u>	<u>2,757,563</u>
OTHER ASSETS				
Due from 2499971 Ontario Limited (note 3)	796,386	0	796,386	414,786
Portfolio investments (Schedule 1)	16,568	0	16,568	13,557
Investment in 2499971 Ontario Limited (note 4)	<u>1</u>	<u>0</u>	<u>1</u>	<u>1</u>
	<u>812,955</u>	<u>0</u>	<u>812,955</u>	<u>428,344</u>
	<u>\$ 1,237,768</u>	<u>\$ 2,748,280</u>	<u>\$ 3,986,048</u>	<u>\$ 3,646,150</u>

THE DONKEY SANCTUARY OF CANADA
NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018

	GENERAL FUND	CAPITAL FUND	2018	2017
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities	\$ 30,844	\$ 0	\$ 30,844	\$ 25,786
Government remittances payable	0	0	0	8,842
Current portion of mortgage payable (note 5)	<u>0</u>	<u>0</u>	<u>0</u>	<u>620,687</u>
	<u>30,844</u>	<u>0</u>	<u>30,844</u>	<u>655,315</u>
LONG-TERM DEBT				
Mortgage payable (note 5)	0	0	0	620,687
Less - current portion of mortgage payable	<u>0</u>	<u>0</u>	<u>0</u>	<u>(620,687)</u>
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities	<u>30,844</u>	<u>0</u>	<u>30,844</u>	<u>655,315</u>
NET ASSETS				
NET ASSETS				
Invested in capital assets	0	2,748,280	2,748,280	2,136,876
Unrestricted	<u>1,206,924</u>	<u>0</u>	<u>1,206,924</u>	<u>853,959</u>
Total Shareholders' Net Assets	<u>1,206,924</u>	<u>2,748,280</u>	<u>3,955,204</u>	<u>2,990,835</u>
	<u>\$ 1,237,768</u>	<u>\$ 2,748,280</u>	<u>\$ 3,986,048</u>	<u>\$ 3,646,150</u>

THE DONKEY SANCTUARY OF CANADA
NON-CONSOLIDATED
STATEMENT OF OPERATIONS AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018

	GENERAL FUND	CAPITAL FUND	2018	2017
REVENUE				
Bequests	\$ 993,854	\$ 0	\$ 993,854	\$ 272,936
Donations	847,761	0	847,761	808,630
Sales	110,771	0	110,771	114,297
Event income	31,115	0	31,115	52,075
Rental income	8,077	0	8,077	7,500
Grants	0	0	0	2,617
	<u>1,991,578</u>	<u>0</u>	<u>1,991,578</u>	<u>1,258,055</u>
EXPENSES				
Animal care	349,689	0	349,689	282,212
Farm and property operations	213,768	56,704	270,472	252,918
Support services and administration	193,668	0	193,668	220,160
Fund development	110,793	0	110,793	100,796
Boutique expenses	55,309	0	55,309	58,849
Foster farms	38,373	0	38,373	14,480
Events	24,954	0	24,954	44,940
Open days	7,022	0	7,022	2,426
Volunteers	2,364	0	2,364	1,848
Education and outreach	1,043	0	1,043	1,455
	<u>996,983</u>	<u>56,704</u>	<u>1,053,687</u>	<u>980,084</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES from operations				
	<u>994,595</u>	<u>(56,704)</u>	<u>937,891</u>	<u>277,971</u>
OTHER INCOME (EXPENSES)				
Investment income	1,093	0	1,093	482
Gain on sale of capital assets	0	26,645	26,645	9,412
Change in unrealized gain on investments	(1,260)	0	(1,260)	1,041
	<u>(167)</u>	<u>26,645</u>	<u>26,478</u>	<u>10,935</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES for the year				
	994,428	(30,059)	964,369	288,906
NET ASSETS, beginning of year				
	853,959	2,136,876	2,990,835	2,701,929
Interfund transfers (note 6)				
	<u>(641,463)</u>	<u>641,463</u>	<u>0</u>	<u>0</u>
NET ASSETS, end of year				
	<u>\$ 1,206,924</u>	<u>\$ 2,748,280</u>	<u>\$ 3,955,204</u>	<u>\$ 2,990,835</u>

THE DONKEY SANCTUARY OF CANADA
NON-CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	2017
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Excess of revenue over expenditures for the year	\$ 964,369	\$ 288,906
Items not involving cash		
Depreciation	53,093	56,533
Unrealized loss (gain) on investments	1,260	(1,041)
(Gain) on disposal of capital assets	<u>(26,645)</u>	<u>(9,412)</u>
	992,077	334,986
Changes in non-cash working capital items		
(Increase) decrease in HST recoverable	(1,212)	26,842
(Increase) decrease in accounts receivable	0	8,005
(Increase) decrease in inventory	(1,339)	4,773
(Increase) in prepaid expenses	(9,262)	(443)
Increase (decrease) in accounts payable and accrued liabilities	5,057	(20,501)
(Decrease) increase in government remittances payable	<u>(8,842)</u>	<u>1,024</u>
	<u>976,479</u>	<u>354,686</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(56,718)	(77,344)
Proceeds on disposal of capital assets	39,554	15,592
(Increase) in net purchase of portfolio investments	<u>(4,271)</u>	<u>(6,124)</u>
	<u>(21,435)</u>	<u>(67,876)</u>
FINANCING ACTIVITIES		
Repayment of mortgage payable	(620,687)	(53,088)
Advances to 2499971 Ontario Limited	<u>(381,600)</u>	<u>(49,904)</u>
	<u>(1,002,287)</u>	<u>(102,992)</u>
NET (DECREASE) INCREASE IN CASH	(47,243)	183,818
CASH, BEGINNING OF YEAR	<u>420,495</u>	<u>236,677</u>
CASH, END OF YEAR	<u>\$ 373,252</u>	<u>\$ 420,495</u>

THE DONKEY SANCTUARY OF CANADA
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NATURE OF BUSINESS

The Company was incorporated on August 24, 1992 under the provisions of the Canada Business Corporations Act. Its primary activity is to provide a lifelong home for donkeys, mules and hinnies who are unwanted, neglected or abused. The Sanctuary operates from a farm located in the Guelph area. The Organization is exempt from income taxes.

1. SUMMARY OF ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and are in accordance with Canadian generally accepted accounting principles.

(a) FUND ACCOUNTING

The activities of the Organization are recorded through the following funds:

General Fund

The General Fund reflects the transactions associated with the operating and fundraising activities related to the Organization.

Capital Fund

The Capital Fund accounts for cash received and disbursed for the purchase of all capital assets such as real estate and equipment. Also included in this fund is any revenue generated from the ownership of these assets.

(b) REVENUE RECOGNITION

Bequests and donation revenue is recognized when received. Investment income is recognized as it accrues. All other revenue is recognized once the service related to revenue stream has been provided.

(c) CONTRIBUTED SERVICES

Volunteers contribute a significant amount of time per year to assist the Organization in carrying out its service delivery activities. Contributed services are not recognized in the financial statements because of the difficulty of determining their fair value.

(d) CASH AND CASH EQUIVALENTS

Cash and cash equivalents consists principally of cash in Canadian bank accounts.

(e) PORTFOLIO INVESTMENTS

Portfolio investments are recorded at fair value. Fair value is determined by the closing sale price on the recognized stock exchange on which the investments are listed or principally traded.

THE DONKEY SANCTUARY OF CANADA
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

1. SUMMARY OF ACCOUNTING POLICIES *(continued)*

(f) INVESTMENT IN SUBSIDIARY COMPANY

These non-consolidated financial statements have been prepared for management purposes only and accordingly, the Company's investment in its subsidiary company is accounted for in the accompanying non-consolidated financial statements by the cost method. These non-consolidated financial statements have not been prepared for general purposes and accordingly, some users may require further information. In all other respects, these non-consolidated financial statements are in accordance with Canadian accounting standards for not-for-profit organizations.

(g) INVENTORY

Inventory is valued at the lower of cost and net realizable value using the weighted average method.

(h) CAPITAL ASSETS

Capital assets are recorded at cost. Depreciation is calculated using the diminishing balance method at the following annual rates, except in the year of acquisition, when one-half of the annual rate is used:

Building	4%
Barn	4%
Farm House	0%
Parking lot	8%
Office equipment	20%
Farm equipment	20%
Vehicle	30%
Computer equipment	30%
Fence	10%
Tent	20%
Trailer	10%

(i) ALLOCATION OF EXPENSES

The Organization's operations consists of a number of programs. The costs of these programs include personnel, administrative and occupancy costs that are directly related to providing these programs. Shared costs are split between the programs based on management's best estimate of the actual use of these resources.

THE DONKEY SANCTUARY OF CANADA
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

1. SUMMARY OF ACCOUNTING POLICIES *(continued)*

(j) FINANCIAL INSTRUMENTS

Measurement of financial instruments

The Organization initially measures its financial assets and liabilities at fair value.

The Organization subsequently measures all its financial assets and liabilities at amortized cost, except for investments in marketable securities that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

Transaction costs

For financial instruments subsequently measured at fair value, the Company recognizes transaction costs directly attributable to their origination, issuance or assumption in net income in the period incurred. When a financial instrument is measured at amortized cost, transaction costs are included in the initial measurement of the instrument.

(k) USE OF ESTIMATES

The preparation of 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 expense during the year. Actual results could differ from those estimates. Estimates are reviewed on a regular basis and, as adjustments become necessary, they are reported in income in the periods in which they become known. The assets and liabilities which require management to make significant estimates and assumptions in determining carrying values include accounts receivable, capital assets, and accounts payable and accrued liabilities.

THE DONKEY SANCTUARY OF CANADA
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

2. CAPITAL ASSETS

Capital assets as at December 31, 2018 consist of the following:

	COST	ACCUM. DEPRN.	2018 NET BOOK VALUE	2017 NET BOOK VALUE
Land	\$ 1,027,300	\$ 0	\$ 1,027,300	\$ 1,027,300
Building	490,120	138,183	351,937	366,602
Barn	166,583	0	166,583	162,562
Farm House	1,088,902	44,778	1,044,124	1,012,682
Parking lot	12,074	3,048	9,026	9,811
Office equipment	15,325	9,931	5,394	3,553
Farm equipment	223,556	144,476	79,080	97,740
Vehicle	38,042	30,278	7,764	11,091
Computer equipment	31,573	23,058	8,515	12,164
Fence	32,936	15,986	16,950	18,833
Tent	3,726	2,960	766	958
Trailer	60,485	29,644	30,841	34,267
	<u>\$ 3,190,622</u>	<u>\$ 442,342</u>	<u>\$ 2,748,280</u>	<u>\$ 2,757,563</u>

Total depreciation of \$53,093 is included in farm and property costs (2017 - \$56,533).

3. DUE FROM 2499971 ONTARIO LIMITED

This amount represents a loan to a wholly owned subsidiary company, 2499971 Ontario Limited. The loan is non-interest bearing, unsecured and there are no specific terms of repayment. The loan is not expected to be repaid within the next 12 months and is therefore disclosed as long-term.

4. INVESTMENT IN 2499971 ONTARIO LIMITED

The Organization owns 100% of the issued Common shares of 2499971 Ontario Limited. The investment is recorded at cost as fair value is not readily determinable.

THE DONKEY SANCTUARY OF CANADA
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

5. LONG-TERM DEBT

Long-term debt as at December 31, 2018 consists of the following:

	2018	2017
Mortgage payable, 2.25%, monthly instalments of \$5,652, including principal and interest, due March 1, 2018, secured by land and building (carrying value \$1,379,237).	\$ 0	\$ 620,687
Less: current portion	<u>0</u>	<u>(620,687)</u>
	<u>\$ 0</u>	<u>\$ 0</u>

6. INTERFUND TRANSFERS

During the year, funds were transferred from the General Fund to the Capital Fund to help fund the payment of mortgage payments and capital asset purchases.

THE DONKEY SANCTUARY OF CANADA
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

7. FINANCIAL INSTRUMENTS

The Organization may be exposed to a variety of financial risks including credit risk, liquidity risk, and market risk (including interest rate risk, currency risk, and other price risk). It is management's opinion that the Organization's risk exposure is unchanged from the prior year.

a) Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation that is entered into with the Organization. It is management's opinion that the Organization is not exposed to significant credit risk.

b) Liquidity risk

Liquidity risk is the risk that the Organization will not be able to access cash to meet a demand for cash or fund its obligations as they come due. It is management's opinion that the Organization is not exposed to significant liquidity risk.

c) Market risk

Interest rate risk arises from the possibility that changes in interest rates will affect the fair value of financial instruments.

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign currencies.

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices, other than those arising from interest rate risk or currency risk, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in a market.

It is management's opinion that the Organization is not exposed to significant market risk.

THE DONKEY SANCTUARY OF CANADA
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

8. ALLOCATION OF EXPENSES

Shared costs were allocated to programs based on management's best estimate as follows:

	2018	2017
Wages		
Animal care	\$ 214,514	\$ 180,078
Administration	88,628	102,557
Farm and property operations	73,505	39,359
Fund development	62,029	30,338
Events	12,421	27,337
Boutique expenses	17,711	16,168
Foster farms	0	(166)
Open days	0	(605)
	<u>\$ 468,808</u>	<u>\$ 395,066</u>
 Common Operating Costs		
Fund development	\$ 28,258	\$ 25,861
Administration	9,258	11,622
Boutique expenses	5,708	6,384
Animal care	9,670	5,811
Events	6,638	3,893
Farm and property operations	1,210	1,464
Open days	127	0
Volunteers	23	0
	<u>\$ 60,892</u>	<u>\$ 55,035</u>

THE DONKEY SANCTUARY OF CANADA
SCHEDULE OF PORTFOLIO INVESTMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018			2017		
	UNITS	COST	FAIR VALUE	UNITS	COST	FAIR VALUE
SHARES AND TRUST UNITS						
Brookfield Asset Management	75	3,981	3,915	75	3,981	4,103
Cdn Tire Corp Ltd-A NV	15	2,113	2,136	15	2,113	2,457
GBC Canadian Growth Fund	5	300	261	0	0	0
RBC US EQT (CDN) Fund	125	3,970	3,814	0	0	0
Toronto Dominion Bank	95	6,076	6,442	95	6,076	6,997
		<u>\$ 16,440</u>	<u>\$ 16,568</u>		<u>\$ 12,170</u>	<u>\$ 13,557</u>