

Pride PEI Inc.

Financial Statements
August 31, 2020



Member of The AC Group of Independent Accounting Firms

October 1, 2020

Independent Auditor's Report

To the Members of Pride PEI Inc.

Qualified Opinion

We have audited the financial statements of Pride PEI Inc., which comprise the statement of financial position as at August 31, 2020, and the statements of operations, 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 Pride PEI Inc. as at August 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis of Qualified Opinion

In common with many not-for-profit organizations, Pride PEI Inc. derives 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 Pride PEI Inc. Therefore, we were not able to determine whether any adjustments might be necessary to donations and event fees, excess revenue for the year, and cash flows from operating activities for the year ended August 31, 2020, current assets as at August 31, 2020, and net assets as at September 1, 2019 and August 31, 2020.

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 Pride PEI Inc. 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 audit opinion.

Comparative information

The financial statements of Pride PEI Inc. for the year ended August 31, 2019 and the statement of financial position as at September 1, 2018 are unaudited.

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 Pride PEI Inc.'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 Pride PEI Inc. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Pride PEI Inc.'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 Pride PEI Inc.'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 Pride PEI Inc.'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 Pride PEI Inc. 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.

Arsenault Best Cameron Ellis

Chartered Professional Accountants

Pride PEI Inc.

Statement of Financial Position

As at August 31, 2020

	2020	(Unaudited) 2019
	\$	\$
Assets		
Current assets		
Cash	41,758	15,371
Accounts receivable (note 5)	6,000	36,461
HST receivable	2,878	-
Prepaid expenses	173	223
	<u>50,809</u>	<u>52,055</u>
Capital assets (note 3)	<u>5,195</u>	<u>2,592</u>
	<u>56,004</u>	<u>54,647</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 5)	12,885	16,569
Net Assets (note 5)	<u>43,119</u>	<u>38,078</u>
	<u>56,004</u>	<u>54,647</u>

Approved by the Board of Directors

_____ Director

_____ Director

Pride PEI Inc.

Statement of Changes in Net Assets For the year ended August 31, 2020

	2020	(Unaudited) 2019
	\$	\$
Net assets - Beginning of year	20,422	18,322
Prior period adjustment (note 5)	17,656	-
Balance as restated	38,078	18,322
Excess revenue for the year (note 5)	5,041	19,756
Net assets - End of year	<u>43,119</u>	<u>38,078</u>

Pride PEI Inc.

Statement of Operations

For the year ended August 31, 2020

	2020	(Unaudited) 2019
	\$	\$
Revenue		
Government funding	62,500	39,502
Corporate and community donations	9,353	4,000
Individual donations and event fees	5,682	27,700
Fierte Canada Pride Conference	2,336	2,450
Miscellaneous	191	82
	<hr/> 80,062	<hr/> 73,734
Expenses		
Bad debt	421	-
Conference and meetings	3,704	3,214
Donations	3,750	1,300
Honorarium	1,100	-
Interest and bank charges	169	493
Marketing	519	1,011
Miscellaneous	435	100
Office supplies	1,489	669
Other events	2,944	5,650
Pride week	50,067	36,949
Professional fees	5,624	3,354
Rent	2,739	-
Training	-	155
Travel	358	435
Amortization	1,702	648
	<hr/> 75,021	<hr/> 53,978
Excess revenue for the year (note 5)	<hr/> 5,041	<hr/> 19,756

Pride PEI Inc.

Statement of Cash Flows

For the year ended August 31, 2020

	2020	(Unaudited) 2019
	\$	\$
Cash provided by (used in)		
Operating activities		
Net earnings for the year	5,041	19,756
Item not affecting cash		
Amortization	1,702	648
	<hr/> 6,743	<hr/> 20,404
Net change in non-cash working capital items		
Decrease (increase) in accounts receivable	30,461	(36,461)
Increase in HST receivable	(2,878)	-
Decrease (increase) in prepaid expenses	50	(223)
Increase (decrease) in accounts payable and accrued liabilities	(3,684)	16,569
	<hr/> 30,692	<hr/> 289
Investing activity		
Purchase of capital assets	(4,305)	-
	<hr/> 26,387	<hr/> 289
Increase in cash	26,387	289
Cash - Beginning of year	<hr/> 15,371	<hr/> 15,082
Cash - End of year	<hr/> <hr/> 41,758	<hr/> <hr/> 15,371

Pride PEI Inc.

Notes to Financial Statements

August 31, 2020

1 Nature and purpose of organization

Pride PEI Inc. is a not-for-profit organization that produces an annual Pride Festival and other social events throughout the year to engage in and organize the community and allies to create sustainable educational and support services for gay, lesbian, bisexual, transgender and questioning Islanders and supporters. The organization is incorporated in the Province of Prince Edward Island as a not-for-profit organization and accordingly is exempt from income taxes under Section 149(1).

2 Summary of significant accounting policies

Basis of accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. These financial statements include the following significant accounting policies:

Cash

Cash consists of bank balances.

Capital assets

Capital assets are recorded at cost. Amortization of capital assets is calculated using the declining balance method at the following annual rates:

Computers	55%
Equipment	20%

Amortization is calculated at one-half of the normal annual rate in the year of acquisition; no amortization is recorded in the year of disposal.

Government assistance

Government grants are recorded when there is a reasonable assurance that the Pride PEI Inc. has complied with, and will continue to comply with, all the necessary conditions to obtain the grants. Government contributions are recognized in the year in which the related expenses are incurred.

Revenue recognition

The organization follows the deferral method of accounting for revenue.

Unrestricted grants and contributions are recognized as revenue in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Pride PEI Inc.

Notes to Financial Statements

August 31, 2020

Restricted grants and contributions are recognized as revenue when expenses related to the purpose of the contribution are incurred.

Contributed services

Volunteers contribute significant hours each year to assist Pride PEI Inc. in carrying out its activities. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

Use of estimates

The preparation of these 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, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the current period. A significant item subject to such estimates and assumptions include the valuation of accounts receivable and estimated useful life of capital assets. Actual results could differ from those estimates.

Since January 31, 2020, the outbreak of COVID-19 (coronavirus) has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures have caused material disruption to businesses globally resulting in an economic slowdown, and global equity markets have experienced significant volatility and weakness. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the outcome of government and central bank interventions.

In management's estimation, these events have not had a material unrecorded impact on the carrying value of assets and liabilities reported in these financial statements as at August 31, 2020. The duration and impact of the COVID-19 pandemic remains unclear at this time. Therefore, it is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the organization for future periods.

Financial instruments

(a) Measurement of financial instruments

Pride PEI Inc.'s financial instruments consist of cash, accounts receivable and accounts payable and accrued liabilities.

The organization initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument. This fair value amount is then deemed to be the amortized cost of the financial instrument.

The organization subsequently measures all its financial assets and financial liabilities at amortized cost.

Pride PEI Inc.

Notes to Financial Statements

August 31, 2020

(b) Impairment

For financial assets measured at cost or amortized cost, the organization determines whether there are indications of possible impairment. When there is an indication of impairment, and the organization determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in excess revenue for the year. A previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may not be greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in excess revenue for the year.

(c) Risks

Transacting in financial instruments exposes the company to certain financial risks and uncertainties. These risks include:

- i) Credit risk: The organization is exposed to credit risk in connection with the collection of its accounts receivable. The organization mitigates this risk by performing continuous evaluation of its accounts receivables.

3 Property and equipment

	2020		2019	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Computer	4,305	1,184	3,121	-
Equipment	5,000	2,926	2,074	2,592
	9,305	4,110	5,195	2,592

4 Economic dependence

Pride PEI Inc. receives the majority of its funding from government. Because the organizations's main source of income is derived from government funding, its ability to continue viable operations is dependent upon maintaining these funding sources from government.

Pride PEI Inc.

Notes to Financial Statements

August 31, 2020

5 Prior period adjustment

During the 2020 audit it was discovered that expenditures of \$13,746 and revenues of \$31,402 related to Pride Week 2019, which took place during the fiscal year ended August 31, 2019, were understated as the relevant information was not received until after the unaudited financial statements for the year ended August 31, 2019 were completed.

As a result, for the year ended August 31, 2019, government grant revenue has increased by \$30,402, corporate and community donations revenue has increased by \$1,000 and Pride Week expenses have increased by \$13,746.

Consequently, excess revenue for the year ended August 31, 2019 has been increased by \$17,656 and net assets at August 31, 2019 has been increased by \$17,656. In addition, accounts payable and accrued liabilities as at August 31, 2019 have been increased by \$13,746 and accounts receivable as at August 31, 2019 have been increased by \$31,402.