

Financial Statements of

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

Year ended March 31, 2017



KPMG LLP
Vaughan Metropolitan Centre
100 New Park Place, Suite 1400
Vaughan ON L4K 0J3
Canada
Tel 905-265-5900
Fax 905-265-6390

INDEPENDENT AUDITORS' REPORT

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

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, 2017, 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 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.

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.



Page 2

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, verification of this revenue was limited to the amounts recorded in the records of Pathways to Education Canada/Passeport pour ma réussite Canada. Therefore, we were not able to determine whether, as at and for the years ended March 31, 2017 and March 31, 2016, any adjustments might be necessary to donations, excess of revenue over expenses reported in the statements of revenue and expenses, excess of revenue over expenses reported in the statements of cash flows and current assets and net assets reported in the statements of financial position. This caused us to qualify our opinion on the financial statements as at and for the year ended March 31, 2016.

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, 2017, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

June 15, 2017
Vaughan, Canada

PATHWAYS TO EDUCATION CANADA/ PASSEPORT POUR MA RÉUSSITE CANADA

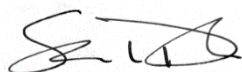
Statement of Financial Position

March 31, 2017, with comparative information for 2016

	2017	2016
Assets		
Current assets:		
Cash and cash equivalents:		
Unrestricted	\$ 3,864,965	\$ 1,969,948
Restricted	8,942,410	7,325,109
Amounts receivable	149,115	218,480
Prepaid expenses and sundry	139,201	51,777
	<u>13,095,691</u>	<u>9,565,314</u>
Investments (note 2)	2,246,171	2,192,449
Capital assets (note 3)	81,141	143,692
	<u>\$ 15,423,003</u>	<u>\$ 11,901,455</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses (note 4)	\$ 587,490	\$ 648,918
Deferred contributions (note 5):		
Community designated	6,766,806	5,080,249
Scholarship designated	1,114,132	1,756,383
Other designated	1,061,472	488,477
	<u>8,942,410</u>	<u>7,325,109</u>
	9,529,900	7,974,027
Net assets:		
Internally restricted funds	750,000	750,000
Unrestricted funds	5,143,103	3,177,428
	<u>5,893,103</u>	<u>3,927,428</u>
Lease commitments (note 7)		
	<u>\$ 15,423,003</u>	<u>\$ 11,901,455</u>

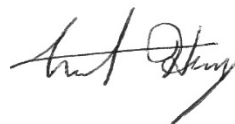
See accompanying notes to financial statements.

On behalf of the Board:



Samuel L. Duboc

Director



Trent Henry

Director

PATHWAYS TO EDUCATION CANADA/ PASSEPORT POUR MA RÉUSSITE CANADA

Statement of Revenue and Expenses

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Revenue:		
Government	\$ 19,077,846	\$ 19,010,939
Corporations	5,495,022	4,261,230
Foundations and agencies	3,990,982	3,256,579
Individuals	838,086	1,031,859
Investments (note 2)	252,213	88,708
	<u>29,654,149</u>	<u>27,649,315</u>
Grants to communities:		
Operating and project grants (note 1(b))	19,242,947	18,931,934
Scholarships and bursaries	1,997,579	1,872,772
	<u>21,240,526</u>	<u>20,804,706</u>
National Office expenses:		
Salaries and benefits	4,059,849	4,601,082
Purchased services	864,371	566,941
Events and stakeholder meetings	274,593	357,906
Office rent	269,625	272,120
Community engagement	236,331	–
Information technology	145,390	249,540
Travel and transportation	132,645	205,843
Marketing and communication	111,418	183,581
Professional services fees	89,885	136,833
Office supplies, publications and printing	72,887	124,925
Training, recruitment and development	70,605	68,318
Donor cultivation and stewardship	57,798	50,178
Amortization	62,551	16,600
	<u>6,447,948</u>	<u>6,833,867</u>
Total expenses	27,688,474	27,638,573
Excess of revenue over expenses	<u>\$ 1,965,675</u>	<u>\$ 10,742</u>

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, 2017, with comparative information for 2016

			2017	2016
	Internally restricted funds	Unrestricted funds	Total	Total
Net assets, beginning of year	\$ 750,000	\$ 3,177,428	\$ 3,927,428	\$ 3,916,686
Excess of revenue over expenses	–	1,965,675	1,965,675	10,742
Net assets, end of year	\$ 750,000	\$ 5,143,103	\$ 5,893,103	\$ 3,927,428

See accompanying notes to financial statements.

PATHWAYS TO EDUCATION CANADA/ PASSEPORT POUR MA RÉUSSITE CANADA

Statement of Cash Flows

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 1,965,675	\$ 10,742
Amortization which does not involve cash	62,551	16,600
Change in non-cash operating working capital:		
Amounts receivable	69,365	(79,416)
Prepaid expenses and sundry	(87,424)	14,147
Accounts payable and accrued expenses	(61,428)	61,628
Deferred contributions	1,617,301	831,072
	<u>3,566,040</u>	<u>854,773</u>
Financing activities:		
Additions to capital assets	–	(42,708)
Investing activities:		
Increase in investments, net	(53,722)	(3,918)
Increase in cash and cash equivalents	3,512,318	808,147
Cash and cash equivalents, beginning of year	9,295,057	8,486,910
Cash and cash equivalents, end of year	<u>\$ 12,807,375</u>	<u>\$ 9,295,057</u>
Cash and cash equivalents:		
Unrestricted	\$ 3,864,965	\$ 1,969,948
Restricted	8,942,410	7,325,109
	<u>\$ 12,807,375</u>	<u>\$ 9,295,057</u>

See accompanying notes to financial statements.

PATHWAYS TO EDUCATION CANADA/ PASSEPORT POUR MA RÉUSSITE CANADA

Notes to Financial Statements

Year ended March 31, 2017

Pathways to Education Canada/Passeport pour ma réussite Canada ("Pathways") is a national charitable organization working to break the cycle of poverty through the power of education. The Pathways to Education Program™ provides a unique combination of academic, financial, social and one-on-one supports to youth in low-income communities. Founded in 2001, the Pathways to Education Program is currently offered in 18 communities across Canada with plans for continued expansion.

Pathways is a registered charity and is exempt from income taxes (and able to issue donation receipts for income tax purposes) provided certain requirements of the Income Tax Act (Canada) are met. Pathways is continued under the Canada Not-for-profit Corporations Act as a not-for-profit organization without share capital (registration number 861908499 RR0001).

1. Significant accounting policies:

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations.

(a) Revenue recognition:

Pathways follows the deferral method of accounting for contributions.

Restricted contributions containing conditions as to its use are deferred until the conditions are fulfilled or the related expenses are incurred. Unrestricted contributions without conditions as to its use are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income, which is recognized on an accrual basis, includes interest, realized gains and changes in unrealized gains on investments.

(b) Operating and project grants:

Pathways partners with well-established community organizations which deliver Pathways programming directly to students in communities within Ontario, Quebec, New Brunswick, Nova Scotia, Manitoba and British Columbia. Operating and project grants consist of Pathways to Education Program's funding to these local organizations. Grants are recognized as expenses when they are paid.

PATHWAYS TO EDUCATION CANADA/ PASSEPORT POUR MA RÉUSSITE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2017

1. Significant accounting policies (continued):

(c) Net assets:

(i) Internally restricted funds:

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

(ii) Unrestricted funds:

Unrestricted funds are amounts without external restrictions imposed by donors.

(d) Cash and cash equivalents:

Cash and cash equivalents consist of cash deposits and short-term investments with original maturities of less than 12 months, or redeemable on demand. Cash and short-term investments meeting the definition of cash and cash equivalents that are held for investing rather than liquidity purposes are classified as investments.

(e) Capital assets:

Purchased capital assets are recorded at cost.

Capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Computer hardware	2 years
Computer software	2 years
Furniture and fixtures	4 years
Leasehold improvements	Term of lease

PATHWAYS TO EDUCATION CANADA/ PASSEPORT POUR MA RÉUSSITE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2017

1. Significant accounting policies (continued):

(f) Donated goods and services:

The value of donated goods and services is recorded as revenue and expense in the financial statements when the fair value can be reasonably estimated and when the goods and services are normally purchased and would be paid for if not donated.

Pathways benefits from the services of a substantial number of volunteers. Due to the difficulty in determining the fair value of these important contributions, volunteer services are not recorded in the financial statements.

(g) Financial instruments:

Financial instruments are recorded at fair value on initial recognition and subsequently measured at cost or amortized cost, unless management has elected to carry the instruments at fair value. Pathways has elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs. These costs are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, Pathways determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount Pathways expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial impairment charge.

PATHWAYS TO EDUCATION CANADA/ PASSEPORT POUR MA RÉUSSITE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2017

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. Investments:

Investments consist of cash deposits redeemable on demand, and guaranteed investment certificates with varying maturity dates between May 2017 and March 2022 (2016 - June 2016), and stated interest rates between 1.55% and 2.75% (2016 - 3.75%).

	2017	2016
Cash and cash equivalents	\$ 612,659	\$ 1,780,777
Fixed income	1,633,512	411,672
	\$ 2,246,171	\$ 2,192,449

3. Capital assets:

	2017		2016	
	Cost	Accumulated amortization	Net book value	Net book value
Computer hardware	\$ 47,905	\$ 26,552	\$ 21,353	\$ 42,709
Computer software	11,685	11,685	-	-
Furniture and fixtures	48,384	48,384	-	29,433
Leasehold improvements	117,616	57,828	59,788	71,550
	\$ 225,590	\$ 144,449	\$ 81,141	\$ 143,692

PATHWAYS TO EDUCATION CANADA/ PASSEPORT POUR MA RÉUSSITE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2017

4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances of nil (2016 - nil).

5. Deferred contributions:

	2017	2016
Balance, beginning of year	\$ 7,325,109	\$ 6,494,037
Restricted contributions received	5,620,331	7,096,926
Restricted contributions recognized as revenue	(4,003,030)	(6,265,854)
Balance, end of year	\$ 8,942,410	\$ 7,325,109

6. United Way contribution:

In fiscal 2017, United Way of Kingston, Frontenac, Lennox, and Addington ("UWKFLA") contributed towards the Pathways to Education Program in Kingston. Included in revenue from foundations and agencies is \$80,000 from UWKFLA (2016 - \$80,000). This amount was included in operating grants to Kingston Community Health Centre for the Pathways to Education Program.

PATHWAYS TO EDUCATION CANADA/ PASSEPORT POUR MA RÉUSSITE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2017

7. Lease commitments:

In 2012, Pathways entered into a lease with a third party for premises, which expires in 2022. Within the first five years of this lease agreement, Pathways has the ability to terminate the lease, with penalty, if one year's notice is provided to the landlord prior to the start of the fifth year. The annual rents, exclusive of certain operating costs, over the next five years and thereafter are as follows:

2018	\$ 133,500
2019	139,800
2020	141,800
2021	148,100
2022	150,200
Thereafter	37,500
	<hr/>
	\$ 750,900

8. Comparative information:

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