

Pacific Assistance Dogs Society

Financial Statements

February 28, 2018

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Independent Auditor's Report

To the Directors of Pacific Assistance Dogs Society

We have audited the accompanying financial statements of Pacific Assistance Dogs Society, which comprise the statement of financial position as at February 28, 2018, and the statements of revenues and expenditures, changes 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.

Auditor's 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 the auditor's 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, the auditor considers 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

In common with many not-for-profit organizations, Pacific Assistance Dogs Society derives a portion of its revenue from donations and fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of Pacific Assistance Dogs Society and we were not able to determine whether any adjustments might be necessary to donations and fundraising revenues, excess of revenues over expenses, assets, liabilities, and net assets.

Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Pacific Assistance Dogs Society as at February 28, 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. As required by the British Columbia Society Act, we report that in our opinion, these principles have been applied on a basis consistent with that of the previous year.

The financial statements of Pacific Assistance Dogs Society for the year ended February 28, 2017 were audited by another auditor who expressed a qualified opinion on those statements on June 17, 2017.

**Vancouver, British Columbia
June 19, 2018**

Chartered Professional Accountants

Pacific Assistance Dogs Society

Statement of Revenues and Expenditures

For the year ended February 28,	2018	2017
Revenues		
Donations	\$ 1,279,579	\$ 729,060
Fundraising	261,285	152,649
Gaming	250,871	275,164
Grants	65,700	60,000
Membership fees and sundry	57,404	55,160
Gift in kind	291,641	94,196
Total Revenues	2,206,480	1,366,229
Expenses		
Accounting fees	23,832	14,580
Advertising and promotions	11,393	8,458
Amortization	32,947	17,033
Bank charges and interest	12,570	13,452
Breeding costs	57,253	40,426
Calgary facility costs	20,203	-
Computer and website	13,895	22,355
Consulting fees	73,092	25,564
Facility costs	72,296	61,342
Fundraising costs	68,741	60,341
Gift in kind	291,641	94,496
Graduate costs	22,984	21,710
Office and sundry	96,593	97,755
Puppy costs	283,822	190,349
Salaries and wages	835,307	700,186
Vehicle and travel	62,801	48,218
Total Expenses	(1,979,370)	(1,416,265)
Excess (deficiency) of revenues over expenses from operations	227,110	(50,036)
Other Income (Expenses)		
Gain (loss) on investments	(5,575)	102,766
Interest income	11,099	14,556
Amortization of deferred contributions	10,984	6,742
Total Other Income (Expenses)	16,508	124,064
Excess of revenues over expenses	\$ 243,618	\$ 74,028

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

Pacific Assistance Dogs Society
Statement of Changes in Net Assets

					2018	2017
	General Fund	Internally Restricted Building Fund	Capital Fund	Endowment Fund	Total	Total
Balance, beginning of year, previously stated	\$ 658,220	\$ 1,000,000	\$ 169,939	\$ 50,250	\$ 1,878,409	\$ 1,754,131
Prior period adjustment (note 12)	-	-	-	-	-	50,250
Balance, beginning of year, restated	658,220	1,000,000	169,939	50,250	1,878,409	1,804,381
Excess (deficiency) of revenues over expenses	265,581	-	(21,963)	-	243,618	74,028
Investment in capital assets	(36,630)	-	36,630	-	-	-
Balance, end of year	\$ 887,171	\$ 1,000,000	\$ 184,606	\$ 50,250	\$ 2,122,027	\$ 1,878,409

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

Pacific Assistance Dogs Society
Statement of Financial Position

	February 28, 2018	February 28, 2017
		(note 12)
Assets		
Current		
Cash	\$ 796,163	\$ 769,187
Marketable securities (note 3)	1,169,497	1,123,167
Inventory	-	2,365
Goods and services tax recoverable	12,163	8,862
Prepaid expenses	2,284	6,179
	1,980,107	1,909,760
Restricted cash (note 8)	50,250	50,250
Capital assets (note 4)	335,848	292,165
	\$ 2,366,205	\$ 2,252,175
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 60,145	\$ 12,967
Wages payable	19,874	38,612
Deferred contributions (note 5)	-	199,961
	80,019	251,540
Long-term		
Deferred lease inducement	12,917	-
Deferred capital contributions (note 6)	151,242	122,226
	244,178	373,766
Net Assets		
Unrestricted	887,171	658,220
Internally restricted (note 7)	1,184,606	1,169,939
Endowment (note 8)	50,250	50,250
	2,122,027	1,878,409
	\$ 2,366,205	\$ 2,252,175

Commitment (note 9)

Approved on behalf of the board on June 19, 2018

 Director

 Director

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

Pacific Assistance Dogs Society

Statement of Cash Flows

For the year ended February 28,	2018	2017
Cash provided by (used for)		
Operating Activities:		
Excess of revenues over expenses	\$ 243,618	\$ 74,028
Items not affecting cash:		
Amortization of deferred capital contributions	(10,984)	(6,742)
Amortization	32,947	17,033
Deferred lease inducement	12,917	-
Donation by shares	(10,123)	-
Loss (gain) on marketable securities	5,575	(102,766)
	273,950	(18,447)
Changes in non-cash working capital items:		
Inventory	2,365	3,459
Goods and services tax recoverable	(3,301)	(1,803)
Prepaid expenses	3,895	(285)
Accounts payable and accrued liabilities	47,178	(30,775)
Wages payable	(18,738)	32,212
Deferred contributions	(199,961)	47,655
	105,388	32,016
Investing Activities:		
Deferred capital contributions	40,000	-
Purchase of capital assets	(76,630)	(6,740)
Proceeds from sale (purchase) of marketable securities	(41,782)	22,619
	(78,412)	15,879
Increase in cash	26,976	47,895
Cash, beginning of year	769,187	721,292
Cash, end of year	\$ 796,163	\$ 769,187

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

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1. Nature of Operations

Pacific Assistance Dogs Society ("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.

Endowment Fund represents restricted contributions subject to externally imposed stipulations specifying that the resources contributed be maintained permanently. Investment income earned on the resources of the Endowment Fund is reported in the General Fund as there are no restrictions imposed by the contributors. See Note 7 for more detail.

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 reasonable 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.

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2. Significant Accounting Policies (continued)

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.

d) Cash and cash equivalents

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investing or other purposes. Investments readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value are classified as cash equivalents.

e) Capital assets

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

Land	N/A
Motor Vehicles	20%
Building	5%
Computer equipment	20%
Computer software	55%
Furniture and fixtures	20%
Kennels	5%

Leasehold improvements are amortized on a straight line basis over the remaining term of the leases.

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.

Biological Assets

The Society breeds and owns all dogs that are in service. The dogs are a part of the assets of 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.

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2. Significant Accounting Policies (continued)

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

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains or losses reported in income. All other financial instruments are reported at amortized costs, and tested for impairment at each reporting date. Transactions costs on acquisition, sale, or issue of financial instruments are expensed when incurred.

Investments for which there are quoted prices in an active market are carried at fair value. Unrealized gains or losses are reported as part of net revenues over expenditures. Investments for which there is no active market are carried at amortized cost except when it is established that their value is impaired. Impairments losses, or reversal of previously recognized impairment losses are reported as part of net revenues over expenditures.

Cash and accounts payable and accrued liabilities and wages payable are measured at amortized costs. Marketable securities are measured at fair value.

3. Marketable Securities

At February 28, 2018, marketable Securities include fixed income and equity investments held at the Scotiabank Wealth with a fair value of \$1,169,497 (2017 – at TD Direct Investing and Investment Services \$1,123,167), and with a cost of \$1,178,425 (2017 - \$981,294).

4. Capital Assets

	Cost	Accumulated Amortization	Net Book Value 2018	Net Book Value 2017
Land	\$ 75,000	\$ -	\$ 75,000	\$ 75,000
Buildings	230,717	107,698	123,019	129,493
Motor vehicles	159,910	100,292	59,618	9,120
Computer equipment	44,622	33,067	11,555	10,875
Computer software	17,719	17,719	-	3,692
Furniture and fixtures	75,516	65,772	9,744	11,215
Kennels	134,816	93,855	40,961	43,118
Leasehold improvement	26,200	10,249	15,951	9,652
	\$ 764,500	\$ 428,652	\$ 335,848	\$ 292,165

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5. Deferred Contributions

Deferred contributions relate to restricted funding received that is unspent, or related to the subsequent periods. Changes in the deferred contributions balance are as follows:

	2018	2017
Balance, beginning of year	\$ 199,961	\$ 152,306
Add: amount received related to future periods	-	322,819
Less: amount amortized to revenue	(199,961)	(275,164)
Balance, end of year	\$ -	\$ 199,961

6. 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:

	2018	2017
Balance, beginning of year	\$ 122,226	\$ 128,968
Add: contributions received	40,000	-
Less: amount amortized to revenue	(10,984)	(6,742)
Balance, end of year	\$ 151,242	\$ 122,226

7. 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 \$36,630 (2017 -\$6,741) 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.

8. Endowment Fund and Restricted Cash

In 2006, the Society received endowment contributions of \$50,250. The amount is placed with and administered by the Vancouver Foundation, and is reported as endowment fund balance and restricted cash. The Society is entitled to receive unrestricted income distribution as determined by the Vancouver Foundation.

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9. Commitments

The Society premises are leased under agreements expiring on July 31, 2022 and May 1, 2023. Future minimum lease payments for the next five years and beyond are as follows:

2019	\$	30,000
2020		30,000
2021		30,000
2022		30,000
2023		23,000
Subsequent years		3,000
		<u>\$ 146,000</u>

10. 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 two employees. The total amount paid was approximately \$179,000. No remuneration was paid to any member of the Board of Directors.

11. 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.

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 is dependent on the receipt of funds from its related sources, whether in the form of revenue or advances. As at February 28, 2018, the Society has working capital of \$1,900,088. The Society does not have liquidity risk.

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12. Prior Period Adjustment

During the current year, management identified that the endowment contribution from 2006 was not previously recorded on the Society's book. The restricted cash at February 28, 2017 and opening balance of endowment fund for the year ended February 28, 2017 were understated by \$50,250.