

Pacific Assistance Dogs Society

Financial Statements

February 29, 2024

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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 29, 2024 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 29, 2024, 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 29, 2024 and 2023, current assets as at February 29, 2024 and 2023, and net assets as at March 1 and February 29 for both the 2024 and 2023 years. Our audit opinion on the financial statements for the year ended February 28, 2023 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
June 28, 2024**

Pacific Assistance Dogs Society

Statement of Revenues and Expenditures

For the year ended	February 29, 2024	February 28, 2023
Revenues		
Donations	\$ 1,365,795	\$ 2,075,886
Fundraising & Mail Campaigns	323,800	275,016
Grant Funding	190,987	107,000
Gaming Grant & Licenses	189,582	252,370
Merchandise & Sales	114,495	85,515
Gifts in Kind Donations	72,837	80,837
Membership & Registration Fees	13,675	8,855
Total Revenues	2,271,171	2,885,479
Expenses		
Accounting & Legal Fees	32,056	22,770
Advertising & Promotions	11,233	11,871
Amortization	66,803	69,277
Banking & Service Fees	33,526	22,644
Breeding Program Costs	75,256	67,832
Client Training & After Care Costs	43,552	43,479
Consulting & Field Rep Fees	58,704	80,093
Facility Rental, Taxes & Associated Costs - AB	71,394	22,771
Facility Rental, Taxes & Associated Costs - BC	95,008	101,659
Fundraising & Event Costs	40,971	27,470
Gifts in Kind Donations	71,745	80,837
Operation Costs - Office Services, Supplies & Technology	214,310	158,826
Puppy & Advanced Dog Program Costs	502,780	422,506
Salaries & Benefits (note 9)	1,879,483	1,603,594
Vehicle Fleet Costs & Management Travel	47,116	43,320
Total Expenses	3,243,937	2,778,949
Excess of revenues over expenses from operations	(972,766)	106,530
Other Income (expenses)		
(Loss) gain on investments	238,870	(110,913)
Gain on sale of capital asset	-	7,000
Interest income	46,099	49,956
Amortization of deferred contributions (note 5)	4,000	26,643
Total Other Income	288,969	(27,314)
Excess of expenses over revenues	\$ (683,797)	\$ 79,216

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 29, 2024	February 28, 2023 (Restated - note 12)
	General Fund	Internally Restricted		Total	Total
		Building Fund	Capital Fund		
Balance, beginning of year	\$ 1,933,671	\$ 1,400,000	\$ 303,806	\$ 3,637,477	\$ 3,558,261
Excess (deficiency) of revenues over expenses	(620,994)	-	(62,803)	(683,797)	79,216
Investment in capital assets	(19,871)	-	19,871	-	-
Balance, end of year	\$ 1,292,806	\$ 1,400,000	\$ 260,874	\$ 2,953,680	\$ 3,637,477

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

Pacific Assistance Dogs Society

Statement of Financial Position

	February 29, 2024	February 28, 2023 (Restated - note 12)
Assets		
Current		
Cash	\$ 556,092	\$ 1,521,954
Marketable securities (note 3)	2,744,709	2,418,865
Goods & services taxes recoverable	20,045	18,331
Prepaid expenses	50,128	25,942
	3,370,974	3,985,092
Capital assets (note 4)	272,874	319,806
	\$ 3,643,848	\$ 4,304,898
Liabilities		
Current		
Accounts payable & accrued liabilities	\$ 59,342	\$ 44,393
Wages payable	88,826	76,611
	148,168	121,004
Long-term		
Deferred lease inducement	-	417
Externally restricted capital contributions (note 5)	542,000	546,000
	690,168	667,421
Net Assets		
Unrestricted	1,292,806	1,933,671
Internally restricted (note 6)	1,660,874	1,703,806
	2,953,680	3,637,477
	\$ 3,643,848	\$ 4,304,898

Commitments (note 8)

Approved on behalf of the board on

Signed by: 
 1A16B96A10484FB... Director

DocuSigned by: 
 69CD3B53AB114E1... 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 29, 2024	February 28, 2023
Cash provided by (used for)		
Operating Activities:		
Excess of expenses over revenues	\$ (683,797)	\$ 79,216
Items not affecting cash:		
Amortization of capital assets	66,803	69,277
Amortization of deferred capital contributions	(4,000)	(26,643)
Deferred lease inducement	(417)	(2,500)
Gain on sale of capital assets	-	(7,000)
Loss (gain) on marketable securities	(238,870)	110,913
Changes in non-cash working capital items:		
Goods & services taxes recoverable	(1,714)	(1,494)
Prepaid expenses	(24,186)	(22,846)
Accounts payable & accrued liabilities	14,949	5,240
Wages payable	12,215	26,725
	(859,017)	230,888
Financing Activities:		
Externally restricted capital contributions received	-	530,000
Investing Activities:		
Proceeds on sale of capital assets	-	7,000
Purchase of capital assets	(19,871)	(102,824)
Proceeds on sale of marketable securities	295,857	655,041
Purchase of marketable securities	(382,831)	(873,767)
	(106,845)	(314,550)
Increase (decrease) in cash	(965,862)	446,338
Cash, beginning of year	1,521,954	1,075,616
Cash, end of year	\$ 556,092	\$ 1,521,954

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

February 29, 2024

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 a building campaign project.

b) Revenue recognition

Restricted contributions are recognized as revenue in the year in which the 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 the merchandise is sold, the amount to be received can be reasonably estimated, and collection is reasonably 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 29, 2024

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:

Motor Vehicles	10 years
Building	20 years
Computer equipment	3-5 years
Computer software	1-5 years
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.

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 29, 2024

2. Significant Accounting Policies (continued)

Financial assets or liabilities originated or exchanged in related party transactions except for 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 instruments 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 29, 2024

3. Marketable Securities

At February 29, 2024, marketable securities includes fixed income and equity investments held at Scotiabank Wealth with a fair value of \$2,744,709 (2023 - \$2,418,865), and with a cost of \$2,312,370 (2023 - \$2,195,774).

4. Capital Assets

	Cost	Accumulated Amortization	Net Book Value 2024	Net Book Value 2023 (Restated - note 12)
Buildings	308,367	307,307	1,060	1,325
Motor vehicles	304,523	188,861	115,662	144,598
Computer equipment	75,074	66,019	9,055	12,390
Computer software	177,889	49,753	128,136	-
Furniture and fixtures	85,968	82,806	3,162	903
Kennels	134,817	134,817	-	-
Leasehold improvement	30,315	14,516	15,799	420
Software under development	-	-	-	160,170
	\$ 1,116,953	\$ 844,079	\$ 272,874	\$ 319,806

5. Externally Restricted Capital Contributions

Externally restricted capital contributions represents externally 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:

	2024	2023
Balance, beginning of year	\$ 546,000	\$ 42,643
Less: amount amortized to revenue	(4,000)	(26,643)
Plus: contributions received	-	530,000
Balance, end of year	\$ 542,000	\$ 546,000

February 29, 2024

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 \$19,871 (2023 - \$102,824) 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). Due to the impact of COVID-19 pandemic, work on the capital expansion and capital campaign was suspended between 2021 and 2024. No amount has been designated to the Building Fund during the year-ended February 29, 2024.

7. Permanent Endowment

The Society holds \$53,410 (2023 - \$51,910) of aggregate contributed principal with the Vancouver Foundation. The market value of these funds at February 29, 2024 is \$67,750 (2023 - \$62,820). 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 August 31, 2028. Future minimum lease payments for the next five years are as follows:

2025	\$ 50,400
2026	50,400
2027	50,400
2028	50,400
2029	25,200
	<u>\$ 226,800</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 five employees. The total amount paid was approximately \$467,654. No remuneration was paid to any member of the Board of Directors.

February 29, 2024

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.

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 and 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.

10. Financial Instruments (continued)

As at February 29, 2024, the Society has working capital of \$3,222,806 (2023 - \$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 29, 2024, the Society has marketable securities with a fair value of \$2,774,709 (2023 - \$2,418,865) which is subject to fluctuation.

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. At the year-end date, the Society has the following financial assets that are denominated in US dollars and is thus exposed to the financial risk of earnings fluctuations arising from changes in foreign exchange rates and the degree of volatility of these rates. The exchange rate at February 29, 2024 from USD to CAD was 1.3595 (2023 - 1.3575). The organization does not use derivative instruments to hedge its exposure to fluctuations in foreign currency exchange rates.

<i>(in US Dollars)</i>	2024		2023	
Cash	\$	10,000	\$	(7,726)
Marketable Securities		490,102		513,724

February 29, 2024

11. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation. Such reclassification does not have an effect on the total assets, total liabilities, net assets or excess of revenue over expenses for the year previously reported.

12. Prior period adjustment

During the year, the Society identified an error in the classification of capital assets, which were previously classified as land, but should have been classified as building costs and amortized according to the note 2(e). This error has been corrected retrospectively and the February 28, 2023 comparatives were restated as follows:

- Opening net assets decreased by \$75,000
- Ending net assets decreased by \$75,000
- Capital assets decreased by \$75,000