

Financial Statements of

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

And Independent Auditors' Report thereon

Year ended March 31, 2020



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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 statement of financial position as at March 31, 2020
- the statement of revenue and expenses for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year 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, 2020, 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.

### ***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.



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- 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.
- 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*

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Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

June 23, 2020

# PATHWAYS TO EDUCATION CANADA/ PASSEPORT POUR MA REUSSITE CANADA

## Statement of Financial Position

March 31, 2020, with comparative information for 2019


	2020	2019
<b>Assets</b>		
Current assets:		
Cash and cash equivalents:		
Unrestricted	\$ 1,117,069	\$ 1,554,392
Restricted	3,247,748	614,398
Short-term investments (note 2):		
Restricted	7,173,949	9,867,215
Amounts receivable (note 3)	1,631,798	1,392,917
Prepaid expenses	124,237	139,080
	<u>13,294,801</u>	<u>13,568,002</u>
Long-term investments (note 2)	95,388	382,974
Capital assets (note 4)	263,424	376,952
	<u>\$ 13,653,613</u>	<u>\$ 14,327,928</u>

## Liabilities and Net Assets


Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 268,022	\$ 594,835
Deferred contributions (note 6):		
Program designated	3,530,961	3,774,720
Scholarship designated	322,750	1,012,696
Other designated	1,863,374	1,277,171
	<u>5,717,085</u>	<u>6,064,587</u>
	5,985,107	6,659,422
Net assets:		
Internally restricted (note 7)	4,800,000	5,100,000
Unrestricted	2,868,506	2,568,506
	<u>7,668,506</u>	<u>7,668,506</u>
Lease commitments (note 9)		
Subsequent event (note 10)		
	<u>\$ 13,653,613</u>	<u>\$ 14,327,928</u>

See accompanying notes to financial statements.

On behalf of the Board:

  
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Vincent Mercier

Director

  
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Jad Shimaly

Director

# PATHWAYS TO EDUCATION CANADA/ PASSEPORT POUR MA RÉUSSITE CANADA

## Statement of Revenue and Expenses

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
<b>Revenue:</b>		
Government	\$ 20,639,625	\$ 20,279,074
Foundations and agencies	5,654,108	4,250,277
Corporations	4,258,751	4,204,472
Individuals	942,058	1,090,011
Investments	244,164	201,562
	<u>31,738,706</u>	<u>30,025,396</u>
<b>Expenses:</b>		
Grants to programs and students:		
Operating grants (note 1(b))	20,672,116	20,796,000
Scholarships and bursaries	1,483,752	1,465,234
Pilot project grants (note 1(b))	395,766	550,664
	<u>22,551,634</u>	<u>22,811,898</u>
Program management, support and initiatives:		
Salaries and benefits	4,990,961	4,910,734
Marketing and communications	2,188,625	172,290
Events and stakeholder meetings	368,897	355,095
Purchased services	324,010	443,964
Office rent	321,489	319,731
Community engagement	298,928	196,107
Information technology	168,796	201,624
Professional services fees	136,670	178,286
Travel and transportation	130,481	117,869
Amortization	118,588	54,781
Office supplies, publications and printing	54,297	83,834
Donor cultivation and stewardship	48,518	42,165
Training, recruitment and development	36,812	95,852
Loss on disposal of capital assets	-	41,166
	<u>9,187,072</u>	<u>7,213,498</u>
Total expenses	<u>31,738,706</u>	<u>30,025,396</u>
Excess of revenue over expenses	<u>\$ -</u>	<u>\$ -</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, 2020, with comparative information for 2019

			2020	2019
	Internally restricted	Unrestricted	Total	Total
Net assets, beginning of year	\$ 5,100,000	\$ 2,568,506	\$ 7,668,506	\$ 7,668,506
Excess of revenue over expenses	–	–	–	–
Interfund transfer (note 7)	(300,000)	300,000	–	–
<b>Net assets, end of year</b>	<b>\$ 4,800,000</b>	<b>\$ 2,868,506</b>	<b>\$ 7,668,506</b>	<b>\$ 7,668,506</b>

See accompanying notes to financial statements.

# PATHWAYS TO EDUCATION CANADA/ PASSEPORT POUR MA RÉUSSITE CANADA

## Statement of Cash Flows

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ -	\$ -
Items not involving cash:		
Amortization	118,588	54,781
Loss on disposal of capital assets	-	41,166
Change in non-cash operating working capital:		
Amounts receivable	(238,881)	(1,259,879)
Prepaid expenses	14,843	8,155
Accounts payable and accrued liabilities	(326,813)	90,643
Deferred contributions	(347,502)	(202,263)
	<u>(779,765)</u>	<u>(1,267,397)</u>
Financing activities:		
Additions to capital assets	(5,060)	(419,672)
Investing activities:		
Decrease in short-term investments, net	2,693,266	1,596,801
Decrease in long-term investments, net	287,586	570,616
	<u>2,980,852</u>	<u>2,167,417</u>
Increase in cash and cash equivalents	2,196,027	480,348
Cash and cash equivalents, beginning of year	2,168,790	1,688,442
Cash and cash equivalents, end of year	<u>\$ 4,364,817</u>	<u>\$ 2,168,790</u>

See accompanying notes to financial statements.



# PATHWAYS TO EDUCATION CANADA/ PASSEPORT POUR MA RÉUSSITE CANADA

Notes to Financial Statements

Year ended March 31, 2020

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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)

Year ended March 31, 2020

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## 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:

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

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Capital assets are written down to fair value or replacement cost to reflect partial impairments when conditions indicate that the assets no longer contribute to Pathways' ability to provide services, or that the value of future economic benefits or service potential associated with the capital assets are less than their net carrying amounts.

### (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)

Year ended March 31, 2020

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## 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)

Year ended March 31, 2020

## 2. Investments:

Short-term investments consist of cash deposits redeemable on demand, and guaranteed investment certificates with varying maturity dates between August 2020 and March 2021 (2019 - between April 2019 and March 2020), and stated interest rates between 1.45% and 2.12% (2019 - between 1.65% and 2.57%).

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

Long-term investments consists of a guaranteed investment certificate with a maturity date of March 2022 (2019 - between August 2020 and March 2022), and stated interest rate of 1.95% (2019 - between 1.80% and 2.10%).

## 3. Contributions receivable:

Included in revenue is \$458,173 (2019 - \$1,227,354) of contributions receivable which were received subsequent to year end.

## 4. Capital assets:

			2020	2019
	Cost	Accumulated amortization	Net book value	Net book value
Computer hardware	\$ 47,476	\$ 45,829	\$ 1,647	\$ 4,163
Computer software	11,685	11,685	–	–
Furniture and fixtures	138,407	53,182	85,225	123,103
Leasehold improvements	286,758	110,206	176,552	249,686
	\$ 484,326	\$ 220,902	\$ 263,424	\$ 376,952

## 5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances of \$17,145 (2019 - \$1,370).

# PATHWAYS TO EDUCATION CANADA/ PASSEPORT POUR MA RÉUSSITE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2020

## 6. Deferred contributions:

	2020	2019
Balance, beginning of year	\$ 6,064,587	\$ 6,266,850
Restricted contributions received	27,649,589	27,013,596
Restricted contributions recognized as revenue	(27,352,362)	(27,215,859)
Restricted contributions transferred to Community Education Development Association (CEDA)	(644,729)	-
<b>Balance, end of year</b>	<b>\$ 5,717,085</b>	<b>\$ 6,064,587</b>

## 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:

	2020	2019
Programs	\$ 1,300,000	\$ 1,300,000
Scholarships	500,000	500,000
Strategic initiatives	-	300,000
Operations	3,000,000	3,000,000
	<b>\$ 4,800,000</b>	<b>\$ 5,100,000</b>

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 the year, the Board of Directors approved a transfer of \$300,000 (2019 - \$50,000) from the strategic initiatives reserve fund to the unrestricted fund.

# PATHWAYS TO EDUCATION CANADA/ PASSEPORT POUR MA RÉUSSITE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2020

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## 8. United Way contribution:

The United Way of Kingston, Frontenac, Lennox, and Addington contributed \$80,000 (2019 - \$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:

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2021	\$ 151,800
2022	152,400
2023	37,500
	<hr/>
	\$ 341,700

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## 10. Subsequent event:

In the month of March, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact. At the time of approval of these financial statements, Pathways has experienced a decline in fundraising due to restrictions during the COVID-19 pandemic. Financial statements are required to be adjusted for events occurring between the date of the financial statements and the date of the auditors' report which provide additional evidence relating to conditions that existed as at year end. Management completed this assessment and did not identify any such adjustments. The current events and conditions are expected to be temporary, however there is uncertainty around the length of the disruption and impact on future operations. As a result, an estimate of the financial effect of these items is not practicable at this time.