

**PACIFIC ASSISTANCE DOGS SOCIETY**

**Financial Statements**

**Year Ended February 29, 2016**

**PACIFIC ASSISTANCE DOGS SOCIETY**

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**Year Ended February 29, 2016**

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# Kemp Harvey Hamilton Inc.

A Member of Kemp Harvey Group Inc.  
Chartered Professional Accountants

Cynthia Hamilton, CPA, CGA  
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## INDEPENDENT AUDITOR'S REPORT

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To the Members 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 29, 2016 and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### 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 qualified audit opinion.

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#### Basis for Qualified Opinion

In common with many not-for-profit organizations, Pacific Assistance Dogs Society derives revenue from 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 year ended February 29, 2016, current assets and net assets as at February 29, 2016.

#### Qualified Opinion

In our opinion, except for the possible effects of the matter 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 29, 2016 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.

#### Other Matter

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 preceding year.

Burnaby, British Columbia  
June 23, 2016



CHARTERED PROFESSIONAL ACCOUNTANTS

**PACIFIC ASSISTANCE DOGS SOCIETY****Statement of Operations****For the Year Ended February 29, 2016**

	<b>Total Consolidated</b>	Total Consolidated
	<b>2016</b>	2015
<b>RECEIPTS</b>		
Sales of promotion items	\$ 6,240	\$ -
Donations (Note 12)	2,156,718	427,816
Fundraising	79,751	160,593
Gaming (Note 13)	(11,160)	250,000
Grants	5,225	-
Membership and fees	32,345	33,895
Gift-in-kind	75,980	67,047
	<b>2,345,099</b>	939,351
<b>DIRECT COSTS</b>	<b>1,526</b>	2,736
<b>RECEIPTS NET OF DIRECT COSTS</b>	<b>2,343,573</b>	936,615
<b>EXPENSES</b>		
Accounting fees	10,959	7,658
Advertising, promotions and events	26,766	18,034
Bank charges and interest	10,441	12,721
Consulting fees	3,500	85
Insurance	5,803	5,789
Office and sundry	57,734	42,769
Gift in kind donations	75,980	67,047
Puppy costs	172,946	149,328
Breeding costs	58,626	25,002
Fundraising costs	23,127	41,625
Volunteer recognition	162	1,347
Graduate costs	19,739	7,022
Rental, occupancy costs	54,848	54,432
Salaries and wages	599,816	472,348
Vehicle and travel	27,738	27,546
	<b>1,148,185</b>	932,753
<b>EXCESS OF RECEIPTS OVER EXPENSES FROM OPERATIONS</b>	<b>1,195,388</b>	3,862
<b>OTHER INCOME (EXPENSES)</b>		
Gain on disposal of investments	6,312	14,987
Interest from other sources	11,688	-
Interest income	46	1,002
Amortization of deferred contributions	7,222	7,758
Amortization of tangible capital assets	(18,373)	(23,930)
Write-down of marketable securities	(30,303)	-
	<b>(23,408)</b>	(183)
<b>EXCESS OF RECEIPTS OVER EXPENSES</b>	<b>\$ 1,171,980</b>	\$ 3,679

**PACIFIC ASSISTANCE DOGS SOCIETY**

**Statement of Changes in Net Assets**

**Year Ended February 29, 2016**

	Unrestricted Net Assets	Investment in Tangible Capital Assets	<b>February 29 2016</b>	February 28 2015
<b>NET ASSETS - BEGINNING OF YEAR</b>	\$ 368,393	\$ 213,758	<b>\$ 582,151</b>	\$ 573,562
Excess of receipts over expenses	1,160,829	11,151	<b>1,171,980</b>	3,679
Interfund transfers (Note 14)	29,118	(29,118)	-	-
Prior period adjustment (Note 3)	-	-	-	4,910
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 1,558,340</b>	<b>\$ 195,791</b>	<b>\$ 1,754,131</b>	<b>\$ 582,151</b>

**PACIFIC ASSISTANCE DOGS SOCIETY**

**Statement of Financial Position**

**February 29, 2016**

	<b>Total February 29 2016</b>	Total <i>February 28</i> 2015
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 721,292	\$ 312,439
Inventory (Note 3)	5,824	5,824
Goods and services tax recoverable	7,059	6,811
Prepaid expenses	5,894	7,661
	<b>740,069</b>	332,735
PROPERTY, PLANT AND EQUIPMENT (Notes 3, 5)	<b>302,458</b>	316,379
LONG TERM INVESTMENTS (Note 6)	<b>1,043,020</b>	131,796
	<b>\$ 2,085,547</b>	\$ 780,910
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT</b>		
Accounts payable	\$ 43,743	\$ 50,215
Wages payable	6,066	6,796
Bonuses payable	333	333
Deferred revenue (Note 9)	152,306	5,225
	<b>202,448</b>	62,569
DEFERRED CAPITAL CONTRIBUTIONS	<b>128,968</b>	136,190
	<b>331,416</b>	198,759
<b>NET ASSETS</b>		
Unrestricted net assets	<b>1,558,340</b>	368,393
Investment in tangible capital assets	<b>195,791</b>	213,758
	<b>1,754,131</b>	582,151
	<b>\$ 2,085,547</b>	\$ 780,910

**ON BEHALF OF THE BOARD**

\_\_\_\_\_ Director

\_\_\_\_\_ Director

**PACIFIC ASSISTANCE DOGS SOCIETY****Statement of Cash Flows****Year Ended February 29, 2016**

	<b>Total Consolidated February 29 2016</b>	Total Consolidated February 28 2015
<b>OPERATING ACTIVITIES</b>		
Cash receipts from customers	\$ 2,492,180	\$ 932,595
Cash paid to suppliers and employees	(1,326,219)	(880,223)
Interest received	11,734	1,002
Goods and services tax	(248)	(549)
Cash flow from operating activities	<b>1,177,447</b>	52,825
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(4,451)	(12,385)
Long term Investments	(911,224)	(15,982)
Cash flow used by investing activities	<b>(915,675)</b>	(28,367)
<b>FINANCING ACTIVITY</b>		
Deferred income	147,081	(7,758)
Cash flow from financing activity	<b>147,081</b>	(7,758)
<b>INCREASE IN CASH FLOW</b>	<b>408,853</b>	16,700
Cash - beginning of year	<b>312,439</b>	295,739
<b>CASH - END OF YEAR</b>	<b>\$ 721,292</b>	\$ 312,439
<b>CASH CONSISTS OF:</b>		
Cash	<b>\$ 721,292</b>	\$ 312,439



# PACIFIC ASSISTANCE DOGS SOCIETY

## Notes to Financial Statements

Year Ended February 29, 2016

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### 1. PURPOSE OF THE SOCIETY

Pacific Assistance Dogs Society (the "society") is a not-for-profit organization incorporated under the Societies 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.

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### 2. BASIS OF PRESENTATION

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 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.

#### Fund accounting

Pacific Assistance Dogs Society follows the deferral method of accounting for contributions.

Revenues and expenses related to program delivery and administrative activities are reported in the Unrestricted Net Assets 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 Restricted Net Assets Fund.

The Capital Fund reports the assets, liabilities, revenues, and expenses related to Pacific Assistance Dogs Society's capital assets and building improvements campaign.

#### Revenue recognition

Pacific Assistance Dogs Society follows the deferral method of accounting for contributions.

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.

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# PACIFIC ASSISTANCE DOGS SOCIETY

## Notes to Financial Statements

Year Ended February 29, 2016

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Financial instruments policy

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 and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

#### Comparative figures

Certain comparative amounts have been reclassified to conform to the current year's presentation. The cash flow has been presented to more closely match current year requirements.

#### Prior period adjustment

During the year, there was a change of policy and inventory of promotional resale goods were capitalized as described herein. However, in order to more completely track items and to ensure that there is further security of capes and other animal related items, the inventory from prior years was capitalized as well. This resulted in a prior period adjustment in 2015 which is not material.

#### Donated goods

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

#### Contributed services

The operations of the organization depend on both the contribution of time by volunteers and donated materials from various sources. The fair value of donated materials and services cannot be reasonably determined and are therefore not reflected in these financial statements.

#### Cash and cash equivalents

Cash includes cash and cash equivalents. Cash equivalents are amounts on account with a barter exchange.

#### Inventory

Inventory is valued at the lower of cost and net realizable value with the cost being determined on a first-in, first-out basis.

#### Investments and other non-cash assets

All gains and losses from the sale, collection, or other disposition of investments and other non-cash assets are accounted for in the fund that owned the assets.

Ordinary income from investments, receivables, and similar assets is accounted for in the fund owning the assets, with the exception of income derived from investment of endowments funds. Unrestricted endowment fund investments are accounted for as revenue of the operation fund or, if they are restricted, as deferred amounts until the terms of the restriction have been met.

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# PACIFIC ASSISTANCE DOGS SOCIETY

## Notes to Financial Statements

Year Ended February 29, 2016

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Property, plant and equipment

Property, plant and equipment is stated at cost or deemed cost less accumulated amortization. Property, plant and equipment is amortized over its estimated useful life on a declining balance basis at the following rates and methods:

Land	N/A
Automotive equipment	30%
Buildings	5%
Computer equipment	20%
Computer software	55%
Furniture and equipment	20%
Leasehold improvements	5%
Kennels	5%

The society regularly reviews its property, plant and equipment to eliminate obsolete items. Government grants are treated as a reduction of property, plant and equipment cost.

Property, plant and equipment acquired during the year but not placed into use are not amortized until they are placed into use.

#### Net assets

- a) Net assets invested in property and equipment represents the organization's net investment in property and equipment which is comprised of the unamortized amount of property and equipment purchased with restricted funds.
- b) Internally restricted net assets are funds which have been designated for a specific purpose by the organization's Board of Directors.
- c) Unrestricted net assets comprise the excess of revenue over expenses accumulated by the organization each year, net of transfers, and are available for general purposes.

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### 4. FINANCIAL INSTRUMENTS

The society is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the society's risk exposure and concentration as of February 29, 2016.

#### Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The society is exposed to this risk mainly in respect of its deferred contributions.

#### Market risk

Market Risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk. The society is mainly exposed to interest rate risk.

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# PACIFIC ASSISTANCE DOGS SOCIETY

## Notes to Financial Statements

Year Ended February 29, 2016

### 5. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization	February 29 2016 Net book value	February 28 2015 Net book value
Land	\$ 75,000	\$ -	\$ 75,000	\$ 75,000
Buildings	230,717	94,408	136,309	143,483
Motor vehicles	101,059	89,659	11,400	14,250
Computer equipment	37,984	27,969	10,015	7,955
Computer software	17,719	13,778	3,941	4,494
Furniture and fixtures	73,374	61,011	12,363	15,081
Leasehold improvements	10,460	2,417	8,043	8,340
Kennels	134,817	89,430	45,387	47,776
	\$ 681,130	\$ 378,672	\$ 302,458	\$ 316,379

#### BIOLOGICAL ASSETS:

The Society breeds and owns all dogs that are in service. The dogs are not reflected on the statement of net assets. The dogs are a part of the assets of the Society. Management estimates the fair market value of all the dogs is about \$50,000.

### 6. LONG TERM INVESTMENTS

	February 29 2016	February 28 2015
TD Mutual Funds	\$ 1,002,607	\$ 116,809
TD Direct	48,945	-
	\$ 1,051,552	\$ 116,809
Market value	\$ 1,043,020	\$ 131,796

### 7. COMMITMENTS

As at June 29, 2015, the Society entered into a contract with Blackbaud Solutions on eTapestry. This is an online "Solutions" service which handles the donations. This is a month to month obligation and there is no contractual requirement beyond 30 days notice of termination. However, eTapestry has given a commitment to the Society to maintain the same service fees for 3 years.

### 8. CONTRACTUAL OBLIGATIONS

The Society entered into a five year lease agreement in 2012 for premises which will end July 31, 2017. Minimum annual lease payments over the remaining term are approximately:

Contractual obligation repayment schedule:

2017 \$ 7,000

# PACIFIC ASSISTANCE DOGS SOCIETY

## Notes to Financial Statements

Year Ended February 29, 2016

### 9. DEFERRED REVENUE

Deferred revenue related to the expenses of future periods represent unspent externally restricted grants and donations for specific programs.

	<i>February 29</i> <b>2016</b>	<i>February 28</i> 2015
Balance - beginning of year	\$ 5,225	\$ 5,225
Add: amount received related to future period	<b>152,306</b>	-
Less amount amortized to revenue	<b>(5,225)</b>	-
	<b>\$ 152,306</b>	<b>\$ 5,225</b>

The balance is the remainder of gaming funds received from the Province of British Columbia and donations received which are restricted to the specific use for PADS dog training.

### 10. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

The Society has set aside funds toward the Puppy Training Centre, a Dormitory, a Truck and Advanced Kennel Renovations. There is no amortization at this time as this is still in progress. The balance in deferred capital contributions at year end are as follows:

	<i>February 29</i> <b>2016</b>	<i>February 28</i> 2015
<b>Restricted bank balance</b>		
Bank	<b>\$ 141,146</b>	\$ -

### 11. ENDOWMENT FUNDS

The Society has received endowments placed with the Vancouver Foundation in the amount of \$50,000. The Society retains the rights to and receives the income distributions from the investments as determined by the Vancouver Foundation. The amount has been included in the investment.

### 12. DONATION

Shortly before the year end, the Society received a donation from the Maggie Carpenter Trust in memory of Robert and Margaret Carpenter and in the amount of one share of the estate. \$1,452,670 has been received to date and it is estimated that an addition amount of about \$300,000 has been held back by the trustee and will be received at a future undetermined date.

### 13. GAMING FUNDS

The Gaming Cash on Hand has been adjusted to show as a deferred fund. This was not done in the past and this change has resulted in a one time negative adjustment. Readers will need to account for this adjustment when reviewing the statements.

**PACIFIC ASSISTANCE DOGS SOCIETY**

**Notes to Financial Statements**

**Year Ended February 29, 2016**

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14. INTERFUND TRANSFERS AND INTERNALLY RESTRICTED NET ASSETS

In the prior year, the Society's Board of Directors removed the restriction on funds of \$838,513. This amount has been re-allocated from the internal restriction to the unrestricted Net Assets. Additionally, internal fund transfers were recorded to account for changes in specific funds. This year \$29,118 (2015: \$12,385) was transferred from the unrestricted fund to the capital assets fund.

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15. SUBSEQUENT EVENTS

Subsequent to the year end date, the board internally restricted \$1,000,000 of the donated amount toward the capital building project. As the donation referenced above was received shortly before the year end, it was impractical to administer this sudden windfall sooner.

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