

**PEGASUS COMMUNITY PROJECT FOR ADULTS WITH SPECIAL NEEDS INCORPORATED**  
**Financial Statements**  
**Year Ended March 31, 2016**

**PEGASUS COMMUNITY PROJECT FOR ADULTS WITH SPECIAL NEEDS INCORPORATED**

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**Year Ended March 31, 2016**

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## INDEPENDENT AUDITOR'S REPORT

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To the Members of Pegasus Community Project For Adults With Special Needs Incorporated

We have audited the accompanying financial statements of Pegasus Community Project For Adults With Special Needs Incorporated, which comprise the statement of financial position as at March 31, 2016 and the statements of revenues and expenditures, changes in net assets and cash flow 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.

### Basis for Qualified Opinion

In common with many not-for-profit organizations, Pegasus Community Project For Adults With Special Needs Incorporated 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 Pegasus Community Project For Adults With Special Needs Incorporated. 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 March 31, 2016, current assets and net assets as at March 31, 2016.

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Independent Auditor's Report to the Members of Pegasus Community Project For Adults With Special Needs Incorporated *(continued)*

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 Pegasus Community Project For Adults With Special Needs Incorporated as at March 31, 2016 and the results of its operations and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

A handwritten signature in black ink that reads "Robert J. G. + ASSOCIATES". The signature is written in a cursive, flowing style.

Toronto, Ontario  
June 29, 2016

CHARTERED PROFESSIONAL ACCOUNTANTS  
Licensed Public Accountants

**PEGASUS COMMUNITY PROJECT FOR ADULTS WITH SPECIAL NEEDS INCORPORATED**

**Statement of Financial Position**

**March 31, 2016**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 246,596	\$ 363,691
Short term investments	590,056	407,871
Accounts receivable	38,667	25,185
Interest receivable	-	780
Harmonized sales tax recoverable	2,038	3,701
Prepaid expenses	8,607	9,242
	<u>885,964</u>	<u>810,470</u>
PROPERTY AND EQUIPMENT <i>(Note 3)</i>	<u>369,062</u>	<u>383,845</u>
	<u>\$ 1,255,026</u>	<u>\$ 1,194,315</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT</b>		
Accounts payable	\$ 161,821	\$ 35,369
Wages payable	23,429	36,662
Deferred income	47,428	69,282
	<u>232,678</u>	<u>141,313</u>
<b>NET ASSETS</b>		
General fund	522,348	553,002
Restricted fund	500,000	500,000
	<u>1,022,348</u>	<u>1,053,002</u>
	<u>\$ 1,255,026</u>	<u>\$ 1,194,315</u>

**ON BEHALF OF THE BOARD**

\_\_\_\_\_ Director

\_\_\_\_\_ Director

*See notes to financial statements*

**PEGASUS COMMUNITY PROJECT FOR ADULTS WITH SPECIAL NEEDS INCORPORATED**  
**Statement of Revenues and Expenditures**  
**For the Year Ended March 31, 2016**

	2016	2015
<b>REVENUE</b>		
Program fees	\$ 419,226	\$ 364,221
Donations	36,614	44,082
Provincial government funding	588,768	590,278
Grants	11,218	13,226
Other revenue	23,660	36,655
Bingo	41,485	41,695
Fundraising	4,332	10,338
Store sales	131,971	90,421
Interest income	7,396	6,882
	<u>1,264,670</u>	<u>1,197,798</u>
<b>EXPENSES</b>		
Amortization	14,782	15,226
Insurance	12,952	14,932
Interest and bank charges	-	(2)
General and administrative	18,709	12,394
Program expenses	61,108	47,611
Staff training	5,375	4,888
Professional fees	13,524	13,261
Occupancy costs	13,606	13,851
Facility use	30,655	10,603
Salaries and benefits	1,124,613	992,447
	<u>1,295,324</u>	<u>1,125,211</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	<b>\$ (30,654)</b>	<b>\$ 72,587</b>

See notes to financial statements

**PEGASUS COMMUNITY PROJECT FOR ADULTS WITH SPECIAL NEEDS INCORPORATED**  
**Statement of Changes in Net Assets**  
**Year Ended March 31, 2016**

	General Fund	Restricted Fund	Third Fund	2016	2015
<b>NET ASSETS - BEGINNING OF YEAR</b>	\$ 553,002	\$ 500,000	\$ -	\$ 1,053,002	\$ 980,417
Excess (Deficiency) of revenue over expenses	(30,654)	-	-	(30,654)	72,587
<b>NET ASSETS - END OF YEAR</b>	\$ 522,348	\$ 500,000	\$ -	\$ 1,022,348	\$ 1,053,004

\*\*\*\*\* DIAGNOSTIC WARNING \*\*\*\*\*

Prior year closing balance of \$1,053,004 does not agree to current year opening balance of \$1,053,002

*See notes to financial statements*

**PEGASUS COMMUNITY PROJECT FOR ADULTS WITH SPECIAL NEEDS INCORPORATED**

**Statement of Cash Flow  
Year Ended March 31, 2016**

	2016	2015
<b>OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenue over expenses	\$ (30,654)	\$ 72,587
Item not affecting cash:		
Amortization of property and equipment	14,782	15,226
	<u>(15,872)</u>	<u>87,813</u>
Changes in non-cash working capital:		
Accounts receivable	(13,482)	8,721
Interest receivable	780	1,783
Accounts payable	126,453	(18,503)
Deferred income	(21,854)	(9,764)
Prepaid expenses	635	5,026
Harmonized sales tax payable	1,663	(1,256)
Wages payable	(13,233)	6,366
	<u>80,962</u>	<u>(7,627)</u>
Cash flow from operating activities	<u>65,090</u>	<u>80,186</u>
<b>INVESTING ACTIVITY</b>		
Purchase of property and equipment	-	(18,766)
<b>INCREASE IN CASH FLOW</b>	<b>65,090</b>	<b>61,420</b>
Cash - beginning of year	<u>771,562</u>	<u>710,142</u>
<b>CASH - END OF YEAR</b>	<b>\$ 836,652</b>	<b>\$ 771,562</b>

*See notes to financial statements*



**PEGASUS COMMUNITY PROJECT FOR ADULTS WITH SPECIAL NEEDS INCORPORATED**  
**Notes to Financial Statements**  
**Year Ended March 31, 2016**

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**1. PURPOSE OF THE ORGANIZATION**

Pegasus Community Project For Adults With Special Needs Incorporated (the "organization") is a not-for-profit organization incorporated provincially under the Not-for-profit Corporations Act of Ontario. As a registered charity the organization is exempt from the payment of income tax under Section 149(1) of the Income Tax Act.

The organization operates to provide programs and support to adults with special needs.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of presentation

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

Measurement uncertainty

Certain amounts in the financial statements are subject to measurement uncertainty and are based on the organization's best information and judgment. Actual results could differ from these estimates.

Examples of significant estimates include:

- providing for amortization of property, plant and equipment and goodwill;
- the estimated useful lives of assets;
- the allowance for doubtful accounts;
- the recoverability of tangible assets;

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.

Investments

Investments consist of cashable guaranteed investment certificates with interest rates varying from 1.41% to 1.47% and maturing in March 2017.

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# PEGASUS COMMUNITY PROJECT FOR ADULTS WITH SPECIAL NEEDS INCORPORATED

## Notes to Financial Statements

Year Ended March 31, 2016

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

#### Property and equipment

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

Building	4%
Program equipment	20%
Furniture and office equipment	20%
Motor vehicle	30%

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

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

#### Impairment of Long Lived Assets

The organization tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected future net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent the carrying value exceeds its fair value.

#### Revenue recognition

Pegasus Community Project For Adults With Special Needs Incorporated follows the deferral method of accounting for contributions which include government grants.

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.

Program fees are recognized as revenue when earned, specifically when there is clear evidence that an arrangement exists, amounts are fixed or can be reasonably determined, and the ability to collect is reasonably assured.

#### Donated goods

From time to time, the organization receives donations of goods to be used in fundraising activities. These donations are recorded as revenue based upon appraised or assessed value of the goods or services. As the selling price or realized value of in kind items cannot be determined at the time they are donated, the total value is also expensed as fundraising expense at the time of receipt. Upon subsequent sale, the net proceeds are recorded as fundraising income to partially offset the expense noted above. No donations for services in kind were received in the current or prior year.

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**PEGASUS COMMUNITY PROJECT FOR ADULTS WITH SPECIAL NEEDS INCORPORATED**

**Notes to Financial Statements**

**Year Ended March 31, 2016**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***

Government grants

Government grants are recorded when there is a reasonable assurance that the organization had complied with and will continue to comply with, all the necessary conditions to obtain the grants.

**3. PROPERTY AND EQUIPMENT**

	Cost	Accumulated amortization	2016 Net book value	2015 Net book value
Land	\$ 140,000	\$ -	\$ 140,000	\$ 140,000
Building	284,613	80,152	204,461	212,981
Furniture and office equipment	36,165	33,600	2,565	3,207
Motor vehicle	6,299	5,669	630	900
Program equipment	42,097	20,691	21,406	26,757
	<u>\$ 509,174</u>	<u>\$ 140,112</u>	<u>\$ 369,062</u>	<u>\$ 383,845</u>

**4. DEFERRED INCOME**

Deferred income represents unspent resources externally restricted for operating activities and capital expenditures for expenditures not yet incurred, received in the current period and relating to the subsequent period. During the year, there were funds received of \$nil (2015 - \$22,000) and the amount recognized in income was \$21,854 (2015 - \$31,764).

**5. FINANCIAL INSTRUMENTS**

The organization 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 organization's risk exposure and concentration as of March 31, 2016.

***(a) Credit risk***

The organization is largely funded by government agencies on pre-agreed amounts and terms which minimizes credit risk. Program fees collectable from parents and other funders are controlled as ongoing participation in the programs is dependant upon ongoing payments being made.

***(b) Liquidity risk***

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. In our opinion the organization is not materially exposed to liquidity risk..

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**PEGASUS COMMUNITY PROJECT FOR ADULTS WITH SPECIAL NEEDS INCORPORATED**

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**Year Ended March 31, 2016**

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**5. FINANCIAL INSTRUMENTS (continued)**

**(b) 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 organization is mainly exposed to interest rate risk upon reinvestment of accumulated surplus funds however this risk is minimized as the short term deposits that the funds are invested in do not fluctuate in value.

\$	-	\$	-
	-		-

**(c) Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the organization manages its interest rate risk by use of term deposits for investment of excess funds which do not fluctuate in value as interest rates change.

Unless otherwise noted, it is management's opinion that the organization is not exposed to significant other price risks arising from these financial instruments.