

PINK TRIANGLE SERVICES

FINANCIAL STATEMENTS

DECEMBER 31, 2014

RAY FOLKINS, CPA, CA

Chartered Professional Accountant / Licensed Public Accountant
251 Bank Street, 2nd Floor
Ottawa, Ontario K2P 1X3

Phone: (819) 827-8862
Fax: (613) 566-3449
Email: ray@raufolkins.ca

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,
Pink Triangle Services:

Report on the Financial Statements

I have audited the accompanying financial statements of Pink Triangle Services, which comprise the statement of financial position as at December 31, 2014 and the statements of changes in net assets (deficit), operations and cash flows 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

INDEPENDENT AUDITORS' REPORT (Continued)

Basis for Qualified Opinion

In common with many not-for-profit organizations, Pink Triangle Services derives revenue in the form of donations, fundraising and fees for rentals and services, 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 and I was not able to determine whether any adjustments might be necessary to donations, fundraising and fees for rentals and services revenue, net revenue (expenses) for the year and net assets (deficit).

Qualified Opinion

In my opinion, except for the 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 Pink Triangle Services as at December 31, 2014 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.

Ray Folkins, CPA, CA

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Chartered Professional Accountant
Licensed Public Accountant

Ottawa, Ontario, Canada
May 12, 2015

PINK TRIANGLE SERVICES**STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2014**

	<u>2014</u>	<u>2013</u>
ASSETS		
CURRENT		
Cash	\$ 2,344	\$ 2,395
Accounts receivable	9,454	14,371
HST receivable	3,019	1,920
Prepaid expenses	<u>113</u>	<u>3,277</u>
	<u>\$ 14,930</u>	<u>\$ 21,963</u>
LIABILITIES AND NET ASSETS (DEFICIT)		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 18,170	\$ 21,852
Employee severance payable (note 7)	18,740	-
Government remittances payable	<u>14,839</u>	<u>14,536</u>
	51,749	36,388
LONG TERM DEBT		
Repayable funding - Ontario AIDS Bureau (note 4)	<u>11,773</u>	<u>12,973</u>
	63,522	49,361
NET ASSETS (DEFICIT)		
Unrestricted net assets (deficit)	<u>(48,592)</u>	<u>(27,398)</u>
	<u>\$ 14,930</u>	<u>\$ 21,963</u>

Approved on behalf of the Board:

Director _____

Director _____

The accompanying notes are an integral part of these financial statements.

PINK TRIANGLE SERVICES**STATEMENT OF CHANGES IN NET ASSETS (DEFICIT)
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>2014</u>	<u>2013</u>
NET ASSETS (DEFICIT)		
Unrestricted net assets, beginning of year	\$ (27,398)	\$ 2,342
Net revenue (expenses) for the year	<u>(21,194)</u>	<u>(29,740)</u>
UNRESTRICTED NET ASSETS (DEFICIT), END OF YEAR	<u>\$ (48,592)</u>	<u>\$ (27,398)</u>

The accompanying notes are an integral part of these financial statements.

PINK TRIANGLE SERVICES**STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>2014</u>	<u>2013</u>
REVENUE		
Donations	\$ 21,261	\$ 23,764
Fees for rentals and services	15,272	12,212
Fundraising	6,676	22,184
Grants		
City of Ottawa	124,750	118,900
United Way	-	14,518
Interest and other income	-	55
	<u>167,959</u>	<u>191,633</u>
EXPENSES		
Administration		
Bank charges	2,251	1,010
Insurance	5,754	5,189
Office and general	3,086	4,846
Professional fees	8,727	4,500
Rent	15,477	13,250
Salaries and benefits	42,148	49,715
Telecommunications	4,948	3,964
	<u>82,391</u>	<u>82,474</u>
Programs		
AGM and Board meetings	-	500
Conferences	-	276
Fundraising campaigns	7,153	11,674
Outreach, library and other programs	1,619	634
Pride	162	684
Promotion and advertising	1,370	2,353
Rent	51,813	44,358
Salaries and benefits	42,307	71,986
Workshops and training	2,338	6,434
	<u>106,762</u>	<u>138,899</u>
	<u>189,153</u>	<u>221,373</u>
NET REVENUE (EXPENSES) FOR THE YEAR	<u>\$ (21,194)</u>	<u>\$ (29,740)</u>

The accompanying notes are an integral part of these financial statements.

PINK TRIANGLE SERVICES**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>2014</u>	<u>2013</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Net revenue (expenses) for the year	\$ (21,194)	\$ (29,740)
Changes in non-cash working capital balances:		
Accounts receivable	4,917	(266)
HST receivable	(1,099)	2,399
Prepaid expenses	3,164	(258)
Accounts payable and accrued liabilities	(3,682)	15,297
Employee severance payable	18,740	-
Government remittances payable	303	983
	<u>22,343</u>	<u>18,155</u>
	1,149	(11,585)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayable funding - Ontario AIDS Bureau	<u>(1,200)</u>	<u>-</u>
INCREASE (DECREASE) IN CASH	(51)	(11,585)
Cash balance, beginning of year	<u>2,395</u>	<u>13,980</u>
CASH BALANCE, END OF YEAR	<u>\$ 2,344</u>	<u>\$ 2,395</u>

The accompanying notes are an integral part of these financial statements.

PINK TRIANGLE SERVICES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014

1. PURPOSE OF THE ORGANIZATION

Pink Triangle Services (PTS) was incorporated on March 29, 1984 under the Canada Corporations Act as a not-for-profit organization and is a Registered Charity under the Income Tax Act. PTS received its Certificate of Continuance under the Canada Not-for-profit Corporations Act on July 25, 2014.

Pink Triangle Services is a volunteer-based social service agency which fosters the health and wellness of all gay, lesbian, bisexual, trans (transsexual, transgender, genderqueer), two-spirit, queer and questioning (GLBTTQ) people in the Ottawa/Outaouais region. PTS works to identify and address the needs of these groups through community development; the provision of online, referral and library resources; advocacy for safer sex practices, sex positive dialogue, an understanding of GLBTTQ issues with the public; and the delivery of respectful and inclusive services and programs provided in a safe environment that affirms equality and is free of discrimination.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and consist of the following significant accounting policies.

a) Accrual basis of accounting

Revenue and expenses are recorded on the accrual basis, whereby they are reflected in the period in which they have been earned and incurred respectively, whether or not such transactions have been finally settled by the receipt or payment of money.

b) Financial instruments

PTS' financial assets and financial liabilities are initially measured at fair value and subsequently measured at cost or amortized cost.

c) Capital assets

Capital assets are expensed in the year of purchase. During the year, office furniture and equipment of Nil (2013 - \$500) and leasehold improvements of Nil (2013 - \$2,417) were purchased and have been expensed.

d) Revenue recognition

PTS follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenditures 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.

e) Contributed services

Pink Triangle Services receives the services of many volunteers and contributions in kind, the cost of which cannot be reasonably estimated. Therefore, no financial representation of such volunteer services and contributions have been included in these financial statements.

PINK TRIANGLE SERVICES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014

2. SIGNIFICANT ACCOUNTING POLICIES, continued

f) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

g) Allocated expenses

A portion of rent expenses is allocated to program expenses based on management's estimate of the relative use of square footage. A portion of salaries and benefits expense is allocated to program expenses based on the estimate of the level of related effort.

3. FINANCIAL INSTRUMENTS

PTS is exposed to various risks through its financial instruments. The following analysis provides a measure of the organization's risk exposure and concentrations at December 31, 2014. PTS does not use derivative financial instruments to manage its risks.

Credit risk

PTS is exposed to credit risk resulting from the possibility that parties may default on their financial obligations. The organization's maximum exposure to credit risk represents the sum of the carrying value of accounts receivable and HST receivable. The organization manages its credit risk by reviewing accounts receivable aging and following up on outstanding amounts. Management believes that all accounts receivable will be collected and that no provision for uncollectible amounts is necessary.

Liquidity risk

Liquidity risk is the risk that the organization cannot meet a demand for cash or fund its obligations as they become due. The organization meets its liquidity requirements by preparing and monitoring detailed forecasts of cash flows from operations, anticipating investing and financing activities and working closely with strategic sustainable funding partners. The organization is exposed to liquidity risk and the Board of Directors and management are continuing their efforts to ensure the organization can successfully manage its cash flow needs.

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 is comprised of currency risk, interest rate risk and other price risk as follows:

i) Currency risk

Currency risk refers to the risk that the fair value of instruments or future cash flows associated with the instruments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates. The organization's financial instruments are all denominated in Canadian dollars and it transacts primarily in Canadian dollars. As a result, management does not believe it is exposed to significant currency risk.

PINK TRIANGLE SERVICES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014

3. FINANCIAL INSTRUMENTS, continued

ii) Interest rate risk

PTS does not have any loans outstanding, other than some credit card debt, nor does it have access to a line of credit. The organization's interest rate risk is limited to the credit card debt and management believes this risk is manageable.

iii) Other price risk

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual instruments or its issuer or factors affecting all similar instruments traded in the market. Management believes the organization is not exposed to other price risk.

Changes in risk

Other than the exposure to liquidity risk considered below in note 6 and interest rate risk noted above, there have been no other changes in the organization's risk exposures from the prior year.

4. REPAYABLE FUNDING - ONTARIO AIDS BUREAU

Pink Triangle Services has entered into an agreement to repay this funding at the rate of \$300 per month without interest to the Ontario Ministry of Health and Long-Term Care.

5. LEASE COMMITMENT

The organization is committed to a lease agreement for office space that expires on March 31, 2016. Annual lease payments, including operating costs and HST are estimated as follows:

2015	\$	76,341
2016	\$	19,085

6. ECONOMIC DEPENDENCY AND GOING CONCERN CONSIDERATIONS

Pink Triangle Services derives a major portion of its revenue from the City of Ottawa. Management is committed to work with the City and other funders and to seek new funding sources, particularly through expanding its fundraising and fees for rentals and services efforts, to support its activities and continue to provide services to the community. Management and the Board of Directors have also taken steps in early 2014 by confirming the City's funding commitment over the next three years and to reduce staffing costs and other operating expenses in order to manage adequate future cash flows. In order to maintain the organization as a going concern, the PTS Board of Directors recognizes the need to address the organization's liquidity issues by seeking the support of existing stakeholders and also to increase or renew the ongoing financial support of past and future strategic funding partners.

7. EMPLOYEE SEVERANCE PAYABLE

PTS has made a severance agreement with a former employee to pay this amount when the organization has repaid the government remittances payable and the Ontario AIDS Bureau repayable funding and when sufficient funds are available to manage this obligation at the rate of \$1,000 per month or more depending on operating cash flow needs.