

PEGASUS COMMUNITY PROJECT FOR ADULTS WITH SPECIAL NEEDS INCORPORATED
Financial Statements
Year Ended March 31, 2022

PEGASUS COMMUNITY PROJECT FOR ADULTS WITH SPECIAL NEEDS INCORPORATED
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Year Ended March 31, 2022

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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, 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 organization as at March 31, 2022, 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 not-for-profit organizations, the organization 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 the organization. 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, 2022, current assets and net assets as at March 31, 2022. Our audit opinion on the financial statements for the year ended March 31, 2021 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.



Toronto, Ontario
July 28, 2022

CHARTERED PROFESSIONAL ACCOUNTANTS
Licensed Public Accountants

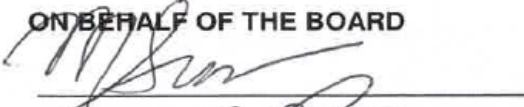
PEGASUS COMMUNITY PROJECT FOR ADULTS WITH SPECIAL NEEDS INCORPORATED

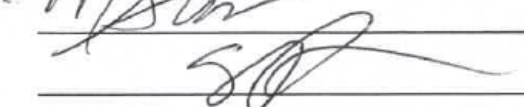
Statement of Financial Position

March 31, 2022

| | 2022 | 2021 |
|---|---------------------|---------------------|
| ASSETS | | |
| CURRENT | | |
| Cash and cash equivalents | \$ 436,152 | \$ 596,060 |
| Marketable securities <i>(Note 3)</i> | 300,000 | 194,821 |
| Accounts receivable <i>(Note 4)</i> | 100,971 | 86,576 |
| Harmonized sales tax recoverable | 19,645 | 4,493 |
| Prepaid expenses | 11,314 | 75,017 |
| | 868,082 | 956,967 |
| CAPITAL ASSETS <i>(Note 5)</i> | 912,164 | 714,710 |
| | \$ 1,780,246 | \$ 1,671,677 |
| LIABILITIES AND NET ASSETS | | |
| CURRENT | | |
| Accounts payable | \$ 22,730 | \$ 8,937 |
| Wages payable | 14,135 | 63,897 |
| Deferred contributions, current <i>(Note 6)</i> | 1,889 | 2,177 |
| Current portion of long term debt <i>(Note 7)</i> | 8,212 | 7,774 |
| | 46,966 | 82,785 |
| LONG TERM DEFERRED CONTRIBUTIONS <i>(Note 6)</i> | 25,265 | 27,154 |
| LONG TERM DEBT <i>(Note 7)</i> | 382,137 | 390,348 |
| | 454,368 | 500,287 |
| NET ASSETS | | |
| Invested in capital assets | 494,661 | 287,255 |
| Internally restricted <i>(Note 8)</i> | 500,000 | 500,000 |
| Unrestricted | 331,217 | 384,135 |
| | 1,325,878 | 1,171,390 |
| | \$ 1,780,246 | \$ 1,671,677 |

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, 2022

| | 2022 | 2021 |
|---|-------------------|-------------------|
| REVENUES | | |
| Donations | \$ 25,531 | \$ 42,989 |
| Fundraising | 65,851 | 18,180 |
| Grants | 8,283 | 2,530 |
| Interest income | 8,830 | 10,593 |
| Program fees | 178,086 | 72,889 |
| Provincial government funding <i>(Note 10)</i> | 629,901 | 629,901 |
| Retail sales | 117,162 | 68,460 |
| Temporary Wage Enhancement <i>(Note 10)</i> | 21,693 | 44,615 |
| | <u>1,055,337</u> | <u>890,157</u> |
| EXPENDITURES | | |
| Amortization | 14,112 | 11,347 |
| Bad debts | 17,136 | - |
| General and administrative | 15,999 | 6,293 |
| Insurance | 15,757 | 15,660 |
| Interest on long term debt | 21,703 | 22,075 |
| Occupancy costs | 38,880 | 35,247 |
| Professional fees | 36,073 | 10,513 |
| Program expenses | 39,648 | 32,689 |
| Salaries and benefits <i>(Note 10)</i> | 1,059,128 | 1,081,275 |
| Staff training | 2,543 | 2,594 |
| | <u>1,260,979</u> | <u>1,217,693</u> |
| DEFICIENCY OF REVENUES OVER EXPENDITURES FROM OPERATIONS | (205,642) | (327,536) |
| OTHER INCOME | | |
| Canada Emergency Wage Subsidy <i>(Note 10)</i> | 360,130 | 557,536 |
| EXCESS OF REVENUES OVER EXPENDITURES | \$ 154,488 | \$ 230,000 |

See notes to financial statements

PEGASUS COMMUNITY PROJECT FOR ADULTS WITH SPECIAL NEEDS INCORPORATED
Statement of Changes in Net Assets
Year Ended March 31, 2022

| | Invested in capital assets | Internally restricted | Unrestricted | 2022 | 2021 |
|--|-------------------------------|--------------------------|-------------------|---------------------|---------------------|
| NET ASSETS - BEGINNING OF YEAR | \$ 287,255 | \$ 500,000 | \$ 384,135 | \$ 1,171,390 | \$ 941,390 |
| Excess of revenue over expenses | - | - | 154,488 | 154,488 | 230,000 |
| Investment in capital assets | 207,406 | - | (207,406) | - | - |
| NET ASSETS - END OF YEAR (Notes 8, 9) | \$ 494,661 | \$ 500,000 | \$ 331,217 | \$ 1,325,878 | \$ 1,171,390 |

See notes to financial statements

PEGASUS COMMUNITY PROJECT FOR ADULTS WITH SPECIAL NEEDS INCORPORATED**Statement of Cash Flows
Year Ended March 31, 2022**

| | 2022 | 2021 |
|--|-------------------|-------------------|
| OPERATING ACTIVITIES | | |
| Excess of revenues over expenditures | \$ 154,488 | \$ 230,000 |
| Items not affecting cash: | | |
| Amortization of capital assets | 14,112 | 11,347 |
| Amortization of deferred contributions | <u>(2,177)</u> | <u>(2,530)</u> |
| | <u>166,423</u> | <u>238,817</u> |
| Changes in non-cash working capital: | | |
| Accounts receivable | (14,395) | (34,235) |
| Prepaid expenses | 63,703 | (13,200) |
| Accounts payable | 13,795 | (38,927) |
| Harmonized sales tax recoverable | (15,152) | 474 |
| Wages payable | <u>(49,762)</u> | <u>17,639</u> |
| | <u>(1,811)</u> | <u>(68,249)</u> |
| Cash flow from operating activities | <u>164,612</u> | <u>170,568</u> |
| INVESTING ACTIVITIES | | |
| Purchase of capital assets | (211,567) | - |
| Purchase of fixed income investments | (200,000) | - |
| Redemption of fixed income investments | <u>94,821</u> | <u>100,000</u> |
| Cash flow from (used by) investing activities | <u>(316,746)</u> | <u>100,000</u> |
| FINANCING ACTIVITY | | |
| Repayment of long term debt | <u>(7,774)</u> | <u>(1,878)</u> |
| INCREASE (DECREASE) IN CASH FLOW | (159,908) | 268,690 |
| Cash and cash equivalents - beginning of year | <u>596,060</u> | <u>327,370</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 436,152 | \$ 596,060 |

See notes to financial statements

PEGASUS COMMUNITY PROJECT FOR ADULTS WITH SPECIAL NEEDS INCORPORATED

Notes to Financial Statements

Year Ended March 31, 2022

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.

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 amounts reported in the financial statements and the accompanying notes. In the opinion of management, these financial statements reflect, within reasonable limits of materiality, all adjustments necessary to present fairly the results for the years presented. Actual results could differ from these estimates. Key management estimates include the useful lives of capital assets, the impairment allowance on assets where applicable, and the determination of certain accrued liabilities and contingencies. These estimates are reviewed periodically and as adjustments become necessary, they are recorded in the period in which they become known.

Revenue recognition

The organization follows the deferral method of accounting for contributions.

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.

Government funding, subsidies and grants are recognized as revenue when there is reasonable assurance that the amount will be received and any conditions will be complied with by the organization.

Program fees are recognized as revenue when services are rendered, specifically when there is clear evidence that an arrangement exists, the amount to be received can be reasonably estimated and collection is reasonably assured.

Retail sales revenue is recognized at the time the sale occurs and payment is received.

Fundraising revenue is recognized when the events are held, the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income is recognized as revenue when earned.

(continues)

PEGASUS COMMUNITY PROJECT FOR ADULTS WITH SPECIAL NEEDS INCORPORATED

Notes to Financial Statements

Year Ended March 31, 2022

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

Government assistance

Government assistance for current expenses is recorded as revenue or a reduction of the related expenditures.

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.

Cash and cash equivalents

Cash and cash equivalents represent cash and equivalents that mature within six months and can be readily converted to cash.

Contributed services

The operations of the organization depend on both the contribution of time by volunteers and donated goods from various sources. The fair value of donated materials and services cannot be reasonably determined and are therefore not reflected in these financial statements.

Capital assets

Capital assets are stated at cost or deemed cost less accumulated amortization and are amortized over their estimated useful lives on a declining balance basis at the following rates:

| | |
|--------------------------------|-----|
| Building | 4% |
| Program equipment | 20% |
| Furniture and office equipment | 20% |

The organization regularly reviews its capital assets to eliminate obsolete items.

Capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

3. MARKETABLE SECURITIES

| | <u>2022</u> | <u>2021</u> |
|--------------|-------------------|-------------------|
| Market value | <u>\$ 300,000</u> | <u>\$ 194,821</u> |
| Cost | <u>\$ 300,000</u> | <u>\$ 194,821</u> |

Marketable securities are comprised of corporate guaranteed investment certificates with maturity dates from 2023 to 2025 earning interest up to 3.15% (2021 - ranging from 2022 to 2023 with interest up to 3.15%).

4. ACCOUNTS RECEIVABLE

Included in accounts receivable is \$42,052 (2021 - \$46,878) due under the Canada Emergency Wage Subsidy (CEWS) program.

PEGASUS COMMUNITY PROJECT FOR ADULTS WITH SPECIAL NEEDS INCORPORATED

Notes to Financial Statements

Year Ended March 31, 2022

5. CAPITAL ASSETS

| | Cost | Accumulated amortization | 2022 Net book value | 2021 Net book value |
|--------------------------------|---------------------|-----------------------------|------------------------------------|---------------------------|
| Land | \$ 174,750 | \$ - | \$ 174,750 | \$ 174,750 |
| Building | 821,519 | 129,259 | 692,260 | 498,152 |
| Furniture and office equipment | 43,442 | 35,614 | 7,828 | 841 |
| Program equipment | 83,815 | 46,489 | 37,326 | 40,967 |
| | \$ 1,123,526 | \$ 211,362 | \$ 912,164 | \$ 714,710 |

6. DEFERRED CONTRIBUTIONS

Deferred contributions represent the unamortized amount of donations received and used for the purchase of capital assets. During the year, no funds were received (2021 - NIL) and the amount recognized in income was \$2,177 (2021 - \$2,530).

7. LONG TERM DEBT

| | 2022 | 2021 |
|--|-------------------|------------|
| Mortgage payable bearing interest at 5.50% per annum compounded monthly repayable in monthly blended payments of \$2,456. The loan matures on December 9, 2024 and is secured by a first mortgage on land and building with a carrying value of \$546,871, and a general security agreement on all assets. | \$ 390,349 | \$ 398,122 |
| Amounts payable within one year | (8,212) | (7,774) |
| | \$ 382,137 | \$ 390,348 |

Principal repayment terms are approximately:

| | |
|------|-------------------|
| 2023 | \$ 8,212 |
| 2024 | 8,675 |
| 2025 | 373,462 |
| | \$ 390,349 |

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 in the event of funding shortfalls.

PEGASUS COMMUNITY PROJECT FOR ADULTS WITH SPECIAL NEEDS INCORPORATED

Notes to Financial Statements

Year Ended March 31, 2022

9. CHANGES TO NET ASSETS INVESTED IN CAPITAL ASSETS

Net changes are comprised of the following:

| | <u>2022</u> | <u>2021</u> |
|--|-------------------|-------------------|
| Amortization | \$ (14,112) | \$ (11,347) |
| Amortization of deferred contributions related to capital assets | 2,177 | 2,532 |
| Acquisition of capital assets | 211,567 | - |
| Repayment of long term debt for capital assets | 7,774 | 1,878 |
| | <u>\$ 207,406</u> | <u>\$ (6,937)</u> |

10. GOVERNMENT ASSISTANCE

During the year the organization received funding from the following government programs.

The Ministry of Children, Community and Social Services (MCCSS) provided funding of \$629,901 (2021 - \$629,901) for the purpose of the organization delivering various programs and services. The organization is dependant on funding from MCCSS in order to continue to deliver the related services.

The MCCSS provided net funding under their Temporary Wage Enhancement (TWE) program of \$21,693 (2021 - \$44,615) used to enhance wages for employees providing direct support services during the COVID-19 pandemic. The assistance received in 2022 was a total of \$46,796 less a recovery of an overpayment in 2021 of \$25,103 for a net of \$21,693.

The organization received a grant of \$3,245 (2021 - \$NIL) under the MCCSS Covid-19 Community Supports Fund (CCSF) to assist with the acquisition of equipment used in the delivery of programs. The CCSF grant is recognized as a reduction of program expenses.

Under the Government of Canada's Canada Emergency Wage Subsidy (CEWS) program the organization received \$360,130 (2021 - \$557,535).

The organization received a grant of \$22,473 (2021 - \$NIL) under the Government of Canada's Canada Summer Jobs (CSJ) program to support youth employment. The CSJ grant is recognized as a reduction of salary and wage expense.

11. IMPACT OF COVID-19

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social impact. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the organization is not known at this time. Management continues to monitor the situation closely and where appropriate has taken necessary steps to mitigate risk including applying for various government assistance programs (Note 10.)

PEGASUS COMMUNITY PROJECT FOR ADULTS WITH SPECIAL NEEDS INCORPORATED
Notes to Financial Statements
Year Ended March 31, 2022

12. FINANCIAL INSTRUMENTS

The organization is exposed to various risks through its financial instruments:

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 program participants. In order to reduce its credit risk, the organization regularly monitors accounts and limits credit. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts. 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 or to meet cash requirements on a timely basis or a reasonable cost. The organization manages its liquidity risk by monitoring its operating requirements.

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: foreign currency rate risk, interest rate risk and other price risk.

Foreign currency risk

Foreign currency risk is the risk to the organization's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The organization is not exposed to foreign currency 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 through its fixed income investments and long-term debt.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The organization is not exposed to other price risk.

13. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.