

**Pacific Assistance Dogs Society**

**Financial Statements**

**February 28, 2019**

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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, 2019 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, 2019, 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, 2019 and 2018, current assets as at February 28, 2019 and 2018, and net assets as at March 1 and February 28 for both the 2019 and 2018 years. Our audit opinion on the financial statements for the year ended February 28, 2018 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, these principles have been applied on a basis consistent with that of the previous year.

**"Crowe MacKay LLP"**

**Chartered Professional Accountants  
Vancouver, Canada  
August 21, 2019**

# Pacific Assistance Dogs Society

## Statement of Revenues and Expenditures

For the year ended February 28,	2019	2018
<b>Revenues</b>		
Donations	\$ 1,160,512	\$ 1,279,579
Fundraising	168,007	261,285
Gaming	505,604	250,871
Grants	99,052	65,700
Membership fees and sundry	85,612	57,404
Gift in kind	109,433	291,641
<b>Total Revenues</b>	<b>2,128,220</b>	<b>2,206,480</b>
<b>Expenses</b>		
Accounting fees	21,825	23,832
Advertising and promotions	18,320	11,393
Amortization	65,563	32,947
Bank charges and interest	13,494	12,570
Breeding costs	52,778	57,253
Calgary facility costs	25,725	20,203
Computer and website	17,863	13,895
Consulting fees	50,880	73,092
Facility costs	65,761	72,296
Fundraising costs	40,502	68,741
Gift in kind	109,433	291,641
Graduate costs	24,369	22,984
Office and sundry	123,278	96,593
Puppy costs	310,279	283,822
Salaries and wages	986,211	835,307
Vehicle and travel	68,413	62,801
<b>Total Expenses</b>	<b>(1,994,694)</b>	<b>(1,979,370)</b>
<b>Excess of revenues over expenses from operations</b>	<b>133,526</b>	<b>227,110</b>
<b>Other Income (Expenses)</b>		
Gain (loss) on investments	92,701	(5,575)
Interest income	4,099	11,099
Amortization of deferred contributions (note 6)	27,657	10,984
<b>Total Other Income (Expenses)</b>	<b>124,457</b>	<b>16,508</b>
<b>Excess of revenues over expenses</b>	<b>\$ 257,983</b>	<b>\$ 243,618</b>

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

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

					2019	2018
	General Fund	Internally Restricted Building Fund	Capital Fund	Endowment Fund	Total	Total
<b>Balance, beginning of year</b>	\$ 887,171	\$ 1,000,000	\$ 184,606	\$ 50,250	\$ <b>2,122,027</b>	\$ 1,878,409
Excess (deficiency) of revenues over expenses	295,889	-	(37,906)	-	<b>257,983</b>	243,618
Investment in capital assets	(88,695)	-	88,695	-	-	-
Contribution to endowment fund	-	-	-	650	650	-
<b>Balance, end of year</b>	\$ 1,094,365	\$ 1,000,000	\$ 235,395	\$ 50,900	\$ <b>2,380,660</b>	\$ 2,122,027

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

**Pacific Assistance Dogs Society**  
**Statement of Financial Position**

	February 28, 2019	February 28, 2018
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 597,036	\$ 796,163
Marketable securities (note 3)	1,602,335	1,169,497
Goods and services tax recoverable	13,716	12,163
Prepaid expenses	22,567	2,284
	<b>2,235,654</b>	<b>1,980,107</b>
<b>Restricted cash</b> (note 8)	<b>50,900</b>	<b>50,250</b>
<b>Capital assets</b> (note 4)	<b>358,980</b>	<b>335,848</b>
	<b>\$ 2,645,534</b>	<b>\$ 2,366,205</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 26,023	\$ 60,145
Wages payable	19,849	19,874
Deferred contributions (note 5)	85,000	-
	<b>130,872</b>	<b>80,019</b>
<b>Long-term</b>		
Deferred lease inducement	10,417	12,917
Deferred capital contributions (note 6)	123,585	151,242
	<b>264,874</b>	<b>244,178</b>
<b>Net Assets</b>		
<b>Unrestricted</b>	<b>1,094,365</b>	<b>887,171</b>
<b>Internally restricted</b> (note 7)	<b>1,235,395</b>	<b>1,184,606</b>
<b>Endowment</b> (note 8)	<b>50,900</b>	<b>50,250</b>
	<b>2,380,660</b>	<b>2,122,027</b>
	<b>\$ 2,645,534</b>	<b>\$ 2,366,205</b>

**Commitment** (note 9)

Approved on behalf of the board on August 21, 2019

\_\_\_\_\_  
 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,	2019	2018
<b>Cash provided by (used for)</b>		
<b>Operating Activities:</b>		
Excess of revenues over expenses	\$ 257,983	\$ 243,618
Items not affecting cash:		
Amortization of deferred capital contributions	(27,657)	(10,984)
Amortization	65,563	32,947
Deferred lease inducement	(2,500)	12,917
Donation by shares	-	(10,123)
Loss (gain) on marketable securities	(92,701)	5,575
	<b>200,688</b>	<b>273,950</b>
Changes in non-cash working capital items:		
Inventory	-	2,365
Goods and services tax recoverable	(1,553)	(3,301)
Prepaid expenses	(20,283)	3,895
Accounts payable and accrued liabilities	(34,122)	47,178
Wages payable	(25)	(18,738)
Deferred contributions	85,000	(199,961)
	<b>229,705</b>	<b>105,388</b>
<b>Investing Activities:</b>		
Deferred capital contributions	-	40,000
Purchase of capital assets	(88,695)	(76,630)
Proceeds on sale of marketable securities	129,952	493,810
Purchase of marketable securities	(470,089)	(535,592)
	<b>(428,832)</b>	<b>(78,412)</b>
<b>Increase (decrease) in cash</b>	<b>(199,127)</b>	<b>26,976</b>
<b>Cash, beginning of year</b>	<b>796,163</b>	<b>769,187</b>
<b>Cash, end of year</b>	<b>\$ 597,036</b>	<b>\$ 796,163</b>

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 8 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 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.

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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 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

Previously, the Society accounted for amortization on a declining balance basis. Based on management review, it was determined that the straight line basis of amortization provides a more accurate representation of the expected useful lives of the assets. The change has been completed prospectively in the current year.

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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**Pacific Assistance Dogs Society**  
**Notes to 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. Transaction 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, 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, 2019, marketable securities includes fixed income and equity investments held at Scotiabank Wealth with a fair value of \$1,602,335 (2018 – \$1,169,497), and with a cost of \$1,543,785 (2018 - \$1,178,425).

**4. Capital Assets**

	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value 2018</b>	<b>Net Book Value 2017</b>
Land	\$ 75,000	\$ -	\$ 75,000	\$ 75,000
Buildings	233,367	132,567	100,800	123,019
Motor vehicles	239,738	117,486	122,252	59,618
Computer equipment	44,622	38,845	5,777	11,555
Computer software	17,719	17,719	-	-
Furniture and fixtures	81,733	71,887	9,846	9,744
Kennels	134,817	102,048	32,769	40,961
Leasehold improvement	26,200	13,664	12,536	15,951
	<b>\$ 853,196</b>	<b>\$ 494,216</b>	<b>\$ 358,980</b>	<b>\$ 335,848</b>

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

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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:

	<b>2019</b>	<b>2018</b>
Balance, beginning of year	\$ -	\$ 199,961
Add: amount received related to future periods	<b>85,000</b>	-
Less: amount amortized to revenue	-	(199,961)
Balance, end of year	<b>\$ 85,000</b>	\$ -

**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:

	<b>2019</b>	<b>2018</b>
Balance, beginning of year	\$ <b>151,242</b>	\$ 122,226
Add: contributions received	-	40,000
Less: amount amortized to revenue	<b>(27,657)</b>	(10,984)
Balance, end of year	<b>\$ 123,585</b>	\$ 151,242

**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 \$88,695 (2018 -\$36,630) 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. In 2019, additional contributions totalling \$650 were received, for total endowment contributions of \$50,900. 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.

**February 28, 2019**

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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 are as follows:

2020	\$	30,000
2021		30,000
2022		30,000
2023		23,000
2024		3,000
		<u>\$ 116,000</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 \$197,000. 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, 2019, the Society has working capital of \$2,091,821. The Society does not have liquidity risk.

*Market Risk*

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether the factors are specific to the instrument or all instruments traded in the market. As at February 28, 2019, the Society has marketable securities with a fair value of \$1,602,335 which is subject to fluctuation.