

Community Inclusions Ltd.

Financial Statements

March 31, 2011

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1.

Independent Auditor's Report

To the Directors of Community Inclusions Ltd.,

I have audited the accompanying financial statements of Community Inclusions Ltd., which comprise the statement of financial position as at March 31, 2011, and the statement of operations, changes in equity, and statement of cash flows for the four months 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 generally accepted accounting principles, 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 judgement, 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 audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Community Inclusions Ltd. as at March 31, 2011, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

June 14, 2011

Summerside, PEI



Chartered Accountant

Community Inclusions Ltd.

2.

Balance Sheet
March 31, 2011

Assets	<u>2011</u>	<u>2010</u>
Current		
Cash	\$ 252,305	\$ 309,457
Accounts receivable (Note 3)	34,238	24,645
Prepaid expenses	6,111	4,913
Inventory, at the lower of estimated cost and net realizable value	<u>900</u>	<u>900</u>
	293,554	339,915
Investment (Note 4)	12,155	11,576
Capital assets (Note 5)	755,542	80,691
Construction in progress (Note 12)	222,893	379,034
Group insurance cash balance (Note 6)	<u>12,411</u>	<u>12,509</u>
	\$ <u>1,296,555</u>	\$ <u>823,725</u>
Liabilities		
Current		
Bank overdraft (Note 7)	\$ 205,617	\$
Payables and accruals	85,355	110,459
Current portion of long term debt	<u>10,997</u>	<u>14,681</u>
	301,969	125,140
Long term debt (Note 8)	112,145	119,298
Deferred contributions (Note 9)	<u>482,015</u>	<u>350,977</u>
	<u>896,129</u>	<u>595,415</u>
Net assets		
Net assets invested in capital assets	279,972	76,713
Unrestricted net assets	<u>120,454</u>	<u>151,597</u>
	<u>400,426</u>	<u>228,310</u>
	\$ <u>1,296,555</u>	\$ <u>823,725</u>

Commitments (Note 12)

Contingency (Note 13)

On Behalf Of The Board_____
Director_____
Director

Community Inclusions Ltd.

3.

Statement Of Revenue And Expenditure
Year Ended March 31, 2011

	<u>2011</u>	<u>2010</u>
Revenue		
Province of PEI	\$ 776,400	\$ 693,800
Employment Counsellor -HRDC	148,863	103,102
Job creation grants	14,367	8,802
Room, Board and supervision, Alberton	94,389	
Baking and lunch programs	59,546	57,765
Woodworking and buttons	2,436	2,102
Cleaning	1,391	414
Contracts	29	70
Respite and one-on-one	44,835	52,277
Transportation	2,993	3,056
Amortization of deferred contributions	18,549	
Donations	1,932	1,421
Sundry	3,148	2,983
	<u>1,168,878</u>	<u>925,792</u>
Expenditures		
Advertising and promotion	2,128	2,425
Amortization of capital assets	38,082	5,020
Bank charges and interest	1,180	1,091
Board allowance and annual meeting	2,665	1,444
Cable television	2,139	1,447
Electricity	12,894	10,732
Groceries	21,142	10,750
Heating oil and propane	14,007	8,729
Insurance	4,170	4,003
Interest on long term debt	5,281	463
Mileage and travel	42,796	23,718
Office expenses	10,736	9,406
Professional fees	7,277	8,718
Purchases and supplies	43,525	37,113
Recreation	327	
Rent and property tax	21,798	19,505
Repairs and maintenance	26,875	14,442
Staff training	5,267	5,165
Sundry	7,258	6,234
Telephone and internet	12,139	10,000
Trainee allowances	33,672	12,230
Wages and benefits	836,404	678,303
	<u>1,151,762</u>	<u>870,938</u>
Excess of revenue over expenditure	<u>\$ 17,116</u>	<u>\$ 54,854</u>

Community Inclusions Ltd.

4.

Cash Flow Statement
Year Ended March 31, 2011

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities		
Excess of revenue over expenditure	\$ 17,116	\$ 54,854
Item not affecting cash		
Amortization of capital assets	38,082	5,020
Amortization of deferred contributions	<u>(18,549)</u>	
	36,649	59,874
Changes in		
Receivables	(9,593)	(949)
Prepaid expenses	(1,198)	17
Accounts payable	<u>(25,104)</u>	<u>14,019</u>
	<u>754</u>	<u>72,961</u>
Cash flows from investing activities		
Construction in progress	156,141	(379,034)
Purchase of saving bond	(579)	(551)
Group insurance cash balance	98	(4,246)
Purchase of		
Buildings	(505,758)	
Paving	(15,119)	
Equipment	<u>(37,056)</u>	
	<u>(402,273)</u>	<u>(383,831)</u>
Cash flows from financing activities		
Deferred contributions	149,587	350,977
Proceeds from issue of long term debt		130,000
Reduction of long term debt	<u>(10,837)</u>	<u>(4,609)</u>
	<u>138,750</u>	<u>476,368</u>
Cash increase	(262,769)	165,498
Cash		
Beginning of year	<u>309,457</u>	<u>143,959</u>
End of year	\$ <u><u>46,688</u></u>	\$ <u><u>309,457</u></u>

Community Inclusions Ltd.

5.

Statement of Changes in Net Assets
Year Ended March 31, 2011

	2011			2010
	<u>Invested in Capital Assets</u>	<u>Unrestricted</u>	<u>Total</u>	<u>Total</u>
Beginning of year	\$ 76,713	\$ 151,597	\$ 228,310	\$ 133,456
Excess of Revenues over Expenditure		17,116	17,116	54,854
Capital asset contributions	155,000		155,000	40,000
Amortization of capital assets	(38,082)	38,082		
Amortization of deferred contributions	18,549	(18,549)		
Deferred contributions	(370,977)	370,977		
Purchase of capital assets	557,933	(557,933)		
Long term debt	(130,000)	130,000		
Repayment of long term debt	<u>10,836</u>	<u>(10,836)</u>		
End of year	\$ <u>279,972</u>	\$ <u>120,454</u>	\$ <u>400,426</u>	\$ <u>228,310</u>

1. Nature of operations

Community Inclusions Ltd. is incorporated (without share capital) under the laws of Prince Edward Island. It is a not-for-profit organization which provides employment, residential and support services to mentally challenged individuals in West Prince. It is primarily funded by the provincial government. It is not subject to income taxes on its earnings due to its not-for-profit status.

2. Summary of Significant Accounting policies

Revenue recognition

Revenue is recognized using the deferral method of accounting for contributions. Revenue is deferred until the period in which the related expenditure is incurred.

Capital assets

Purchased capital assets are recorded at cost. Amortization is recorded using the declining balance method at the rates indicated in note 5.

Contributed capital assets

Contributed capital assets are recognized in the financial statements at their fair value.

Contributed services

Contributed services and volunteer hours are not recognized in the financial statements due to the difficulty in estimating their fair value.

Financial Instruments

Cash, accounts receivable and accounts payable are measured at their carrying value since it is comparable to their fair value due to their short term nature.

Investment in PEI Energy Savings Bond has been classified as held-to-maturity and is measured at cost.

The carrying amount of long term debt is measured at unamortized cost based on initial fair value established using market rates for the same or similar debt instruments.

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires directors and management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from their best estimates as additional information becomes available in the future and adjustments, if any, are recorded as that information becomes known.

Deferred government assistance

Capital asset grants are accounted for as deferred government assistance and amortized on the same basis as the related capital assets. Operating grants are accounted for as a reduction of operating expenses.

3. Accounts receivable

	<u>2011</u>	<u>2010</u>
Accounts receivable, trade	\$ 21,409	\$ 13,085
GST rebate	<u>12,829</u>	<u>11,560</u>
	<u>\$ 34,238</u>	<u>\$ 24,645</u>

4. Investment

	<u>2011</u>	<u>2010</u>
5% Compound interest PEI Energy Savings Bond, maturing in 2012, at cost	<u>\$ 12,155</u>	<u>\$ 11,576</u>

5. Capital assets

		<u>2011</u>		<u>2010</u>	
	<u>Rate</u>	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land		\$ 85,000	\$	\$ 85,000	\$ 45,000
Buildings	5%	652,153	37,895	614,258	40,000
Paving	8%	15,119	1,210	13,909	19,776
Equipment	20%	<u>76,009</u>	<u>33,634</u>	<u>42,375</u>	<u>15,915</u>
		<u>\$ 828,281</u>	<u>\$ 72,739</u>	<u>\$ 755,542</u>	<u>\$ 120,691</u>

6. Group insurance cash balance

The company has a self administered group insurance plan and contributes to the plan on a cost shared basis with its employees. All claims and administrative fees are paid from the plan. The company's goal is to have one year of premiums in the plan in the event there are major claims.

7. Bank overdraft

The company has an authorized operating line of credit of \$20,000 of which \$20,000 was unused (not including outstanding cheques) at March 31, 2011. The rate is 6% and is due annually. As security, the company has provided a general security agreement.

8. Long term debt

	<u>2011</u>	<u>2010</u>
7.25% mortgage payable in blended bi-weekly payments of \$195. The mortgage matures in 2011 and is amortized to 2011. It is secured by land and building.	\$	\$ 3,979
4.25% mortgage payable in blended monthly payments of \$1,335. The mortgage matures in 2015 and is amortized to 2025. It is secured by a general security agreement, land and building.	<u>123,142</u>	<u>130,000</u>
	123,142	133,979
Less: current portion	<u>10,997</u>	<u>14,681</u>
	<u>\$ 112,145</u>	<u>\$ 119,298</u>

Principal repayments in each of the next five years are as follows: 2012 - \$10,997; 2013 - \$11,474; 2014 - \$11,971; 2015 - \$12,490; 2016 - \$13,031.

9. Deferred contributions

		(Note 12)	2011	2010
	Alberton Project	O'Leary Project	Total	Total
Beginning of year	\$ 350,977	\$	\$ 350,977	\$
Contributions received	<u>20,000</u>	<u>129,587</u>	<u>149,587</u>	<u>350,977</u>
	370,977	129,587	500,564	350,977
Accumulated amortization	<u>18,549</u>	<u></u>	<u>18,549</u>	<u></u>
End of year	\$ <u><u>352,428</u></u>	\$ <u><u>129,587</u></u>	\$ <u><u>482,015</u></u>	\$ <u><u>350,977</u></u>

During the year a housing project was completed. Grants received for the project are recorded as deferred contributions and are amortized to income at the same rate as the related assets.

The grants for this project were as follows:

Government of Canada	\$ 150,000
P.E.I. Housing Corporation	200,000
Rotary Club of Summerside	20,000
Other	<u>977</u>
	\$ <u><u>370,977</u></u>

The grant from Prince Edward Island Housing Corporation is repayable if certain terms and conditions are not adhered to during the ten years ending in 2020. The forgivable amount is secured by a second mortgage over the land and building in Alberton.

10. Severance pay

Under the terms of a collective agreement with its employees, the company is liable for severance pay under the following terms:

Employees with ten or more years of continuous employment are entitled to one week of pay for each year of service where the employee dies, is terminated because of layoff or retires upon reaching the age of 55.

Company policy is to record the liability for severance pay for all employees assuming they will stay employed until they qualify.

Severance pay payable, recorded in the financial statements, is as follows: 2011 - \$60,387; 2010 - \$50,402.

11. Company pension

The company has a defined contribution plan available to most of its employees. The total plan expense for its defined contribution plan is as follows:

	<u>2011</u>	<u>2010</u>
Pension plan expense	\$ <u>12,691</u>	\$ <u>10,609</u>

12. Construction in progress

The company has started a project in O'Leary, PEI that will provide accessible housing for people with intellectual disabilities. The property has been donated to the company and is recorded in the accounts at a fair market value of \$155,000.

The company has started renovating the building and the project has not been completed as at March 31, 2011 and total costs and funding are expected to be as follows:

Costs:

Land	\$ 40,000
Building	115,000
Construction and other costs	<u>429,921</u>
	\$ <u>584,921</u>

Funding:

Government of Canada	\$ 142,500
O'Leary Lion's Club donated land and building	155,000
Province of PEI	200,000
Long term debt	84,921
Other grants	<u>2,500</u>
	\$ <u>584,921</u>

13. Contingent liability

Under the terms of a collective agreement, employees can accumulate sick time at the rate of 9.375 hours for each 162.5 hours worked to a maximum of 1,000 hours. Sick hours accumulated and unused by employees at March 31, 2011 total 3,355 with a potential payroll cost of \$73,138.

It is not known whether employees would actually use the sick hours because the use depends on future possible events. Therefore, there has been no accrual in the accounting records for sick pay payable.