

**Pacific Assistance Dogs Society**

**Financial Statements**

**February 28, 2023**

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**Financial Statements**

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## **Independent Auditor's Report**

To the Members of Pacific Assistance Dogs Society

### **Report on the Audit of the Financial Statements**

#### **Qualified Opinion**

We have audited the financial statements of Pacific Assistance Dogs Society (the "Society"), which comprise the statement of financial position as at February 28, 2023 and the statements of revenues and expenditures, 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 Society as at February 28, 2023, 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 Qualified Opinion**

In common with many not-for profit organizations, Pacific Assistance Dogs Society derives a material amount of revenue from donations and fundraising activities, 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 Pacific Assistance Dogs Society. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended February 28, 2023 and 2022, current assets as at February 28, 2023 and 2022, and net assets as at March 1 and February 28 for both the 2023 and 2022 years. Our audit opinion on the financial statements for the year ended February 28, 2022 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 Society 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 opinion.

#### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the 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 Society'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 Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society'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.

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 Society'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 Society'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 Society 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.

## **Report on Other Legal and Regulatory Requirements**

As required by the British Columbia Society Act, we report that in our opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the previous year.

*Crowe MacKay LLP*

**Chartered Professional Accountants  
Surrey, Canada  
September 5, 2023**

## Pacific Assistance Dogs Society

### Statement of Financial Position

February 28,	2023	2022 (Restated) (note 11)
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 1,521,954	\$ 1,075,616
Marketable securities (note 3)	2,418,865	2,311,052
Goods and services tax recoverable	18,331	16,837
Prepaid expenses	25,942	3,096
	<b>3,985,092</b>	<b>3,406,601</b>
<b>Capital assets (note 4)</b>	<b>394,806</b>	<b>361,259</b>
	<b>\$ 4,379,898</b>	<b>\$ 3,767,860</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 44,393	\$ 39,153
Wages payable	76,611	49,886
	<b>121,004</b>	<b>89,039</b>
<b>Long-term</b>		
Deferred lease inducement	417	2,917
Deferred capital contributions (note 5)	546,000	42,643
	<b>667,421</b>	<b>134,599</b>
<b>Net Assets</b>		
<b>Unrestricted</b>	<b>1,933,671</b>	<b>1,914,645</b>
<b>Internally restricted (note 6)</b>	<b>1,778,806</b>	<b>1,718,616</b>
	<b>3,712,477</b>	<b>3,633,261</b>
	<b>\$ 4,379,898</b>	<b>\$ 3,767,860</b>

### Commitments (note 8)

Approved on behalf of the board on

DocuSigned by:  
  
 69CD3B53AB114E1... Director

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 1A16B96A10484FB Director

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

# Pacific Assistance Dogs Society

## Statement of Revenues and Expenditures

For the year ended February 28,	2023	2022
<b>Revenues</b>		
Donations	\$ 2,075,886	\$ 2,096,039
Fundraising	275,016	256,042
Gaming	252,370	250,000
Grants	107,000	36,423
Membership fees and sundry	94,370	146,031
Gift in kind	80,837	79,880
<b>Total Revenues</b>	<b>2,885,479</b>	<b>2,864,415</b>
<b>Expenses</b>		
Accounting and legal	22,770	20,056
Advertising and promotions	11,871	6,853
Amortization	69,277	68,885
Bank charges and interest	22,644	24,024
Breeding costs	67,832	36,019
Calgary facility costs	18,702	20,475
Computer and website	69,299	94,163
Consulting fees	80,093	126,031
Facility costs	103,703	80,490
Fundraising costs	27,470	35,108
Gift in kind	80,837	79,880
Graduate costs	43,479	10,835
Office and sundry	91,552	98,883
Puppy costs	299,026	340,658
Salaries and wages (note 9)	1,603,594	1,231,985
Training	989	35,920
Vehicle and travel	165,811	43,866
<b>Total Expenses</b>	<b>2,778,949</b>	<b>2,354,131</b>
<b>Excess of revenues over expenses from operations</b>	<b>106,530</b>	<b>510,284</b>
<b>Other Income (expenses)</b>		
(Loss) gain on investments	(110,913)	191,502
Gain on sale of capital asset	7,000	-
Interest income	49,956	14,139
Amortization of deferred contributions (note 5)	26,643	26,643
<b>Total Other Income</b>	<b>(27,314)</b>	<b>232,284</b>
<b>Excess of revenues over expenses</b>	<b>\$ 79,216</b>	<b>\$ 742,568</b>

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

**Pacific Assistance Dogs Society**  
**Statement of Changes in Net Assets**

For the year ended February 28,

**2023**

2022  
*(Restated)*  
*(note 11)*

	General Fund	Internally Restricted		Total	Total
		Building Fund	Capital Fund		
<b>Balance, beginning of year</b>	\$ 1,914,645	\$ 1,400,000	\$ 318,616	\$ <b>3,633,261</b>	\$ 2,890,693
Excess (deficiency) of revenues over expenses	121,850	-	(42,634)	<b>79,216</b>	742,568
Investment in capital assets	(102,824)	-	102,824	-	-
<b>Balance, end of year</b>	\$ 1,933,671	\$ 1,400,000	\$ 378,806	\$ <b>3,712,477</b>	\$ 3,633,261

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

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**Pacific Assistance Dogs Society****Statement of Cash Flows**

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For the year ended February 28,	2023	2022 <i>(Restated)</i> <i>(note 11)</i>
<b>Cash provided by (used for)</b>		
<b>Operating Activities:</b>		
Excess of revenues over expenses	\$ 79,216	\$ 742,568
Items not affecting cash:		
Amortization of deferred capital contributions	(26,643)	(26,643)
Amortization	69,277	68,885
Deferred lease inducement	(2,500)	(2,500)
Loss (gain) on marketable securities	110,913	(191,502)
Gain on sale of capital assets	(7,000)	-
Changes in non-cash working capital items:		
Goods and services tax recoverable	(1,494)	(2,040)
Prepaid expenses	(22,846)	(78)
Accounts payable and accrued liabilities	5,240	12,271
Wages payable	26,725	17,540
	<b>230,888</b>	<b>618,501</b>
<b>Financing Activities:</b>		
Deferred capital contributions received	<b>530,000</b>	-
<b>Investing Activities:</b>		
Proceeds on sale of capital assets	7,000	-
Purchase of capital assets	(102,824)	(69,751)
Proceeds on sale of marketable securities	655,041	405,492
Purchase of marketable securities	(873,767)	(1,004,899)
	<b>(314,550)</b>	<b>(669,158)</b>
<b>Increase (decrease) in cash</b>	<b>446,338</b>	<b>(50,657)</b>
<b>Cash, beginning of year</b>	<b>1,075,616</b>	<b>1,126,273</b>
<b>Cash, end of year</b>	<b>\$ 1,521,954</b>	<b>\$ 1,075,616</b>

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



**February 28, 2023**

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**1. Nature of Operations**

Pacific Assistance Dogs Society (the "Society") is a not-for-profit organization incorporated provincially under the Society Act of British Columbia. As a registered charity the Society is exempt from the payment of income tax under Section 149(1) of the Income Tax Act.

The Society trains and provides service dogs to assist people with various disabilities.

**2. Significant Accounting Policies**

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) and include the following significant accounting policies:

**a) Fund accounting**

The Society follows the deferral method of accounting for contributions.

Revenues and expenses related to program delivery and administrative activities are reported in the General Fund. Grants received from the Gaming Policy and Enforcement Branch of the Province of British Columbia and the related expenditures from those funds are reported in the General Fund.

Capital Fund reports the assets, liabilities, revenues and expenses related to the Society's capital assets.

Building Fund is internally restricted by the Board of Directors toward future expansion and building campaign project.

**b) Revenue recognition**

Restricted contributions are recognized as revenue in the year related expenses are incurred.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Sales of promotional items are recognized as revenue of the General Fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonable assured.

**c) Measurement uncertainty**

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 amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

**February 28, 2023**

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**2. Significant Accounting Policies (continued)**

**d) Cash and cash equivalents**

Cash and cash equivalents consist of bank balances and investments readily convertible to a known amount of cash and subject to insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investing or other purposes. As at year-end, no cash equivalents were held.

**e) Capital assets**

Capital assets are recorded at cost. Amortization is provided for on a straight line basis over the expected useful lives of the assets at the following annual rates:

Land	N/A
Motor Vehicles	10 years
Building	20 years
Computer equipment	3-5 years
Computer software	1 year
Furniture and fixtures	5 years
Kennels	20 years
Leasehold improvements	Remaining term of the lease

The Society regularly reviews its capital assets to eliminate obsolete items. Government grants are treated as a reduction of capital assets costs.

Capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

The Society breeds all dogs that are in service. The dogs are owned by the Society but are not reflected on the statement of financial position.

**f) Contributed services**

Volunteers contribute to assist the Society in carrying out its services and activities. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

**g) Donated goods and rent**

Donated goods and rent are recorded at their fair market value at the time of the donation.

**h) Financial instruments**

*Initial measurement*

Financial assets originated or acquired or financial liabilities issued or assumed in an arm's length transaction are initially measured at their fair value. In the case of a financial asset or financial liability not subsequently measured at its fair value, the initial fair value is adjusted for financing fees and transaction costs that are directly attributable to its origination, acquisition, issuance or assumption. Such fees and costs in respect of financial assets and liabilities subsequently measured at fair value are expensed.

**February 28, 2023**

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## **2. Significant Accounting Policies (continued)**

Financial assets or liabilities originated or exchanged in related party transactions except for those that involve retractable or redeemable preferred shares or those that involve parties whose sole relationship with the Society is in the capacity of management, are initially measured at cost. The cost of a financial instrument in a related party transaction depends on whether the instrument has repayment terms. If the instrument does, the cost is determined using the instrument's undiscounted cash flows, excluding interest and dividend payments, less any impairment losses previously recognized by the transferor. Otherwise cost is determined using the considered transferred or received by the Society in the transaction.

Transactions, with parties whose sole relationship with the Society is in the capacity of management, are accounted for as arm's length transactions.

### *Subsequent measurement*

The Society subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in debt instruments, equity instruments and forward exchange contracts that are quoted in an active market, which are measured at fair value without any adjustment for transaction costs. Changes in fair value are recognized in net income in the period in which they occur.

Financial assets measured at amortized cost include cash.

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

Financial assets measured at fair value include marketable securities.

### *Transaction costs*

Transaction costs attributable to financial instruments subsequently measured at fair value and to those originated or exchanged in a related party transaction are recognized in income in the period incurred. Transaction cost for financial instruments originated or exchanged in an arm's length transaction that are subsequently measured at amortized cost are recognized in the original cost of the instrument and recognized in income over the life of the instrument using the straight-line method.

### *Impairment*

At the end of each reporting period, management assesses whether there are any indications that financial assets measured at cost or amortized cost may be impaired. If there is an indication of impairment, management determines whether a significant adverse change has occurred in the expected timing or the amount of future cash flows from the asset, in which case the asset's carrying amount is reduced to the highest expected value that is recoverable by either holding the asset, selling the asset or by exercising the right to any collateral. The carrying amount of the asset is reduced directly or through the use of an allowance account and the amount of the reduction is recognized as an impairment loss in operations. Previously recognized impairment losses may be reversed to the extent of any improvement. The amount of the reversal, to a maximum of the related accumulated impairment charges recorded in respect of the particular asset, is recognized in operations.

**Pacific Assistance Dogs Society**  
**Notes to Financial Statements**

**February 28, 2023**

**3. Marketable Securities**

At February 28, 2023, marketable securities includes fixed income and equity investments held at Scotiabank Wealth with a fair value of \$2,418,865 (2022 - \$2,311,052), and with a cost of \$2,195,774 (2022 - \$1,914,861).

**4. Capital Assets**

	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value 2023</b>	<b>Net Book Value 2022</b>
Land	\$ 75,000	\$ -	\$ 75,000	\$ 75,000
Buildings	233,367	232,042	1,325	26,194
Motor vehicles	307,679	163,081	144,598	170,960
Computer equipment	72,318	59,928	12,390	14,388
Computer software	17,719	17,719	-	-
Furniture and fixtures	82,863	81,960	903	1,243
Kennels	134,817	134,817	-	8,192
Leasehold improvement	26,900	26,480	420	2,782
Software under development	160,170	-	160,170	62,500
	<b>\$ 1,110,833</b>	<b>\$ 716,027</b>	<b>\$ 394,806</b>	<b>\$ 361,259</b>

**5. Deferred Capital Contributions**

Deferred capital contributions represents restricted funding received towards purchasing and installing capital assets. The contributions are recognized in income as the assets are amortized and the balance in deferred capital contributions at year end is as follows:

	<b>2023</b>	<b>2022</b>
Balance, beginning of year	\$ 42,643	\$ 69,286
Less: amount amortized to revenue	(26,643)	(26,643)
Plus: Contributions received	530,000	-
Balance, end of year	<b>\$ 546,000</b>	<b>\$ 42,643</b>

**6. Internally Restricted Funds and Interfund Transfers**

Internally restricted funds are not available for other purposes without the approval of the Board of Directors.

During the year, the Society transferred \$102,824 (2022 - \$69,751) from the General Fund to the Capital Fund for capital asset additions funded by unrestricted funding.

During the year ended February 28, 2017, the Society's Board of Directors designated \$1,000,000 to the Building Fund for future capital expansion and building campaign. During each of the years ended February 28, 2021 and February 28, 2022, \$200,000 was designated to the Building Fund by the Society's Board of Directors (total of \$400,000). No amount has been designated to the Building Fund during the year-ended February 28, 2023. Due to the impact of COVID-19 pandemic, work on the capital expansion and capital campaign was suspended between 2021 and 2023.

**February 28, 2023**

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**7. Permanent Endowment**

The Society holds \$51,910 (2022 - \$51,775) of aggregate contributed principal with the Vancouver Foundation. The market value of these funds at February 28, 2023 is \$62,820 (2022 - \$70,991). In accordance with the provisions of the Vancouver Foundation Act, the amount is held permanently by the Vancouver Foundation. As the Society has the right to receive only the investment income of these funds and has no access to the contributed principal, the Society's financial statements do not reflect this amount as an asset. The Society is entitled to receive unrestricted income distribution.

**8. Commitments**

The Society premises are leased under agreements expiring on July 31, 2023 and May 1, 2024. Future minimum lease payments for the next two years are as follows:

2023	\$ 26,600
2024	<u>3,600</u>
	<u>\$ 30,200</u>

**9. Disclosure required by the British Columbia Society Act**

During the current year, the Society paid compensation in excess of \$75,000 to a total of four employees. The total amount paid was approximately \$372,952. No remuneration was paid to any member of the Board of Directors.

**10. Financial Instruments**

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

The financial instruments of the Society and the nature of the risks to which it may be subject are as follows:

*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 Society is exposed to credit risk in its cash and marketable securities as the majority is held at two financial institutions. The Society limits its credit risk by purchasing high quality investments and by placing its cash and marketable securities with major financial institutions. CDIC insurance on deposit accounts also helps mitigate the credit risk.

*Liquidity Risk*

Liquidity risk is the risk that an entity will encounter difficulty in meeting its obligations associated with financial liabilities. The Society's exposure to liquidity risk relates to accounts payable, accrued liabilities and wages payable and arises from the possibility that the timing and amount of its cash inflows will not be sufficient to enable it to meet its financial obligations as they become due.

**February 28, 2023**

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**10. Financial Instruments (continued)**

The Society is dependent on the receipt of funds from its related sources, whether in the form of revenue or advances. As at February 28, 2023, the Society has working capital of \$3,864,088, and thus does not have significant liquidity risk.

*Market Risk*

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or issuer, or factors affecting all similar financial instruments or issuers. The entity's investments in marketable securities expose the entity to price risks as these instruments are subject to price changes in an open market for a variety of reasons including investor sentiment and expectations, changes in market rates of interest, general economic indicators and restrictions of credit markets.

As at February 28, 2023, the Society has marketable securities with a fair value of \$2,418,865 which is subject to fluctuation.

**11. Restatement of Prior Period Balances**

In 2006, the Society received endowment contributions of \$50,250 which were then transferred to Vancouver Foundation (note 7). These contributions were reported as restricted cash and endowment fund balance on the financial statements. As the funds are held permanently by the Vancouver Foundation and the Society has no access to the contributed principal, the February 28, 2022 financial statements have been restated as follows:

- Restricted cash was decreased by \$51,775
- Opening net assets were decreased by \$51,100
- Contribution to endowment fund was decreased by \$675
- Ending net assets were decreased by \$51,775