

Financial Statements of

**PATHWAYS TO EDUCATION
CANADA/PASSEPORT POUR
MA RÉUSSITE CANADA**

Year ended March 31, 2011



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Pathways to Education Canada/
Passeport pour ma réussite Canada

Report on the Financial Statements

We have audited the accompanying financial statements of Pathways to Education Canada/Passeport pour ma réussite Canada, which comprise the statement of financial position as at March 31, 2011, the statements of revenue and expenses, changes in net assets and cash flows for the year then ended, and notes, comprising 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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 our 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, we consider 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.



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Basis for Qualified Opinion

In common with many charitable organizations, Pathways to Education Canada/Passeport pour ma réussite Canada derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of Pathways to Education Canada/Passeport pour ma réussite Canada and we were not able to determine whether, as at or for the years ended March 31, 2011 and March 31, 2010, any adjustments might be necessary to donations, excess (deficiency) of revenue over expenses reported in the statement of revenue and expenses and current assets and net assets reported in the statement of financial position.

Qualified Opinion

In our opinion, except for the possible 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 Pathways to Education Canada/Passeport pour ma réussite Canada as at March 31, 2011, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Report on Other Legal and Regulatory Requirements

As required by the Canada Corporations Act, we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with Canadian generally accepted accounting principles have been applied on a basis consistent with that of the preceding year.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

June 15, 2011
Toronto, Canada

PATHWAYS TO EDUCATION CANADA/ PASSEPORT POUR MA RÉUSSITE CANADA

Statement of Financial Position

March 31, 2011, with comparative figures for 2010

	2011	2010
Assets		
Current assets:		
Cash and cash equivalents (note 2):		
Unrestricted	\$ 6,704,769	\$ 5,688,910
Restricted	4,529,419	11,291,317
Accounts receivable	90,263	12,200
HST/GST tax receivable	53,016	12,421
Prepaid expenses and sundry	25,488	23,412
	<u>11,402,955</u>	<u>17,028,260</u>
Cash and cash equivalents - restricted for future use (note 2)	1,032,394	544,203
Property and equipment (note 3)	7,303	-
	<u>\$ 12,442,652</u>	<u>\$ 17,572,463</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued expenses	\$ 388,318	\$ 288,166
Due to Province of Ontario (note 4)	343,565	276,024
	<u>731,883</u>	<u>564,190</u>
Net assets:		
Externally restricted funds:		
Community Designated	1,247,443	759,123
Specified for Ontario (note 4)	2,185,730	10,790,530
Specified for Federal	1,600,000	-
Specified - other	185,176	5,761
Internally restricted funds	750,000	750,000
Unrestricted funds	5,742,420	4,702,859
	<u>11,710,769</u>	<u>17,008,273</u>
	<u>\$ 12,442,652</u>	<u>\$ 17,572,463</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

PATHWAYS TO EDUCATION CANADA/ PASSEPORT POUR MA RÉUSSITE CANADA

Statement of Revenue and Expenses

Year ended March 31, 2011, with comparative figures for 2010

	Externally restricted funds					2011	2010
	Community Designated	Specified for Ontario	Specified for Federal	Other Specified	Unrestricted funds	Total	Total
Revenue:							
Donations:							
Agencies and other organizations (note 5)	\$ 2,143,906	\$ -	\$ -	\$ 500,000	\$ 31,520	\$ 2,675,426	\$ 2,611,322
Government (note 4)	-	-	2,000,000	231,918	-	2,231,918	184,047
Foundations	1,260,719	-	-	303,000	1,630,229	3,193,948	1,195,068
Individuals	270,976	-	-	-	421,972	692,948	486,652
Corporations	834,872	-	-	27,000	385,569	1,247,441	1,162,348
Events	-	-	-	-	519,043	519,043	356,620
Interest	9,853	-	-	2,059	37,565	49,477	13,042
	4,520,326	-	2,000,000	1,063,977	3,025,898	10,610,201	6,009,099
Expenses:							
Salaries and benefits	-	358,965	298,515	538,362	1,032,600	2,228,442	1,539,519
Purchased services	-	11,036	33,073	166,909	113,038	324,056	588,497
Events	-	-	-	-	139,798	139,798	116,026
Recruiting	-	-	-	-	-	-	118,325
Office rent and other (note 7)	-	19,982	19,128	74,455	18,819	132,384	59,867
Amortization	-	1,727	1,245	-	1,410	4,382	11,154
Audit and legal	-	3,668	11,759	15,732	12,826	43,985	55,261
Conference	-	12,525	7,371	-	9,458	29,354	19,569
Travel and transportation	-	22,339	21,940	60,500	28,598	133,377	52,228
Publication and other	-	3,853	3,550	1,109	26,900	35,412	14,331
Marketing and communication	-	-	-	-	333,797	333,797	66,103
Insurance	-	987	1,102	9,012	1,248	12,349	10,931
Professional development	-	2,846	1,559	-	6,846	11,251	3,858
Donor related	-	-	-	-	1,133	1,133	7,252
Office equipment and software	-	-	-	6,082	154,159	160,241	69,533
Bank charges	-	891	758	12,401	858	14,908	9,460
	-	438,819	400,000	884,562	1,881,488	3,604,869	2,741,914
Excess (deficiency) of revenue over expenses before grants to communities	4,520,326	(438,819)	1,600,000	179,415	1,144,410	7,005,332	3,267,185
Grants to communities (note 6):							
Operating grants	3,817,409	7,562,981	-	-	76,456	11,456,846	7,103,546
Community engagement grants	-	-	-	-	-	-	134,113
Scholarships	214,597	603,000	-	-	28,393	845,990	764,537
	4,032,006	8,165,981	-	-	104,849	12,302,836	8,002,196
Excess (deficiency) of revenue over expenses	\$ 488,320	\$ (8,604,800)	\$ 1,600,000	\$ 179,415	\$ 1,039,561	\$ (5,297,504)	\$ (4,735,011)

See accompanying notes to financial statements.

PATHWAYS TO EDUCATION CANADA/ PASSEPORT POUR MA RÉUSSITE CANADA

Statement of Changes in Net Assets

Year ended March 31, 2011, with comparative figures for 2010

							2011	2010
	Externally restricted funds				Internally restricted funds	Unrestricted funds	Total	Total
	Community Designated	Specified for Ontario	Specified for Federal	Other Specified				
Net assets, beginning of year	\$ 759,123	\$ 10,790,530	\$ –	\$ 5,761	\$ 750,000	\$ 4,702,859	\$ 17,008,273	\$ 21,743,284
Excess (deficiency) of revenue over expenses	488,320	(8,604,800)	1,600,000	179,415	–	1,039,561	(5,297,504)	(4,735,011)
Net assets, end of year	\$ 1,247,443	\$ 2,185,730	\$ 1,600,000	\$ 185,176	\$ 750,000	\$ 5,742,420	\$ 11,710,769	\$ 17,008,273

See accompanying notes to financial statements.

PATHWAYS TO EDUCATION CANADA/ PASSEPORT POUR MA RÉUSSITE CANADA

Statement of Cash Flows

Year ended March 31, 2011, with comparative figures for 2010

	2011	2010
Cash provided by (used in):		
Operating activities:		
Deficiency of revenue over expenses	\$ (5,297,504)	\$ (4,735,011)
Amortization which does not involve cash	4,382	11,154
Change in non-cash operating working capital:		
Accounts receivable	(78,063)	2,409
HST/GST tax receivable	(40,595)	(3,540)
Prepaid expenses and sundry	(2,076)	(1,127)
Accounts payable and accrued expenses	100,152	74,921
Due to Province of Ontario	67,541	32,564
	<u>(5,246,163)</u>	<u>(4,618,630)</u>
Investing activities:		
Additions to property and equipment	(11,685)	-
Cash and cash equivalents - restricted for future use	(488,191)	(9,360)
	<u>(499,876)</u>	<u>(9,360)</u>
Decrease in cash and cash equivalents	(5,746,039)	(4,627,990)
Cash and cash equivalents, beginning of year	16,980,227	21,608,217
Cash and cash equivalents, end of year	<u>\$ 11,234,188</u>	<u>\$ 16,980,227</u>
Cash and cash equivalents:		
Unrestricted	\$ 6,704,769	\$ 5,688,910
Restricted	4,529,419	11,291,317
	<u>\$ 11,234,188</u>	<u>\$ 16,980,227</u>

See accompanying notes to financial statements.

PATHWAYS TO EDUCATION CANADA/ PASSEPORT POUR MA RÉUSSITE CANADA

Notes to Financial Statements

Year ended March 31, 2011

Pathways to Education Canada/Passeport pour ma réussite Canada ("Pathways") was incorporated under the Canada Corporations Act on March 9, 2005 and was registered under the Charities Act on May 26, 2005.

Pathways is a charitable organization that helps youth in low-income communities graduate from high school and successfully transition into post-secondary education or training. Pathways removes systemic barriers to education by providing leadership, expertise and a community-based program proven to lower dropout rates. Founded in 2001, Pathways operates in eleven communities across Canada, with programs in Ontario, Québec, Nova Scotia and Manitoba.

1. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following significant accounting policies are used:

(a) Basis of accounting:

Pathways uses the restricted fund method of accounting for contributions from donors. Restricted contributions are recognized as receipts in the year in which they are received and are recorded in the appropriate externally restricted fund. Unrestricted contributions are recognized in the year in which they are received and are recorded in the unrestricted fund.

(b) Funds:

(i) Externally restricted funds:

Externally restricted funds include:

(a) Community Designated - receives donations that are restricted by donors to be used to support the Pathways to Education Program in specific communities. Certain donors have further restricted the funds to be used for scholarships within specific communities.

(b) Specified for Ontario - receives grants from the Government of Ontario to be used in accordance with the grant agreement for the Pathways to Education Program in Ontario (note 4).

PATHWAYS TO EDUCATION CANADA/ PASSEPORT POUR MA RÉUSSITE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2011

1. Significant accounting policies (continued):

(c) Specified for Federal - receives grants from the Government of Canada to be used in accordance with the grant agreement for the Pathways to Education Program in Canada.

(d) Other Specified - receives grants from government and foundations to be used in accordance with specific grant agreements for the Pathways to Education Program.

(ii) Internally restricted funds:

The Board of Directors approved an internal reserve of \$750,000 to be used in the event of a financial shortfall. The internally restricted amount is not available without approval of the Board of Directors.

(iii) Unrestricted funds:

Unrestricted funds are amounts without external restrictions imposed by donors.

(c) Allocation of costs:

Pathways allocates certain support costs, including administration and program costs, to restricted funds in a systematic and consistent manner and in accordance with donor agreements.

(d) Cash and cash equivalents:

Cash and cash equivalents are recorded at cost plus accrued interest which approximates market value.

PATHWAYS TO EDUCATION CANADA/ PASSEPORT POUR MA RÉUSSITE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2011

1. Significant accounting policies (continued):

(e) Property and equipment:

Property and equipment are stated at cost less accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Computer hardware	2 years
Computer software	2 years

(f) Financial instruments:

Pathways designates its cash and cash equivalents as held-for-trading, which is measured at fair value. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued expenses and due to Province of Ontario are classified as other financial liabilities, which are measured at amortized cost.

Pathways has adopted The Canadian Institute of Chartered Accountants' Handbook Section 3861, Financial Instruments - Disclosure and Presentation. In accordance with the Accounting Standards Board's decision to exempt not-for-profit organizations from the disclosure requirements with respect to financial instruments contained within Handbook Section 3862, Financial Instruments - Disclosures, and Section 3863, Financial Instruments - Presentation, Pathways has elected not to adopt these standards in its financial statements.

(g) Donations in kind:

Pathways receives contributions of materials and services, including many volunteer hours. As the fair value of all of these contributions cannot be easily estimated and some of these contributions may not necessarily have been otherwise purchased in the normal course of business, Pathways does not record the fair value of these materials and services in the financial statements. Note 7 discloses an estimated value of donations in kind for which a fair value can be reasonably estimated.

PATHWAYS TO EDUCATION CANADA/ PASSEPORT POUR MA RÉUSSITE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2011

1. Significant accounting policies (continued):

(h) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts 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 year. Actual results could differ from those estimates.

2. Cash and cash equivalents:

Cash and cash equivalents consist of cash on deposit and certificates of deposit that are redeemable at any time.

Cash and cash equivalents - restricted for future use represents funds externally restricted for future bursaries at designated locations.

3. Property and equipment:

			2011	2010
	Cost	Accumulated amortization	Net book value	Net book value
Computer hardware	\$ 10,100	\$ 10,100	\$ –	\$ –
Computer software	18,435	11,132	7,303	–
	\$ 28,535	\$ 21,232	\$ 7,303	\$ –

4. Due to Province of Ontario:

Pathways entered into an agreement with the Province of Ontario to receive a financial contribution in the amount of \$19,000,000 (of which approximately \$2,300,000 was received in 2008 and \$16,700,000 was received in 2009) for the replication of the Pathways to Education Program in additional Ontario communities, and to provide the government with data, reports, presentations and advice on effective program design and success factors.

PATHWAYS TO EDUCATION CANADA/ PASSEPORT POUR MA RÉUSSITE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2011

4. Due to Province of Ontario (continued):

This agreement expires the earlier of October 31, 2011 or 60 days after the date that the Province of Ontario provides a written notice of termination.

In the event that the Province of Ontario provides a written notice of termination, the unused portion of the contribution will be required to be returned to the Province of Ontario. Externally restricted funds - Specified for Ontario as at March 31, 2011 is \$2,185,730 (2010 - \$10,790,530) and represents the amount of unused funds.

Interest on funds received from the Province of Ontario is recorded as due to Province of Ontario and totalled \$343,565 (2010 - \$276,024). This amount is payable to the Province of Ontario upon request.

5. United Way Toronto:

	2011	2010
Donations from United Way Toronto (included in donations - agencies and other organizations)	\$ 2,500,000	\$ 2,500,000
Grants to communities:		
Regent Park Community Health Centre	675,000	775,000
New Heights Community Health Centre	500,000	500,000
Rexdale Community Health Centre	500,000	500,000
Scarborough Youthlink	250,000	137,633
Salaries and other support costs	500,000	500,000
	2,425,000	2,412,633
	\$ 75,000	\$ 87,367
Externally restricted - Community Designated for:		
Future community for Toronto	\$ 75,000	\$ 75,000
Programs for Scarborough Youthlink	-	12,367
	\$ 75,000	\$ 87,367

The prior year's amount of \$12,367 was utilized during the current fiscal year.

PATHWAYS TO EDUCATION CANADA/ PASSEPORT POUR MA RÉUSSITE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2011

6. Grants to communities:

Grants to communities include grants to: Mosaic Counselling and Family Services, Kitchener, Ontario; New Heights Community Health Centre, Toronto, Ontario; North Hamilton Community Health Centre, Hamilton, Ontario; Pinecrest–Queensway Health and Community Services, Ottawa, Ontario; Regent Park Community Health Centre, Toronto, Ontario; Rexdale Community Health Centre, Toronto, Ontario; Scarborough Youthlink, Scarborough, Ontario; and Toujours Ensemble, Montreal, Québec.

Grants to communities also include community engagement grants to: Community Education Development Association, Winnipeg, Manitoba; Chebucto Community Development Association, Halifax, Nova Scotia; and Kingston Community Health Centre, Kingston, Ontario.

7. Donations in kind:

(a) Materials and services:

As described in note 1(g), Pathways receives contributions of certain materials and services for which a fair market value can be reasonably estimated. Pathways does not record the fair value of these materials and services in the financial statements. Pathways received the following donations in kind:

	2011	2010
Occupancy costs	\$ –	\$ 105,000
Other services and goods	23,043	11,969
	<u>\$ 23,043</u>	<u>\$ 116,969</u>

(b) Shares:

Included in donations on the statement of revenue and expenses is \$83,067 (2010 - \$485,365) in donated shares.

PATHWAYS TO EDUCATION CANADA/ PASSEPORT POUR MA RÉUSSITE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2011

8. Fair values of financial assets and financial liabilities:

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses and due to Province of Ontario approximate their fair values due to the relatively short periods to maturity of these financial instruments or because they are receivable or payable on demand.

9. Capital disclosure:

Pathways defines its capital as the amounts included in its net asset balances. Pathways' objective when managing its capital is to safeguard Pathways' ability to continue as a going concern so that it can continue to provide the appropriate level of benefits and services to its member sites and its donors. A portion of Pathways' capital is restricted in that Pathways is required to meet certain requirements in order to utilize its externally restricted net asset balance. Pathways has internal control processes to ensure that the restrictions are met prior to the utilization of these resources. Pathways sets the amount of net asset balances in proportion to risk, manages the net asset structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets.

10. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.