

Pacific Assistance Dogs Society

Financial Statements

February 28, 2022

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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, 2022 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, 2022, 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, 2022 and 2021, current assets as at February 28, 2022 and 2021, and net assets as at March 1 and February 28 for both the 2022 and 2021 years. Our audit opinion on the financial statements for the year ended February 28, 2021 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
Vancouver, Canada
November 2, 2022**

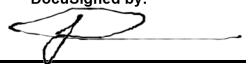
Pacific Assistance Dogs Society

Statement of Financial Position

February 28,	2022	2021
Assets		
Current		
Cash	\$ 1,075,616	\$ 1,126,274
Marketable securities (note 4)	2,311,052	1,520,142
Goods and services tax recoverable	16,837	14,797
Prepaid expenses	3,096	3,018
	3,406,601	2,664,231
Restricted cash (note 8)	51,775	51,100
Capital assets (note 5)	361,259	360,393
	\$ 3,819,635	\$ 3,075,724
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 39,153	\$ 26,882
Wages payable	49,886	32,346
	89,039	59,228
Long-term		
Deferred lease inducement	2,917	5,417
Deferred capital contributions (note 6)	42,643	69,286
	134,599	133,931
Net Assets		
Unrestricted	1,914,645	1,399,586
Internally restricted (note 7)	1,718,616	1,491,107
Endowment (note 8)	51,775	51,100
	3,685,036	2,941,793
	\$ 3,819,635	\$ 3,075,724

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

Approved on behalf of the board on 11/2/2022

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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,	2022	2021
Revenues		
Donations	\$ 2,096,039	\$ 1,896,688
Fundraising	256,042	343,003
Gaming	250,000	250,000
Grants	36,423	140,211
Membership fees and sundry	146,031	116,415
Gift in kind	79,880	113,866
Total Revenues	2,864,415	2,860,183
Expenses		
Accounting and legal	20,056	21,144
Advertising and promotions	6,853	5,766
Amortization	68,885	67,435
Bank charges and interest	24,024	16,824
Breeding costs	36,019	37,093
Calgary facility costs	20,475	24,511
Computer and website	94,163	48,987
Consulting fees	126,031	17,006
Facility costs	80,490	67,132
Fundraising costs	35,108	71,668
Gift in kind	79,880	113,866
Graduate costs	10,835	8,654
Office and sundry	98,883	97,833
Puppy costs	340,658	393,739
Salaries and wages (note 11)	1,231,985	1,021,768
Training	35,920	-
Vehicle and travel	43,866	53,806
Total Expenses	(2,354,131)	(2,067,232)
Excess of revenues over expenses from operations	510,284	792,951
Other Income		
Gain on investments	191,502	148,320
Interest income	14,139	15,268
Amortization of deferred contributions (note 6)	26,643	26,643
Total Other Income	232,284	190,231
Excess of revenues over expenses	\$ 742,568	\$ 983,182

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,				2022	2021
	General Fund	Internally Restricted Building Fund	Capital Fund	Endowment Fund	Total	Total
Balance, beginning of year	\$ 1,399,586	\$ 1,200,000	\$ 291,107	\$ 51,100	\$ 2,941,793	\$ 1,958,411
Excess (deficiency) of revenues over expenses	784,810	-	(42,242)	-	742,568	983,182
Investment in capital assets	(69,751)	-	69,751	-	-	-
Internally restricted	(200,000)	200,000	-	-	-	-
Contribution to endowment fund	-	-	-	675	675	200
Balance, end of year	\$ 1,914,645	\$ 1,400,000	\$ 318,616	\$ 51,775	\$ 3,685,036	\$ 2,941,793

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,	2022	2021
Cash provided by (used for)		
Operating Activities:		
Excess of revenues over expenses	\$ 742,568	\$ 983,182
Items not affecting cash:		
Amortization of deferred capital contributions	(26,643)	(26,643)
Amortization	68,885	67,435
Deferred lease inducement	(2,500)	(2,500)
Gain on marketable securities	(191,502)	(148,320)
Changes in non-cash working capital items:		
Restricted cash	(675)	(200)
Goods and services tax recoverable	(2,040)	2,294
Prepaid expenses	(78)	(170)
Accounts payable and accrued liabilities	12,271	(18,942)
Wages payable	17,540	(409)
	617,826	855,727
Financing Activities:		
Endowment contribution	675	200
Investing Activities:		
Purchase of capital assets	(69,751)	(71,895)
Proceeds on sale of marketable securities	405,492	75,948
Purchase of marketable securities	(1,004,900)	(89,785)
	(669,159)	(85,732)
Increase (decrease) in cash	(50,658)	770,195
Cash, beginning of year	1,126,274	356,079
Cash, end of year	\$ 1,075,616	\$ 1,126,274

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

Pacific Assistance Dogs Society
Notes to Financial Statements

February 28, 2022

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 society recognized \$99,106 (2021 - \$70,925) 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.

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.

Pacific Assistance Dogs Society

Notes to Financial Statements

February 28, 2022

3. Significant Accounting Policies (continued)

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.

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

Pacific Assistance Dogs Society
Notes to Financial Statements

February 28, 2022

3. Significant Accounting Policies (continued)

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.

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.

Financial assets or liabilities originated or exchanged in related party transactions except for those that involve retractable or redeemable preferred shares or 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.

Pacific Assistance Dogs Society

Notes to Financial Statements

February 28, 2022

3. Significant Accounting Policies (continued)

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.

4. Marketable Securities

At February 28, 2022, marketable securities includes fixed income and equity investments held at Scotiabank Wealth with a fair value of \$2,311,052 (2021 - \$1,520,142), and with a cost of \$1,914,861 (2021 - \$1,261,774).

5. Capital Assets

	Cost	Accumulated Amortization	Net Book Value 2022	Net Book Value 2021
Land	\$ 75,000	\$ -	\$ 75,000	\$ 75,000
Buildings	233,367	207,173	26,194	51,063
Motor vehicles	364,677	193,717	170,960	197,321
Computer equipment	68,294	53,906	14,388	11,871
Computer software	80,219	17,719	62,500	-
Furniture and fixtures	81,733	80,490	1,243	2,487
Kennels	134,817	126,625	8,192	16,385
Leasehold improvement	26,900	24,118	2,782	6,266
	\$ 1,065,007	\$ 703,748	\$ 361,259	\$ 360,393

Pacific Assistance Dogs Society

Notes to Financial Statements

February 28, 2022

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:

	2022	2021
Balance, beginning of year	\$ 69,286	\$ 95,929
Less: amount amortized to revenue	(26,643)	(26,643)
Balance, end of year	\$ 42,643	\$ 69,286

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 \$69,751 (2021 - \$71,895) 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, 2022, \$200,000 (2021 - \$200,000) has been designated to the Building Fund by the Society's Board of Directors. Due to the impact of COVID-19 pandemic, work on the capital expansion and capital campaign was suspended during the years ended March 31, 2022 and 2021.

8. Endowment Fund and Restricted Cash

In 2006, the Society received endowment contributions of \$50,250. From 2019 and 2022, additional contributions totalling \$1,525 were received, for total endowment contributions of \$51,775. 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.

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 two years are as follows:

2023	\$ 26,600
2024	3,600
	<u>\$ 30,200</u>

Pacific Assistance Dogs Society
Notes to Financial Statements

February 28, 2022

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 four employees. The total amount paid was approximately \$377,000. 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 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.

The Society is dependent on the receipt of funds from its related sources, whether in the form of revenue or advances. As at February 28, 2022, the Society has working capital of \$3,320,321, and thus does not have 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 28, 2022, the Society has marketable securities with a fair value of \$2,311,052 which is subject to fluctuation.