

PEGASUS COMMUNITY PROJECT FOR ADULTS WITH SPECIAL NEEDS INCORPORATED
Financial Statements
Year Ended March 31, 2021

PEGASUS COMMUNITY PROJECT FOR ADULTS WITH SPECIAL NEEDS INCORPORATED

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Year Ended March 31, 2021

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INDEPENDENT AUDITOR'S REPORT

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

Qualified 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, 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 Organization as at March 31, 2021, 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 Qualified Opinion

In common with many charitable organizations, the Organization derives revenue from donations and related activities, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Organization and we were not able to determine whether any adjustments might be necessary to contributions, excess of revenues over expenses, current assets and net assets. Our audit opinion on the financial statements for the year ended March 31, 2020 was modified accordingly because of the possible effects of this limitation of 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 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 qualified audit 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.

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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 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.

Handwritten signature of Robert J. Jones in black ink, followed by the text "+ ASSOCIATES".

Toronto, Ontario
July 20, 2021

CHARTERED PROFESSIONAL ACCOUNTANTS
Licensed Public Accountants

PEGASUS COMMUNITY PROJECT FOR ADULTS WITH SPECIAL NEEDS INCORPORATED

Statement of Financial Position

March 31, 2021

	2021	2020
ASSETS		
CURRENT		
Cash and cash equivalents <i>(Note 3)</i>	\$ 790,881	\$ 622,191
Accounts receivable	86,576	52,341
Harmonized sales tax recoverable	4,493	4,967
Prepaid expenses	75,017	61,817
	<u>956,967</u>	741,316
PROPERTY, PLANT AND EQUIPMENT <i>(Note 4)</i>	<u>714,710</u>	726,057
	<u>\$ 1,671,677</u>	<u>\$ 1,467,373</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable	\$ 8,936	\$ 47,864
Current portion of long term debt <i>(Note 6)</i>	7,774	-
Wages payable	63,897	46,258
Deferred contributions, current <i>(Note 5)</i>	3,400	3,400
	<u>84,007</u>	97,522
MORTGAGES PAYABLE <i>(Note 6)</i>	390,349	400,000
LONG TERM DEFERRED CONTRIBUTIONS <i>(Note 5)</i>	25,931	28,461
	<u>500,287</u>	525,983
NET ASSETS		
General fund	671,390	441,390
Internally restricted fund <i>(Note 3)</i>	500,000	500,000
	<u>1,171,390</u>	941,390
	<u>\$ 1,671,677</u>	<u>\$ 1,467,373</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, 2021

	2021	2020
REVENUES		
Program fees	\$ 72,889	\$ 447,572
Donations	42,989	21,274
Provincial government funding	629,901	629,901
Grants	2,530	23,698
Fundraising	18,180	89,196
Retail sales	68,233	108,383
Interest income	10,593	11,003
	<u>845,315</u>	<u>1,331,027</u>
EXPENDITURES		
Amortization	11,347	15,869
Insurance	15,660	14,807
General and administrative	28,139	23,422
Program expenses	32,689	82,371
Staff training	2,594	2,557
Professional fees	10,515	18,712
Occupancy costs	35,247	32,395
Facility use	-	1,475
Salaries and benefits	479,124	1,263,962
	<u>615,315</u>	<u>1,455,570</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 230,000	\$ (124,543)

See notes to financial statements

PEGASUS COMMUNITY PROJECT FOR ADULTS WITH SPECIAL NEEDS INCORPORATED
Statement of Changes in Net Assets
Year Ended March 31, 2021

	General Fund	Internally Restricted Fund	2021	2020
NET ASSETS - BEGINNING OF YEAR	\$ 441,390	\$ 500,000	\$ 941,390	\$ 1,065,933
EXCESS OF REVENUES OVER EXPENDITURES	230,000	-	230,000	(124,543)
NET ASSETS - END OF YEAR	\$ 671,390	\$ 500,000	\$ 1,171,390	\$ 941,390

See notes to financial statements

PEGASUS COMMUNITY PROJECT FOR ADULTS WITH SPECIAL NEEDS INCORPORATED**Statement of Cash Flows
Year Ended March 31, 2021**

	2021	2020
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenditures	\$ 230,000	\$ (124,543)
Item not affecting cash:		
Amortization of property, plant and equipment	11,347	15,869
	<u>241,347</u>	<u>(108,674)</u>
Changes in non-cash working capital:		
Accounts receivable	(34,235)	20,263
Accounts payable	(38,930)	(10,118)
Deferred contributions, amortization	(2,530)	(2,962)
Deferred contributions	2,532	(746)
Prepaid expenses	(13,200)	(53,701)
Harmonized sales tax payable	474	(1,081)
Wages payable	17,639	7,089
Long term deferred contributions	(2,530)	(2,962)
	<u>(70,780)</u>	<u>(44,218)</u>
Cash flow from (used by) operating activities	<u>170,567</u>	<u>(152,892)</u>
INVESTING ACTIVITY		
Purchase of property, plant and equipment	-	(394,682)
FINANCING ACTIVITIES		
Mortgages payable	(9,651)	400,000
Current portion of long term debt	7,774	-
Cash flow from (used by) financing activities	<u>(1,877)</u>	<u>400,000</u>
INCREASE (DECREASE) IN CASH FLOW	168,690	(147,574)
Cash - beginning of year	<u>622,191</u>	<u>769,765</u>
CASH - END OF YEAR	\$ 790,881	\$ 622,191
CASH CONSISTS OF:		
Cash and cash equivalents	<u>\$ 790,881</u>	<u>\$ 622,191</u>

See notes to financial statements

PEGASUS COMMUNITY PROJECT FOR ADULTS WITH SPECIAL NEEDS INCORPORATED

Notes to Financial Statements

Year Ended March 31, 2021

1. PURPOSE OF THE ORGANIZATION

Pegasus Community Project For Adults With Special Needs Incorporated (the "organization") is a not-for-profit organization 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 Internally 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.

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:

Building and improvements	4%
Program equipment	20%
Furniture and office equipment	20%

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.

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PEGASUS COMMUNITY PROJECT FOR ADULTS WITH SPECIAL NEEDS INCORPORATED

Notes to Financial Statements

Year Ended March 31, 2021

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

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

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 services are rendered, 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, recorded at cost:

	<u>2021</u>	<u>2020</u>
Unrestricted	\$ 290,881	\$ 122,941
Internally Restricted		
- Capital and operating contingency reserve	<u>500,000</u>	<u>500,000</u>
	<u>\$ 790,881</u>	<u>\$ 622,941</u>

PEGASUS COMMUNITY PROJECT FOR ADULTS WITH SPECIAL NEEDS INCORPORATED

Notes to Financial Statements

Year Ended March 31, 2021

4. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
Land	\$ 174,750	\$ -	\$ 174,750	\$ 174,750
Building and improvements	617,229	119,077	498,152	505,877
Furniture and office equipment	36,165	35,324	841	1,051
Program equipment	83,815	42,848	40,967	44,379
	\$ 911,959	\$ 197,249	\$ 714,710	\$ 726,057

Danforth building & program equipment are not being amortized as the property is under construction. The management could not confirm the date of completion due to COVID related delays.

Registered first mortgage in an amount equal to the loan amount on property located at 931 Kingston road is provided as security for Danforth property loan.

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	2021	2020
Opening balance	\$ 31,861	\$ 31,861	\$ 31,422
Recognized as revenue	(2,530)	(2,530)	439
Total	29,331	29,331	31,861
Less: current portion	(3,400)	(3,400)	(3,400)
Long term	\$ 25,931	\$ 25,931	\$ 28,461

6. MORTGAGE PAYABLE

Community Forward Fund and Pegasus Community Project for Adults with Special Needs entered into a loan agreement for a loan of \$475,000 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 organization made an initial draw of \$400,000. The mortgage payable is 5.5% per annum compounded monthly. The amount outstanding is \$398,122 as of March 31, 2021. The loan is secured by 931 Kingston Road property. As no principal payments are due within one year, no current portion is reflected. Principal repayments thereafter will be at \$80,000 per year.

The loan has two covenants that requires the organization 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. The organization met both the covenants.

7. COMMITMENTS

As at March 31, 2021, the organization had commitments of \$51,407 for the renovation of the newly acquired Danforth property. The renovations were delayed during 2021 year end due to COVID restrictions placed by the province of Ontario.

PEGASUS COMMUNITY PROJECT FOR ADULTS WITH SPECIAL NEEDS INCORPORATED

Notes to Financial Statements

Year Ended March 31, 2021

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.

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, 2021.

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.

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.

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. GOVERNMENT GRANT

In response to the negative economic impact of COVID-19, the Government of Canada announced the Canada Emergency Wage Subsidy program in April 2020 ("CEWS"). CEWS provides a wage subsidy on eligible remuneration to eligible employers based on certain criteria.

The organization assessed its eligibility related to CEWS and determined it has qualified from this subsidy from the May 9, 2020 effective date through to March 13, 2021. It has accordingly applied for and received \$556,463. This subsidy has been recorded as a reduction to the eligible remuneration expenses incurred by the Organization during this period. Government assistance related to an expense has been recognized as a reduction of related expense for which the grant is intended to compensate.

11. 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 25, 2021, 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 July 01, 2021 by provincial decree.

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PEGASUS COMMUNITY PROJECT FOR ADULTS WITH SPECIAL NEEDS INCORPORATED

Notes to Financial Statements

Year Ended March 31, 2021

11. SUBSEQUENT EVENTS *(continued)*

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.