

The Canadian Kennel Club
Financial Statements
For the year ended December 31, 2025

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Independent Auditor's Report

To the Members of The Canadian Kennel Club

Opinion

We have audited the accompanying financial statements of The Canadian Kennel Club ("the Organization"), which comprise the statement of financial position as at December 31, 2025, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Canadian Kennel Club as at December 31, 2025, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

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 Organization 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 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

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.



Independent Auditor's Report (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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 Organization'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 Organization'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 Organization 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
Oakville, Ontario
March 18, 2026

The Canadian Kennel Club Statement of Financial Position

December 31	2025	2024
Assets		
Current		
Cash	\$ 516,298	\$ 439,765
Short-term investments (Note 3)	3,108,760	3,173,365
Accounts receivable	21,295	21,936
Due from related party (Note 6)	-	380
Inventories	31,088	37,930
Prepaid expenses	90,092	84,988
	3,767,533	3,758,364
Capital and intangible assets (Note 4)	1,999,433	2,368,861
	\$ 5,766,966	\$ 6,127,225
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities	\$ 273,065	\$ 302,565
Deferred revenue (Note 5)	655,226	799,782
	928,291	1,102,347
Deferred leasehold inducement	367,530	408,047
	1,295,821	1,510,394
Net assets		
Externally restricted fund	9,630	9,630
Internally restricted funds		
Invested in capital assets fund	1,999,433	2,368,861
Other internally restricted fund	5,041	5,041
Unrestricted fund	2,457,041	2,233,299
	4,471,145	4,616,831
	\$ 5,766,966	\$ 6,127,225

On behalf of the Board:

_____ Director

_____ Director

The Canadian Kennel Club Statement of Operations

For the year ended December 31	2025	2024
Revenue		
Registration revenue	\$ 3,340,352	\$ 3,404,027
Membership fees	912,055	939,369
Shows and trials fees	1,796,125	1,637,361
Product sales	344,600	370,654
Affiliate and corporate sponsorships	496,980	586,158
General revenue	106,035	137,619
Regulatory revenue	11,525	10,600
	7,007,672	7,085,788
Expenses		
Human resources	4,496,073	4,419,151
IT support services	765,263	873,162
Amortization	467,059	464,329
General expenses and administration	322,708	340,229
Purchases for resale and distribution	181,068	183,102
Building	178,816	172,936
Board of Directors	160,096	175,718
Professional fees	154,075	189,651
Communications expense	117,717	105,225
Bank fees and collection costs	113,269	116,128
Translation	99,238	96,897
Committees and councils	62,891	69,323
Programs, projects and new initiatives	30,443	34,996
Equipment	4,642	12,876
	7,153,358	7,253,723
Deficiency of revenue over expenses for the year	\$ (145,686)	\$ (167,935)

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

The Canadian Kennel Club Statement of Changes in Net Assets

For the year ended December 31, 2025

	Externally Restricted DNA Registry Fund	Invested in Capital Assets Fund	Internally Restricted for Junior Handling Fund	Unrestricted	Total
Net assets, beginning of year	\$ 9,630	\$ 2,368,861	\$ 5,041	\$ 2,233,299	\$ 4,616,831
Excess (deficiency) of revenue over expenses for the year	-	(467,059)	-	321,373	(145,686)
Purchase of capital and intangible assets	-	97,631	-	(97,631)	-
Net assets, end of year	\$ 9,630	\$ 1,999,433	\$ 5,041	\$ 2,457,041	\$ 4,471,145

For the year ended December 31, 2024

	Externally Restricted DNA Registry Fund	Invested in Capital Assets Fund	Internally Restricted for Junior Handling Fund	Unrestricted	Total
Net assets, beginning of year	\$ 9,630	\$ 2,717,273	\$ 5,041	\$ 2,052,822	\$ 4,784,766
Excess (deficiency) of revenue over expenses for the year	-	(464,329)	-	296,394	(167,935)
Purchase of capital and intangible assets	-	115,917	-	(115,917)	-
Net assets, end of year	\$ 9,630	\$ 2,368,861	\$ 5,041	\$ 2,233,299	\$ 4,616,831

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

The Canadian Kennel Club Statement of Cash Flows

For the year ended December 31	2025	2024
Net inflow of cash related to following activities		
Operating activities		
Deficiency of revenues over expenses for the year	\$ (145,686)	\$ (167,935)
Items not affecting cash		
Amortization of capital assets	124,382	131,082
Amortization of intangible assets	342,677	333,247
Net change in non-cash operating working capital items		
Accounts receivable	641	405,028
Inventories	6,842	(5,401)
Prepaid expenses	(5,104)	(14,124)
Accounts payable and accrued liabilities	(29,500)	(23,364)
Deferred revenue	(144,556)	16,706
Deferred leasehold inducement	(40,517)	(22,921)
	109,179	652,318
Investing activities		
Proceeds from (purchase of) short-term investments	64,605	(581,961)
Repayment from related party (Note 6)	380	4,961
Purchase of capital and intangible assets	(97,631)	(115,917)
	(32,646)	(692,917)
Increase (decrease) in cash during the year	76,533	(40,599)
Cash, beginning of year	439,765	480,364
Cash, end of year	\$ 516,298	\$ 439,765

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

The Canadian Kennel Club Notes to Financial Statements

December 31, 2025

1. Significant Accounting Policies

Nature of Business

The Canadian Kennel Club ("CKC" or "the Organization") is a not-for-profit organization incorporated under the Federal Live Stock Pedigree Act, 1949 (currently Animal Pedigree Act, 1988). The objectives of The Canadian Kennel Club are the encouragement and development of pure-bred dogs in Canada, keeping records and issuing certification of pedigree registration of all recognized breeds of pure-bred dogs; establishing standards for breeds, compiling statistics, furnishing official and authentic information with respect to pure-bred dogs and providing governance for events authorized by The Canadian Kennel Club across Canada. The Organization qualifies as a tax-exempt non-profit organization under the terms of the Income Tax Act, Canada.

Basis of Accounting

These financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.

Fund Accounting

The Organization follows the restricted fund method of accounting for contributions.

The DNA Registry Fund is an externally restricted fund that was established to research a potential DNA Registration system for canines.

The Invested in Capital Assets Fund represents funds that the Organization has invested in unamortized capital assets. These funds are, therefore not available for other purposes.

The Junior Handling Fund is internally restricted as designated by the Board of Directors. This Fund sets aside reserves to be used on expenditures relating to promotion of the Junior Handling Program. During the year, there were no transfers (2024 - \$Nil).

The Unrestricted Fund represents the Organization's unrestricted resources from its operations.

Restricted contributions are recognized in the DNA Registry Fund. Unrestricted contributions are recognized as revenue in the General Fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Revenue Recognition

Registration revenue is recognized on the basis of the agreement in the year the service is provided.

Shows and trials fees are recognized after the related services are performed and collection is reasonably assured.

Membership fees are recognized on a pro-rata basis over the membership year to which the related services are provided.

Product sales revenue is recognized when the products are sold to the customer, the sale price is fixed and determinable and collectibility is reasonably assured.

The Canadian Kennel Club Notes to Financial Statements

December 31, 2025

1. Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Affiliate and corporate sponsorship revenue is recognized when amounts are received and any related obligations to the donor have been performed.

Interest income, which is included in general revenue is recognized, as it is earned.

Regulatory revenue is recognized as the related services are provided and collection is reasonably assured.

Inventories

Inventory is valued at the lower of weighted average cost and net realizable value. Included in purchases for resale and distribution expense is \$128,118 (2024 - \$119,827) of inventories expensed during the year.

Capital and Intangible Assets

Capital assets and intangible assets are recorded at acquisition cost, less accumulated amortization and are amortized over their estimated useful lives at the following annual rates:

Machinery and equipment	- straight line over 5 years
Furniture and fixtures	- straight line over 10 years
Computer equipment and software	- straight line over 3 to 5 years
ERP system	- straight line over 8 years
Leasehold improvements	- straight line over lease term

Investment in Apex Publishing Limited

The investment in Apex Publishing Limited, the Organization's wholly-owned subsidiary, is accounted for using the equity method of accounting whereby the initial investment is recorded at cost and is subsequently adjusted to reflect the Organization's pro-rata share of the post-acquisition earnings of Apex.

Deferred Leasehold Inducement

The deferred leasehold inducement represents a free-rent period, escalation clauses and leasehold improvement incentive on the premises lease and is deferred and amortized on a straight-line basis over the term of the lease.

Leasehold improvement incentive is recorded as a reduction to the rent expense over the term of the lease.

Financial Instruments

Financial instruments are initially reported at fair value when acquired or issued. At each reporting date, they are subsequently measured 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 Notes to Financial Statements

December 31, 2025

1. Significant Accounting Policies (Continued)

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 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.

2. Investment in Apex Publishing Limited

The Canadian Kennel Club holds 100% of the common shares of Apex Publishing Limited ("Apex"). Apex is incorporated to operate as a profit oriented enterprise and is taxable under the Income Tax Act. Apex was responsible for the publication and supply of the magazines Dogs in Canada and Dogs Annual.

During the year ended December 31, 2011, the decision was made to substantially cease the operations of Apex and write-down the related investment. During the current and prior year, there was no activity in Apex Publishing Limited.

The financial statements of Apex have not been consolidated in the financial statements of The Canadian Kennel Club but are available upon request. As of December 31, 2025, the financial position of Apex includes total liabilities of \$Nil (2024 - \$837,420) and a shareholder's deficiency of \$Nil (2024 - \$837,420). The liabilities in Apex represent amounts owing to The Canadian Kennel Club. The related amounts receivable in CKC have been fully allowed for.

Apex was dissolved on September 19, 2025 and the related amounts receivable of \$837,420, which was previously allowed for, was forgiven by CKC prior to the dissolution.

3. Short-term Investments

Short-term investments consist of Guaranteed Investment Certificates with interest rates of 2.15% to 3.00% (2024 - 3.45% to 4.50%) and maturities of July 20, 2026 to December 31, 2026 (2024 - February 10, 2025 to December 31, 2025).

The Canadian Kennel Club Notes to Financial Statements

December 31, 2025

4. Capital and Intangible Assets

	2025		2024	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Capital assets				
Machinery and equipment	\$ 26,023	\$ 26,023	\$ 26,023	\$ 25,525
Leasehold Improvements	985,273	254,821	985,273	156,294
Furniture and fixtures	122,660	111,657	122,660	110,057
Computer equipment	177,713	162,112	177,713	138,355
Total	1,311,669	554,613	1,311,669	430,231
Intangible assets				
Computer software	888,249	188,371	888,249	139,528
ERP system	1,921,512	1,379,013	1,823,881	1,085,179
Total	2,809,761	1,567,384	2,712,130	1,224,707
	\$ 4,121,430	\$ 2,121,997	\$ 4,023,799	\$ 1,654,938
Net book value		\$ 1,999,433		\$ 2,368,861

Included in ERP system costs are software development costs of \$176,999 (2024 - \$95,918) that are not being amortized as that portion of the system is not yet ready for use.

5. Deferred Revenue

	2025	2024
Membership fees	\$ 469,504	\$ 579,444
Marketing fees	115,433	152,933
Club fees	38,075	35,650
Judges fees	32,214	31,755
	\$ 655,226	\$ 799,782

The Canadian Kennel Club Notes to Financial Statements

December 31, 2025

6. Transactions with CKC Foundation

The CKC Foundation ("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 conduct research into the causes, diagnoses and treatment of canine diseases. The Foundation is a registered charity and, as such, is exempt from income tax. The Canadian Kennel Club exerts significant influence over the activities of the Foundation.

During the year, the Organization advanced funds in the amount of \$Nil (2024 - \$380) to the Foundation for expenses paid by the Organization on behalf of the Foundation. The Organization does not otherwise have economic interest in the Foundation.

On August 18, 2025, the Foundation filed its final charity return and is awaiting confirmation of dissolution from the Canada Revenue Agency.

7. Commitments

The Canadian Kennel Club has entered into operating leases for its office premises, certain equipment and other outside services. The minimum annual lease payments on all leases for the next five years and thereafter are as follows:

2026	\$	145,912
2027		121,627
2028		115,627
2029		115,627
2030		119,537
Thereafter		<u>295,630</u>
	\$	<u>913,960</u>

8. Pension Plan

The Canadian Kennel Club has a contributory, trustee and funded pension plan for its employees.

The Canadian Kennel Club's matching contribution for the year ended December 31, 2025 was \$110,617 (2024 - \$109,315). This amount is included in the human resources expenses on the statement of operations.

The Canadian Kennel Club Notes to Financial Statements

December 31, 2025

9. Contingencies

In the normal course of business, the Organization enters into agreements that meet the definition of a guarantee. The Organization's primary guarantees subject to disclosure requirements are as follows:

- a) Indemnity has been provided to all directors and officers of the Organization for various items including, but not limited to, all costs to settle suits or actions due to association with the Organization, subject to certain restrictions. The Organization has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. The term of the indemnification is not explicitly defined, but is limited to the period over which the indemnified party served as a trustee, director or officer of the Organization. The maximum amount of any potential future payment cannot be reasonably estimated.
- b) In the normal course of business, the Organization has entered into agreements that include indemnities in favour of third parties, such as purchase and sale agreements, confidentiality agreements, engagement letters with advisors and consultants, outsourcing agreements, leasing contracts, information technology agreements and service agreements. These indemnification agreements may require the Organization to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation, and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnities are not explicitly defined and the maximum amount of any potential reimbursements cannot be estimated.

10. 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 Organization 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.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Organization is exposed to credit risk arising from its accounts receivable. The risk has not changed from prior year.