

Financial Statements of

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

And Independent Auditors' Report thereon

Years ended March 31, 2019 and 2018



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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of Pathways to Education Canada/Passeport pour ma réussite Canada (the Entity), which comprise:

- the statements of financial position as at March 31, 2019 and 2018
- the statements of revenue and expenses for the years then ended
- the statements of changes in net assets for the years then ended
- the statements of cash flows for the years then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2019 and 2018, and its results of operations and its cash flows for the years then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity 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 opinion.



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 the Entity'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 the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' 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 auditors' 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 the 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 the Entity's internal control.



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- 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 the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

June 17, 2019

PATHWAYS TO EDUCATION CANADA/ PASSEPORT POUR MA RÉUSSITE CANADA

Statements of Financial Position

March 31, 2019 and 2018

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents:		
Unrestricted	\$ 1,554,392	\$ 1,688,442
Restricted	614,398	–
Short-term investments (note 2):		
Unrestricted	–	1,000,756
Restricted	9,867,215	10,463,260
Amounts receivable (note 3)	1,392,917	133,038
Prepaid expenses	139,080	147,235
	<u>13,568,002</u>	<u>13,432,731</u>
Long-term investments (note 2)	382,974	953,590
Capital assets (note 4)	376,952	53,227
	<u>\$ 14,327,928</u>	<u>\$ 14,439,548</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 594,835	\$ 504,192
Deferred contributions (note 6):		
Program designated	3,774,720	4,708,496
Scholarship designated	1,012,696	954,667
Other designated	1,277,171	603,687
	<u>6,064,587</u>	<u>6,266,850</u>
	6,659,422	6,771,042
Net assets:		
Internally restricted (note 7)	5,100,000	5,150,000
Unrestricted	2,568,506	2,518,506
	<u>7,668,506</u>	<u>7,668,506</u>
Lease commitments (note 9)		
	<u>\$ 14,327,928</u>	<u>\$ 14,439,548</u>

See accompanying notes to financial statements.

On behalf of the Board:



Samuel L. Duboc

Director



Jad Shimaly

Director

PATHWAYS TO EDUCATION CANADA/ PASSEPORT POUR MA RÉUSSITE CANADA

Statements of Revenue and Expenses

Years ended March 31, 2019 and 2018

	2019	2018
Revenue:		
Government	\$ 20,279,074	\$ 19,035,154
Foundations and agencies	4,250,277	4,341,384
Corporations	4,204,472	6,563,329
Individuals	1,090,011	927,416
Investments	201,562	147,216
	<u>30,025,396</u>	<u>31,014,499</u>
Expenses:		
Grants to programs and students:		
Operating grants (note 1(b))	20,796,000	20,595,575
Pilot project grants (note 1(b))	550,664	612,508
Scholarships and bursaries	1,465,234	1,604,404
	<u>22,811,898</u>	<u>22,812,487</u>
Program management, support and initiatives:		
Salaries and benefits	4,910,734	4,329,443
Purchased services	443,964	380,461
Events and stakeholder meetings	355,095	351,469
Office rent	319,731	342,134
Information technology	201,624	203,316
Community engagement	196,107	188,894
Professional services fees	178,286	111,719
Marketing and communications	172,290	111,253
Travel and transportation	117,869	143,970
Training, recruitment and development	95,852	106,169
Office supplies, publications and printing	83,834	51,794
Amortization	54,781	33,116
Donor cultivation and stewardship	42,165	72,871
Loss on disposal of capital assets	41,166	—
	<u>7,213,498</u>	<u>6,426,609</u>
Total expenses	<u>30,025,396</u>	<u>29,239,096</u>
Excess of revenue over expenses	<u>\$ —</u>	<u>\$ 1,775,403</u>

See accompanying notes to financial statements.

PATHWAYS TO EDUCATION CANADA/ PASSEPORT POUR MA RÉUSSITE CANADA

Statements of Changes in Net Assets

Years ended March 31, 2019 and 2018

			2019	2018
	Internally restricted	Unrestricted	Total	Total
Net assets, beginning of year	\$ 5,150,000	\$ 2,518,506	\$ 7,668,506	\$ 5,893,103
Excess of revenue over expenses	–	–	–	1,775,403
Interfund transfer (note 7)	(50,000)	50,000	–	–
Net assets, end of year	\$ 5,100,000	\$ 2,568,506	\$ 7,668,506	\$ 7,668,506

See accompanying notes to financial statements.

PATHWAYS TO EDUCATION CANADA/ PASSEPORT POUR MA RÉUSSITE CANADA

Statements of Cash Flows

Years ended March 31, 2019 and 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ —	\$ 1,775,403
Items not involving cash:		
Amortization	54,781	33,116
Loss on disposal of capital assets	41,166	—
Change in non-cash operating working capital:		
Amounts receivable	(1,259,879)	23,385
Prepaid expenses	8,155	(8,034)
Accounts payable and accrued liabilities	90,643	(83,298)
Deferred contributions	(202,263)	(2,675,560)
	(1,267,397)	(934,988)
Financing activities:		
Additions to capital assets	(419,672)	(5,202)
Investing activities:		
Decrease in short-term investments, net	1,596,801	1,707,752
Decrease (increase) in long-term investments, net	570,616	(103,455)
	2,167,417	1,604,297
Increase in cash and cash equivalents	480,348	664,107
Cash and cash equivalents, beginning of year	1,688,442	1,024,335
Cash and cash equivalents, end of year	\$ 2,168,790	\$ 1,688,442

See accompanying notes to financial statements.

PATHWAYS TO EDUCATION CANADA/ PASSEPORT POUR MA RÉUSSITE CANADA

Notes to Financial Statements

Years ended March 31, 2019 and 2018

Pathways to Education Canada/Passeport pour ma réussite Canada ("Pathways") is a national, charitable organization breaking the cycle of poverty through education. Its award-winning program is creating positive social change by supporting youth living in low-income communities to overcome barriers to education, graduate from high school, and build the foundation for a successful future. Through the collective power of partnerships, Pathways' innovative program is preparing youth for tomorrow.

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 pilot project grants:

Pathways partners with well-established community organizations to deliver the Pathways to Education Program™ ("Pathways Program") directly to students in communities within British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick and Nova Scotia. Operating and pilot project grants consist of Pathways Program 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)

Years ended March 31, 2019 and 2018

1. Significant accounting policies (continued):

(c) Cash and cash equivalents:

Cash and cash equivalents consist of cash deposits redeemable on demand. Cash and cash equivalents that are held for investing rather than liquidity purposes are classified as investments.

Restricted cash represents amounts restricted by donors and the Board of Directors for Pathways' mission and strategic initiatives.

(d) 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

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable and exceeds its fair value.

(e) 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.

PATHWAYS TO EDUCATION CANADA/ PASSEPORT POUR MA RÉUSSITE CANADA

Notes to Financial Statements (continued)

Years ended March 31, 2019 and 2018

1. Significant accounting policies (continued):

(f) 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.

(g) 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.

PATHWAYS TO EDUCATION CANADA/ PASSEPORT POUR MA RÉUSSITE CANADA

Notes to Financial Statements (continued)

Years ended March 31, 2019 and 2018

2. Investments:

Short-term investments consist of cash deposits redeemable on demand, and guaranteed investment certificates with varying maturity dates between April 2019 and March 2020 (2018 - between April 2018 and March 2019), and stated interest rates between 1.65% and 2.57% (2018 - between 1.4% and 2.75%).

Restricted short-term investments represent amounts restricted by donors and the Board of Directors for Pathways' mission and strategic initiatives.

Long-term investments consist of guaranteed investment certificates with varying maturity dates between August 2020 and March 2022 (2018 - between June 2019 and March 2022), and stated interest rates between 1.80% and 2.10% (2018 - between 1.7% and 2.57%).

3. Contributions receivable:

Included in revenue is \$1,227,354 (2018 - nil) of contributions receivable which were received subsequent to year end.

4. Capital assets:

			2019	2018
	Cost	Accumulated amortization	Net book value	Net book value
Computer hardware	\$ 47,476	\$ 43,313	\$ 4,163	\$ -
Computer software	11,685	11,685	-	-
Furniture and fixtures	138,407	15,304	123,103	-
Leasehold improvements	281,697	32,011	249,686	53,227
	\$ 479,265	\$ 102,313	\$ 376,952	\$ 53,227

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances of \$1,370 (2018 - \$1,763).

PATHWAYS TO EDUCATION CANADA/ PASSEPORT POUR MA RÉUSSITE CANADA

Notes to Financial Statements (continued)

Years ended March 31, 2019 and 2018

6. Deferred contributions:

	2019	2018
Balance, beginning of year	\$ 6,266,850	\$ 8,942,410
Restricted contributions received	27,013,596	25,594,910
Restricted contributions recognized as revenue	(27,215,859)	(28,270,470)
Balance, end of year	\$ 6,064,587	\$ 6,266,850

7. Internally restricted net assets:

The Board of Directors has set aside certain funds to support the achievement of Pathways' mission and strategic plans. Fund amounts may be adjusted by the Board of Directors based on risk and economic conditions, and are only available for the following purposes:

	2019	2018
Programs	\$ 1,300,000	\$ 1,300,000
Scholarships	500,000	500,000
Strategic initiatives	300,000	350,000
Operations	3,000,000	3,000,000
	\$ 5,100,000	\$ 5,150,000

Programs and scholarships funds are for future costs of delivering Pathways Program resources, supports and scholarships to students.

Strategic initiatives funds are for specific approved projects and activities to achieve strategic objectives.

Operations reserve funds are for use against unforeseen events, adverse financial conditions, and temporary cash flow fluctuations.

During 2018, the Board of Directors approved a transfer of \$4,400,000 from unrestricted to internally restricted net assets to set up these funds.

During the year, the Board of Directors approved a transfer of \$50,000 (2018 - nil) from the strategic initiatives reserve fund to the unrestricted fund.

PATHWAYS TO EDUCATION CANADA/ PASSEPORT POUR MA RÉUSSITE CANADA

Notes to Financial Statements (continued)

Years ended March 31, 2019 and 2018

8. United Way contribution:

The United Way of Kingston, Frontenac, Lennox, and Addington contributed \$80,000 (2018 - \$80,000) towards the Pathways Program in Kingston, which is included in revenue from foundations and agencies. This amount was included in operating grants to Kingston Community Health Centres for the Pathways Program.

9. Lease commitments:

Pathways has lease agreements for office premises and equipment with approximate annual commitments (exclusive of certain operating costs) as follows:

2020	\$ 145,500
2021	151,800
2022	152,400
2023	37,500
	<hr/>
	\$ 487,200

10. Comparative information:

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