

PEGASUS COMMUNITY PROJECT FOR ADULTS WITH SPECIAL NEEDS INCORPORATED
Financial Statements
Year Ended March 31, 2020

PEGASUS COMMUNITY PROJECT FOR ADULTS WITH SPECIAL NEEDS INCORPORATED

Index to Financial Statements

Year Ended March 31, 2020

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Revenues and Expenditures	4
Statement of Changes in Net Assets	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 11



INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of Pegasus Community Project For Adults With Special Needs Incorporated (the Organization), which comprise the statement of financial position as at March 31, 2020, 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, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2020, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Basis for Opinion

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 Organization in accordance with 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 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 ASNPO, 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization'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.

(continues)

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

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 Organization'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 Organization'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 Organization 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.



Toronto, Ontario
September 9, 2020

CHARTERED PROFESSIONAL ACCOUNTANTS
Licensed Public Accountants

PEGASUS COMMUNITY PROJECT FOR ADULTS WITH SPECIAL NEEDS INCORPORATED

Statement of Financial Position

March 31, 2020

	2020	2019
ASSETS		
CURRENT		
Cash and cash equivalents <i>(Note 3)</i>	\$ 622,191	\$ 769,765
Accounts receivable	52,341	72,604
Harmonized sales tax recoverable	4,967	3,886
Prepaid expenses	61,817	8,116
	<u>741,316</u>	854,371
PROPERTY AND EQUIPMENT <i>(Note 4)</i>	<u>717,071</u>	343,537
	<u>\$ 1,458,387</u>	<u>\$ 1,197,908</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable	\$ 47,865	\$ 57,984
Wages payable	46,258	39,169
Deferred contributions, current <i>(Note 5)</i>	3,400	3,400
	<u>97,523</u>	100,553
MORTGAGES PAYABLE <i>(Note 6)</i>	400,000	-
LONG TERM DEFERRED CONTRIBUTIONS <i>(Note 5)</i>	<u>28,461</u>	31,423
	<u>525,984</u>	131,976
NET ASSETS		
General fund	432,403	565,932
Restricted fund	500,000	500,000
	<u>932,403</u>	1,065,932
	<u>\$ 1,458,387</u>	<u>\$ 1,197,908</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
Year Ended March 31, 2020

	2020	2019
REVENUES		
Program fees	\$ 447,572	\$ 453,671
Donations	21,274	35,821
Provincial government funding	629,901	639,622
Grants	19,990	28,292
Fundraising	89,196	87,861
Retail sales	108,383	125,973
Interest income	11,003	9,154
	<u>1,327,319</u>	<u>1,380,394</u>
EXPENDITURES		
Amortization	21,148	13,506
Insurance	14,807	15,602
General and administrative	23,422	17,730
Program expenses	82,371	91,057
Staff training	2,557	5,813
Professional fees	18,711	9,719
Occupancy costs	32,395	13,001
Facility use	1,475	5,710
Salaries and benefits	1,263,962	1,225,191
	<u>1,460,848</u>	<u>1,397,329</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	\$ (133,529)	\$ (16,935)

See notes to financial statements

PEGASUS COMMUNITY PROJECT FOR ADULTS WITH SPECIAL NEEDS INCORPORATED
Statement of Changes in Net Assets
Year Ended March 31, 2020

	General Fund	Restricted Fund	2020	2019
NET ASSETS - BEGINNING OF YEAR	\$ 565,932	\$ 500,000	\$ 1,065,932	\$ 1,082,867
DEFICIENCY OF REVENUES OVER EXPENDITURES	(133,529)	-	(133,529)	(16,935)
NET ASSETS - END OF YEAR	\$ 432,403	\$ 500,000	\$ 932,403	\$ 1,065,932

See notes to financial statements

PEGASUS COMMUNITY PROJECT FOR ADULTS WITH SPECIAL NEEDS INCORPORATED

**Statement of Cash Flows
Year Ended March 31, 2020**

	2020	2019
OPERATING ACTIVITIES		
Deficiency of revenues over expenditures	\$ (133,529)	\$ (16,935)
Item not affecting cash:		
Amortization of property and equipment	21,148	13,506
	<u>(112,381)</u>	<u>(3,429)</u>
Changes in non-cash working capital:		
Accounts receivable	20,263	(9,435)
Accounts payable	(10,119)	(8,450)
Deferred contributions, current	-	(9,094)
Prepaid expenses	(53,701)	941
Harmonized sales tax payable	(1,081)	171
Wages payable	7,089	5,571
Long term Deferred Contributions	(2,962)	(3,900)
	<u>(40,511)</u>	<u>(24,196)</u>
Cash flow used by operating activities	<u>(152,892)</u>	<u>(27,625)</u>
INVESTING ACTIVITY		
Purchase of property and equipment	<u>(394,682)</u>	-
FINANCING ACTIVITY		
Mortgages payable	<u>400,000</u>	-
DECREASE IN CASH FLOW	<u>(147,574)</u>	<u>(27,625)</u>
Cash - beginning of year	<u>769,765</u>	<u>797,390</u>
CASH - END OF YEAR	<u>\$ 622,191</u>	<u>\$ 769,765</u>
CASH CONSISTS OF:		
Cash and cash equivalents	<u>\$ 622,191</u>	<u>\$ 769,765</u>

See notes to financial statements

PEGASUS COMMUNITY PROJECT FOR ADULTS WITH SPECIAL NEEDS INCORPORATED

Notes to Financial Statements

Year Ended March 31, 2020

1. PURPOSE OF THE ORGANIZATION

Pegasus Community Project For Adults With Special Needs Incorporated (the "organization") is a not-for-profit organization incorporated provincially without share capital 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 within the Beaches and East Toronto Communities of Toronto.

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). Canadian accounting standards for not-for-profit organizations are part of Canadian GAAP.

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.

Fund accounting

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

Revenues and expenses related to program delivery and administrative activities are reported in the Operating Fund.

The Restricted Fund has been held for future building purchase and building improvements.

Cash equivalents

Highly liquid investments with maturities of one year or less at date of purchase are classified as cash equivalents.

(continues)

PEGASUS COMMUNITY PROJECT FOR ADULTS WITH SPECIAL NEEDS INCORPORATED

Notes to Financial Statements

Year Ended March 31, 2020

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

Property and equipment

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

Building and improvements	4%	declining balance method
Program equipment	20%	declining balance method
Furniture and office equipment	20%	declining balance method
Motor vehicle	30%	declining balance method

The organization regularly reviews its property and equipment to eliminate obsolete items.

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.

(continues)

PEGASUS COMMUNITY PROJECT FOR ADULTS WITH SPECIAL NEEDS INCORPORATED

Notes to Financial Statements

Year Ended March 31, 2020

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

Revenue recognition

The organization 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, with contributions relating to subsequent period expenditures reflected in the statement of financial position as deferred contributions. 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.

Investment Income is recognized as revenue when earned.

Fundraising revenue

Fundraising revenue consists of funds raised through bingo events, seminars and other special fundraising events. The revenue is recognized when the events are held if the amount to be received can be reasonably estimated and collection is reasonably assured.

Retail sales

Retail Sales consist of the sale of donated items through the organizations store. Revenue is recognized at the time the sale occurs and payment is received.

Provincial government funding

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

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	<u>2020</u>	<u>2019</u>
Unrestricted	\$ 122,941	\$ 269,213
Internally Restricted		
- Capital and operating contingency reserve	<u>500,000</u>	<u>500,000</u>
	<u>\$ 622,941</u>	<u>\$ 769,213</u>

PEGASUS COMMUNITY PROJECT FOR ADULTS WITH SPECIAL NEEDS INCORPORATED

Notes to Financial Statements

Year Ended March 31, 2020

4. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Land	\$ 174,750	\$ -	\$ 174,750	\$ 140,000
Building and improvements	617,229	117,607	499,622	180,894
Furniture and office equipment	36,165	35,114	1,051	1,314
Program equipment	83,815	42,167	41,648	21,329
	<u>\$ 911,959</u>	<u>\$ 194,888</u>	<u>\$ 717,071</u>	<u>\$ 343,537</u>

5. DEFERRED CONTRIBUTIONS

Deferred contributions is comprised of donations received for funding specific capital expenditures and specialized program services. The change in deferred contributions is as follows:

	Capital	2020	2019
Opening balance	\$ 31,422	\$ 31,422	\$ 47,816
Recognized as revenue	439	439	(12,994)
Total	31,861	31,861	34,822
Less: current portion	(3,400)	(3,400)	(3,400)
Long Term	<u>\$ 28,461</u>	<u>\$ 28,461</u>	<u>\$ 31,422</u>

6. MORTGAGE PAYABLE

Community Forward Fund and Pegasus entered into a Loan Agreement for a loan of \$400,000 with the purpose to finance the purchase and refurbishment of the condominium units (106,109,105 and 110) at 3520 Danforth Avenue, Toronto dated November 28, 2019. The Mortgage payable is 5.5% per annum compounded monthly. The first 12 months is an interest only payment and the principal repayment will start on the 13th month. The loan is secured by 931 Kingston Road property. As no principal payments are due within one year, no current portion is reflected.

The loan has two covenants that requires Pegasus to maintain a Debt Coverage Ratio of at least 1.10:1 times and maintain an operating cash flow, on an annual basis, of not less than \$1. Pegasus received a one time waiver from Community Forward Fund in respect of this covenant..

7. COMMITMENTS

As at March 31, 2020, the organization had commitments of \$161,483 for the renovation of the newly acquired Danforth property. The organization has spent \$55,889 and expects to spend an additional amount of approximately \$105,594 with respect to the completion of Danforth Property Renovation.

8. RESTRICTED NET ASSETS

Restricted net assets consists of an internally imposed capital replacement reserve and operating contingency reserve to ensure the organization can continue to deliver programs if the government changes its funding to the organization.

PEGASUS COMMUNITY PROJECT FOR ADULTS WITH SPECIAL NEEDS INCORPORATED

Notes to Financial Statements

Year Ended March 31, 2020

9. 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, 2020.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The organization is exposed to credit risk from customers. In order to reduce its credit risk, the organization reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The organization has a significant number of customers which minimizes concentration of credit risk.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The organization is exposed to this risk mainly in respect of its receipt of funds from its customers and other related sources, long-term debt, obligations under capital leases, contributions to the pension plan, and accounts payable.

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 exposure through its normal operating and financing activities. The organization is exposed to interest rate risk primarily through its floating interest rate bank indebtedness and credit facilities.

Additional risk

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

10. SUBSEQUENT EVENTS

In March 2020, the World Health Organization declared a global pandemic due to the novel coronavirus (COVID-19). The situation is constantly evolving, and the measures put in place are having multiple impacts on local, provincial, national and global economies.

As at June 01, 2020, the organization is aware of changes in its operations as a result of the COVID-19 crisis, including the closure of its offices [for an indefinite period or until June 01, 2020 by provincial decree].

Management is uncertain of the effects of these changes on its financial statements and believes that any disturbance may be temporary; however, there is uncertainty about the length and potential impact of the disturbance.

As a result, we are unable to estimate the potential impact on the organization's operations as at the date of these financial statements.