

**Pacific Assistance Dogs Society**

**Financial Statements**

**February 28, 2021**

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**Financial Statements**

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## Independent Auditor's Report

To the Members of Pacific Assistance Dogs Society

### 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, 2021 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, 2021, 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 year ended February 28, 2021 and February 29, 2020, current assets as at February 28, 2021 and February 29, 2020, and net assets as at March 1 and February 28 for the 2021 year and March 1 and February 29 for the 2020 year. Our audit opinion on the financial statements for the year ended February 29, 2020 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.

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  
July 21, 2021**

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

	February 28, 2021	February 29, 2020
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 1,126,274	\$ 356,080
Marketable securities (note 4)	1,520,142	1,357,984
Goods and services tax recoverable	14,797	17,091
Prepaid expenses	3,018	2,848
	<b>2,664,231</b>	<b>1,734,003</b>
<b>Restricted cash</b> (note 8)	<b>51,100</b>	<b>50,900</b>
<b>Capital assets</b> (note 5)	<b>360,393</b>	<b>355,933</b>
	<b>\$ 3,075,724</b>	<b>\$ 2,140,836</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 26,882	\$ 45,824
Wages payable	32,346	32,755
	<b>59,228</b>	<b>78,579</b>
<b>Long-term</b>		
Deferred lease inducement	5,417	7,917
Deferred capital contributions (note 6)	69,286	95,929
	<b>133,931</b>	<b>182,425</b>
<b>Net Assets</b>		
<b>Unrestricted</b>	<b>1,399,586</b>	<b>647,507</b>
<b>Internally restricted</b> (note 7)	<b>1,491,107</b>	<b>1,260,004</b>
<b>Endowment</b> (note 8)	<b>51,100</b>	<b>50,900</b>
	<b>2,941,793</b>	<b>1,958,411</b>
	<b>\$ 3,075,724</b>	<b>\$ 2,140,836</b>

**COVID-19 Pandemic** (note 2)  
**Commitment** (note 9)

Approved on behalf of the board on

\_\_\_\_\_  
 Director

\_\_\_\_\_  
 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, 2021	February 29, 2020
<b>Revenues</b>		
Donations	\$ 1,896,688	\$ 906,567
Fundraising	343,003	210,580
Gaming	250,000	270,013
Grants	140,211	297,876
Membership fees and sundry	116,415	78,553
Gift in kind	113,866	161,515
<b>Total Revenues</b>	<b>2,860,183</b>	<b>1,925,104</b>
<b>Expenses</b>		
Accounting fees	21,144	18,563
Advertising and promotions	5,766	38,300
Amortization	67,435	73,212
Bank charges and interest	16,824	17,620
Breeding costs	37,093	53,142
Calgary facility costs	24,511	17,106
Computer and website	48,987	29,704
Consulting fees	17,006	34,032
Facility costs	67,132	65,751
Fundraising costs	71,668	97,606
Gift in kind	113,866	161,515
Graduate costs	8,654	36,393
Office and sundry	97,833	106,536
Puppy costs	393,739	433,133
Salaries and wages (note 11)	1,021,768	1,184,217
Vehicle and travel	53,806	107,149
<b>Total Expenses</b>	<b>(2,067,232)</b>	<b>(2,473,979)</b>
<b>Excess (deficiency) of revenues over expenses from operations</b>	<b>792,951</b>	<b>(548,875)</b>
<b>Other Income</b>		
Gain on investments	148,320	81,700
Interest income	15,268	17,269
Amortization of deferred contributions (note 6)	26,643	27,657
<b>Total Other Income</b>	<b>190,231</b>	<b>126,626</b>
<b>Excess (deficiency) of revenues over expenses</b>	<b>\$ 983,182</b>	<b>\$ (422,249)</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,**  
**2021**

February 29,  
2020

	Internally Restricted				Endowment Fund	Total	Total
	General Fund	Building Fund	Capital Fund				
<b>Balance, beginning of year</b>	\$ 647,507	\$ 1,000,000	\$ 260,004	\$ 50,900	\$ 1,958,411	\$ 2,380,660	
Excess (deficiency) of revenues over expenses	1,023,974	-	(40,792)	-	<b>983,182</b>	(422,249)	
Investment in capital assets	(71,895)	-	71,895	-	-	-	
Internally restricted	(200,000)	200,000	-	-	-	-	
Contribution to endowment fund	-	-	-	200	<b>200</b>	-	
<b>Balance, end of year</b>	\$ 1,399,586	\$ 1,200,000	\$ 291,107	\$ 51,100	\$ <b>2,941,793</b>	\$ 1,958,411	

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, 2021	February 28, 2020
<b>Cash provided by (used for)</b>		
<b>Operating Activities:</b>		
Excess (deficiency) of revenues over expenses	\$ 983,182	\$ (422,249)
Items not affecting cash:		
Amortization of deferred capital contributions	(26,643)	(27,657)
Amortization	67,435	73,212
Deferred lease inducement	(2,500)	(2,500)
Gain on marketable securities	(148,320)	(81,700)
	<b>873,154</b>	<b>(460,894)</b>
Changes in non-cash working capital items:		
Restricted cash	(200)	-
Goods and services tax recoverable	2,294	(3,375)
Prepaid expenses	(170)	19,719
Accounts payable and accrued liabilities	(18,942)	19,801
Wages payable	(409)	12,906
Deferred contributions	-	(85,000)
	<b>855,727</b>	<b>(496,843)</b>
<b>Investing Activities:</b>		
Purchase of capital assets	(71,895)	(70,165)
Proceeds on sale of marketable securities	75,948	699,095
Purchase of marketable securities	(89,785)	(373,044)
	<b>(85,732)</b>	<b>255,886</b>
<b>Increase (decrease) in cash</b>	<b>769,995</b>	<b>(240,957)</b>
<b>Cash, beginning of year</b>	<b>356,079</b>	<b>597,036</b>
<b>Cash, end of year</b>	<b>\$ 1,126,074</b>	<b>\$ 356,079</b>

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



**February 28, 2021**

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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. COVID-19 Pandemic**

On March 11, 2020, the World Health Organization declared a global pandemic. The outbreak of the novel strain of the coronavirus, COVID-19, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures have caused material disruptions to businesses, governments and other organizations resulting in an economic slowdown and increased volatility. Governments and central banks including Canadian federal, provincial, territorial and municipal governments have responded with significant monetary and fiscal interventions designed to stabilize economic conditions.

At the time of approval of these financial statements, in response to the COVID-19 pandemic:

- (i) The society has pursued available government assistance programs.
- (ii) The society has implemented health and safety procedures.

The rapidly evolving event, including health and safety conditions, economic environment and resulting government measures, creates a high level of uncertainty and risk that may result in significant impacts to the societies activities, results of operations and financial condition. Currently, the society has not experienced a substantial impact on their continued operations. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of any interventions. As such it is not possible to estimate the length and severity of these developments and the impact on the financial results and condition on the society and its operations in future periods.

## **3. 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.

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

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.

**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

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

**February 28, 2021**

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

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.

**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.

**4. Marketable Securities**

At February 28, 2021, marketable securities includes fixed income and equity investments held at Scotiabank Wealth with a fair value of \$1,520,142 (2020 – \$1,357,984), and with a cost of \$1,261,774 (2020 - \$1,243,953).

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

February 28, 2021

**5. Capital Assets**

	Cost	Accumulated Amortization	Net Book Value 2021	Net Book Value 2020
Land	\$ 75,000	\$ -	\$ 75,000	\$ 75,000
Buildings	233,367	182,304	51,063	75,931
Motor vehicles	364,677	167,356	197,321	161,883
Computer equipment	61,043	49,172	11,871	5,060
Computer software	17,719	17,719	-	-
Furniture and fixtures	81,733	79,246	2,487	3,731
Kennels	134,817	118,432	16,385	24,577
Leasehold improvement	26,900	20,634	6,266	9,751
	<b>\$ 995,256</b>	<b>\$ 634,863</b>	<b>\$ 360,393</b>	<b>\$ 355,933</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:

	2021	2020
Balance, beginning of year	\$ 95,929	\$ 123,586
Less: amount amortized to revenue	(26,643)	(27,657)
Balance, end of year	<b>\$ 69,286</b>	<b>\$ 95,929</b>

**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 \$71,895 (2020 -\$70,164) 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 the year ended February 28, 2021, a further \$200,000 has been designated to the Building Fund by the Society's Board of Directors.

**8. Endowment Fund and Restricted Cash**

In 2006, the Society received endowment contributions of \$50,250. In 2019 and 2021, additional contributions totalling \$850 were received, for total endowment contributions of \$51,100. 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, 2023 and May 1, 2024. Future minimum lease payments for the next three years are as follows:

2022	\$ 30,000
2023	23,000
2024	3,000
	<u>\$ 56,000</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 three employees. The total amount paid was approximately \$294,000. No remuneration was paid to any member of the Board of Directors.

**11. Government Assistance**

The society recognized \$70,925 (2020 - \$nil) of wage subsidies reported as a reduction of wages and benefits expense from the Canadian Emergency Wage Subsidy program in response to the COVID-19 pandemic.

**12. 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, 2021, the Society has working capital of \$2,605,003. The Society does not have liquidity risk.

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**12. Financial Instruments (continued)**

*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, 2021, the Society has marketable securities with a fair value of \$1,520,142 which is subject to fluctuation.