

**THE DONKEY SANCTUARY OF
CANADA**

**NON- CONSOLIDATED
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2017

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INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

To: The Members of The Donkey Sanctuary of Canada

We have reviewed the accompanying financial statements of **The Donkey Sanctuary of Canada**, which comprise the statement of financial position as at **December 31, 2017** and the 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 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 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 financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of The Donkey Sanctuary of Canada as at December 31, 2017 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 1, 2018


Chartered Accountants
Licensed Public Accountants

THE DONKEY SANCTUARY OF CANADA
NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017

	GENERAL FUND	CAPITAL FUND	2017	2016
ASSETS				
CURRENT				
Cash	\$ 420,495	\$ 0	\$ 420,495	\$ 236,677
Accounts receivable	0	0	0	8,005
HST recoverable	6,765	0	6,765	33,607
Inventory	21,939	0	21,939	26,712
Prepaid expenses	11,044	0	11,044	10,601
	<u>460,243</u>	<u>0</u>	<u>460,243</u>	<u>315,602</u>
CAPITAL ASSETS (note 2)				
Land	0	1,027,300	1,027,300	1,027,300
Building	0	490,120	490,120	460,319
Barn	0	162,562	162,562	162,562
Farm House	0	1,052,553	1,052,553	1,051,229
Parking lot	0	12,074	12,074	12,074
Office equipment	0	12,774	12,774	12,774
Farm equipment	0	267,734	267,734	247,633
Vehicle	0	38,042	38,042	38,042
Computer equipment	0	31,573	31,573	25,863
Fence	0	32,936	32,936	32,936
Tent	0	3,726	3,726	3,726
Trailer	0	60,485	60,485	60,485
	0	3,191,879	3,191,879	3,134,943
Less - accumulated depreciation	0	(434,316)	(434,316)	(392,012)
	<u>0</u>	<u>2,757,563</u>	<u>2,757,563</u>	<u>2,742,931</u>
OTHER ASSETS				
Due from 2499971 Ontario Limited (note 3)	414,786	0	414,786	364,882
Portfolio investments (Schedule 1)	13,557	0	13,557	6,392
Investment in 2499971 Ontario Limited (note 4)	1	0	1	1
	<u>428,344</u>	<u>0</u>	<u>428,344</u>	<u>371,275</u>
	<u>\$ 888,587</u>	<u>\$ 2,757,563</u>	<u>\$ 3,646,150</u>	<u>\$ 3,429,808</u>

THE DONKEY SANCTUARY OF CANADA
NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017

	GENERAL FUND	CAPITAL FUND	2017	2016
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities	\$ 25,786	\$ 0	\$ 25,786	\$ 46,286
Government remittances payable	8,842	0	8,842	7,818
Current portion of long term debt (note 5)	<u>0</u>	<u>620,687</u>	<u>620,687</u>	<u>53,071</u>
	<u>34,628</u>	<u>620,687</u>	<u>655,315</u>	<u>107,175</u>
 LONG-TERM DEBT				
Mortgage payable (note 5)	0	620,687	620,687	673,775
Less - current portion of long term debt	<u>0</u>	<u>(620,687)</u>	<u>(620,687)</u>	<u>(53,071)</u>
	<u>0</u>	<u>0</u>	<u>0</u>	<u>620,704</u>
Total Liabilities	<u>34,628</u>	<u>620,687</u>	<u>655,315</u>	<u>727,879</u>
 NET ASSETS				
NET ASSETS				
Invested in capital assets	0	2,136,876	2,136,876	2,069,156
Unrestricted	<u>853,959</u>	<u>0</u>	<u>853,959</u>	<u>632,773</u>
Total Net Assets	<u>853,959</u>	<u>2,136,876</u>	<u>2,990,835</u>	<u>2,701,929</u>
	<u>\$ 888,587</u>	<u>\$ 2,757,563</u>	<u>\$ 3,646,150</u>	<u>\$ 3,429,808</u>

THE DONKEY SANCTUARY OF CANADA
NON-CONSOLIDATED
STATEMENT OF OPERATIONS AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017

	GENERAL FUND	CAPITAL FUND	2017	2016
REVENUE				
Donations	\$ 805,842	\$ 2,788	\$ 808,630	\$ 763,156
Bequests	272,936	0	272,936	80,262
Sales	114,297	0	114,297	106,922
Event income	52,075	0	52,075	38,134
Rental income	7,500	0	7,500	7,500
Grants	2,617	0	2,617	0
	<u>1,255,267</u>	<u>2,788</u>	<u>1,258,055</u>	<u>995,974</u>
EXPENSES				
Animal care	282,212	0	282,212	240,437
Support services and administration	220,160	0	220,160	217,071
Farm and property operations	181,422	71,496	252,918	306,170
Fund development	100,796	0	100,796	40,646
Boutique expenses	58,849	0	58,849	48,320
Events	44,940	0	44,940	26,748
Foster farms	14,480	0	14,480	15,694
Open days	2,426	0	2,426	19,603
Volunteers	1,848	0	1,848	3,077
Education and outreach	1,455	0	1,455	1,295
	<u>908,588</u>	<u>71,496</u>	<u>980,084</u>	<u>919,061</u>
EXCESS (DEFICIENCY) OF REVENUE				
OVER EXPENDITURES from operations	<u>346,679</u>	<u>(68,708)</u>	<u>277,971</u>	<u>76,913</u>
OTHER INCOME (EXPENSES)				
Change in unrealized gain on investments	1,041	0	1,041	2,557
Investment income	482	0	482	3,458
Gain on sale of capital assets	0	9,412	9,412	520
Realized (loss) on investments	0	0	0	(3,505)
EI job credit	0	0	0	1,229
	<u>1,523</u>	<u>9,412</u>	<u>10,935</u>	<u>4,259</u>
EXCESS (DEFICIENCY) OF REVENUE				
OVER EXPENDITURES for the year	348,202	(59,296)	288,906	81,172
NET ASSETS , beginning of year	632,773	2,069,156	2,701,929	2,620,757
Interfund transfers (note 6)	<u>(127,016)</u>	<u>127,016</u>	<u>0</u>	<u>0</u>
NET ASSETS , end of year	<u>\$ 853,959</u>	<u>\$ 2,136,876</u>	<u>\$ 2,990,835</u>	<u>\$ 2,701,929</u>

THE DONKEY SANCTUARY OF CANADA
NON-CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	2016
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Excess of revenue over expenditures for the year	\$ 288,906	\$ 81,172
Items not involving cash		
Depreciation	56,533	64,758
Unrealized (gain) on investments	(1,041)	(2,557)
(Gain) on disposal of capital assets	<u>(9,412)</u>	<u>(520)</u>
	334,986	142,853
Changes in non-cash working capital items		
Decrease (increase) in HST recoverable	26,842	(28,864)
Decrease (increase) in accounts receivable	8,005	(8,005)
Decrease in inventory	4,773	1,305
(Increase) decrease in prepaid expenses	(443)	81,773
(Decrease) in accounts payable and accrued liabilities	(20,501)	(13,238)
Increase in government remittances payable	<u>1,024</u>	<u>889</u>
	<u>354,686</u>	<u>176,713</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(77,344)	(17,255)
Proceeds on disposal of capital assets	15,592	520
Purchase of investment in 2499971 Ontario Limited	0	(1)
(Increase) decrease in portfolio investments	<u>(6,124)</u>	<u>180,002</u>
	<u>(67,876)</u>	<u>163,267</u>
FINANCING ACTIVITIES		
Repayment of long-term debt	(53,088)	(67,932)
Advances to 2499971 Ontario Limited	<u>(49,904)</u>	<u>(364,882)</u>
	<u>(102,992)</u>	<u>(432,815)</u>
NET INCREASE (DECREASE) IN CASH	183,818	(92,835)
CASH, BEGINNING OF YEAR	<u>236,677</u>	<u>329,512</u>
CASH, END OF YEAR	<u>\$ 420,495</u>	<u>\$ 236,677</u>

THE DONKEY SANCTUARY OF CANADA
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NATURE OF BUSINESS

The organization 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. SIGNIFICANT 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

Revenue, with the exception of interest, is recognized once the service related to revenue stream has been provided. Interest income is recognized as it accrues.

(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, 2017

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) INVESTMENT IN SUBSIDIARY COMPANY

These non-consolidated financial statements have been prepared for management purposes only and accordingly, the entity'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, 2017

1. SIGNIFICANT 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, 2017

2. CAPITAL ASSETS

Capital assets as at December 31, 2017 consist of the following:

	COST	ACCUM. DEPRN.	2017 NET BOOK VALUE	2016 NET BOOK VALUE
Land	\$ 1,027,300	\$ 0	\$ 1,027,300	\$ 1,027,300
Building	490,120	123,519	366,601	351,454
Barn	162,562	0	162,562	162,562
Farm House	1,052,553	39,870	1,012,683	1,016,471
Parking lot	12,074	2,263	9,811	10,664
Office equipment	12,774	9,221	3,553	4,441
Farm equipment	267,734	169,994	97,740	83,553
Vehicle	38,042	26,951	11,091	15,844
Computer equipment	31,573	19,409	12,164	10,443
Fence	32,936	14,103	18,833	20,926
Tent	3,726	2,768	958	1,198
Trailer	60,485	26,218	34,267	38,075
	<u>\$ 3,191,879</u>	<u>\$ 434,316</u>	<u>\$ 2,757,563</u>	<u>\$ 2,742,931</u>

Total depreciation of \$56,533 is included in farm and property costs (2016 - \$64,758).

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, 2017

5. LONG-TERM DEBT

Long-term debt as at December 31, 2017 consists of the following:

	2017	2016
Mortgage payable, 2.25%, monthly instalments of \$5,652, including principal and interest, due March 1, 2018, secured by land and building (carrying value \$1,393,901).	\$ 620,687	\$ 673,775
Less: current portion	<u>(620,687)</u>	<u>(53,071)</u>
	<u>\$ 0</u>	<u>\$ 620,704</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, 2017

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, 2017

8. ALLOCATION OF EXPENSES

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

	2017	2016
Wages		
Animal care	\$ 180,078	\$ 109,679
Administration	102,557	118,170
Farm and property operations	39,359	120,158
Fund development	30,338	0
Events	27,337	9,824
Boutique expenses	16,168	14,475
Foster farms	(166)	4,380
Open days	(605)	15,765
	<u>\$ 395,066</u>	<u>\$ 392,451</u>
 Common Operating Costs		
Fund development	\$ 25,861	\$ 9,192
Administration	11,622	10,381
Boutique expenses	6,384	4,836
Animal care	5,811	19,946
Events	3,893	6,427
Farm and property operations	1,464	4,450
Open days	0	2,814
Volunteers	0	2,485
Foster farms	0	1,466
	<u>\$ 55,035</u>	<u>\$ 61,997</u>

9. SUBSEQUENT EVENT

Subsequent to yearend, the Organization was named beneficiary of an estate. The Organization received \$776,020 from the estate in March of 2018. A portion of the funds was used to pay the outstanding balance of the mortgage and a portion was loaned to 2499971 Ontario Limited to pay down their debt.

10. COMPARATIVE FIGURES

Certain reclassifications for the year ended December 31, 2016 have been made for the purpose of comparability.

THE DONKEY SANCTUARY OF CANADA
SCHEDULE OF PORTFOLIO INVESTMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

	2017			2016		
	UNITS	COST	FAIR VALUE	UNITS	COST	FAIR VALUE
SHARES AND TRUST UNITS						
Brookfield Asset Management	75	3,981	4,103	0	0	0
Cdn Tire Corp Ltd-A NV	15	2,113	2,457	15	2,113	2,088
Toronto Dominion Bank	95	6,076	6,997	65	3,933	4,304
		<u>\$ 12,170</u>	<u>\$ 13,557</u>		<u>\$ 6,046</u>	<u>\$ 6,392</u>