

Financial Statements of

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

And Independent Auditors' Report thereon

Year ended March 31, 2022



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

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, 2022
- 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, 2022, 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.



Other Information

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditors' report thereon, included in the Annual Report 2021.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors' report thereon, included in the Annual Report 2021 as at the date of this auditors' report.

If, based on the work we have performed in this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

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.
- 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.



Page 4

- 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 21, 2022

PATHWAYS TO EDUCATION CANADA/ PASSEPORT POUR MA REUSSITE CANADA

Statement of Financial Position

March 31, 2022, with comparative information for 2021

	2022	2021
Assets		
Current assets:		
Cash and cash equivalents:		
Unrestricted	\$ 6,384,964	\$ 2,353,483
Restricted	4,874,283	7,550,402
Short-term investments (note 2):		
Restricted	19,276,910	15,480,606
Amounts receivable	952,673	1,486,956
Prepaid expenses	476,887	457,307
	<u>31,965,717</u>	<u>27,328,754</u>
Capital assets (note 3)	46,054	165,964
	<u>\$ 32,011,771</u>	<u>\$ 27,494,718</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 2,005,595	\$ 1,048,008
Deferred contributions (note 5):		
Program designated	10,033,107	10,095,025
Scholarship designated	1,107,221	567,375
Other designated	3,210,865	3,568,608
	<u>14,351,193</u>	<u>14,231,008</u>
	16,356,788	15,279,016
Long-term deferred contributions (note 5)	2,250,000	–
Net assets:		
Internally restricted (note 6)	9,800,000	8,800,000
Unrestricted	3,604,983	3,415,702
	<u>13,404,983</u>	<u>12,215,702</u>
Lease commitments (note 8)		
	<u>\$ 32,011,771</u>	<u>\$ 27,494,718</u>

See accompanying notes to financial statements.

On behalf of the Board:

Vincent Mercier Director

Katherine Gibson Director

PATHWAYS TO EDUCATION CANADA/ PASSEPORT POUR MA RÉUSSITE CANADA

Statement of Revenue and Expenses

Year ended March 31, 2022, with comparative information for 2021

	2022	2021
Revenue:		
Government	\$ 23,360,159	\$ 25,393,027
Foundations and agencies	6,883,750	4,474,154
Corporations	2,861,220	1,111,647
Individuals	1,789,223	981,608
Investments	135,401	199,947
	<u>35,029,753</u>	<u>32,160,383</u>
Expenses:		
Grants in support of programs and students:		
Operating grants (note 1(b))	19,539,584	17,385,472
Pilot project grants (note 1(b))	1,694,138	1,657,438
Scholarships and bursaries	1,373,497	1,134,314
	<u>22,607,219</u>	<u>20,177,224</u>
Program management, support and initiatives:		
Salaries and benefits (note 9)	5,910,683	3,988,292
Purchased services	1,964,723	797,708
Marketing and communications	1,897,515	1,548,090
Information technology	351,446	237,531
Office rent (note 9)	329,977	303,846
Professional services fees	198,345	186,050
Amortization	129,138	117,992
Donor cultivation and stewardship	123,200	56,618
Training, recruitment and development	122,239	54,345
Events and stakeholder meetings	92,578	64,000
Community engagement	79,556	41,584
Office supplies, publications and printing	23,687	28,025
Travel and transportation	10,166	11,882
	<u>11,233,253</u>	<u>7,435,963</u>
Total expenses	<u>33,840,472</u>	<u>27,613,187</u>
Excess of revenue over expenses	<u>\$ 1,189,281</u>	<u>\$ 4,547,196</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, 2022, with comparative information for 2021

	2022			2021
	Internally restricted	Unrestricted	Total	Total
Net assets, beginning of year	\$ 8,800,000	\$ 3,415,702	\$ 12,215,702	\$ 7,668,506
Excess of revenue over expenses	–	1,189,281	1,189,281	4,547,196
Interfund transfer (note 6)	1,000,000	(1,000,000)	–	–
Net assets, end of year	\$ 9,800,000	\$ 3,604,983	\$ 13,404,983	\$ 12,215,702

See accompanying notes to financial statements.

PATHWAYS TO EDUCATION CANADA/ PASSEPORT POUR MA RÉUSSITE CANADA

Statement of Cash Flows

Year ended March 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operating activities		
Excess of revenue over expenses	\$ 1,189,281	\$ 4,547,196
Item not involving cash:		
Amortization	129,138	117,992
Change in non-cash operating working capital:		
Amounts receivable	534,283	144,842
Prepaid expenses	(19,580)	(333,070)
Accounts payable and accrued liabilities	957,587	779,986
Deferred contributions	2,370,185	8,513,923
	<u>5,160,894</u>	<u>13,770,869</u>
Financing activities:		
Additions to capital assets	(9,228)	(20,532)
Investing activities:		
Increase in short-term investments, net	(3,796,304)	(8,306,657)
Decrease in long-term investments, net	–	95,388
	<u>(3,796,304)</u>	<u>(8,211,269)</u>
Increase in cash and cash equivalents	1,355,362	5,539,068
Cash and cash equivalents, beginning of year	9,903,885	4,364,817
Cash and cash equivalents, end of year	<u>\$ 11,259,247</u>	<u>\$ 9,903,885</u>

See accompanying notes to financial statements.

PATHWAYS TO EDUCATION CANADA/ PASSEPORT POUR MA RÉUSSITE CANADA

Notes to Financial Statements

Year ended March 31, 2022

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 in support of the Pathways Program. Grants are recognized as expenses when they are spent by the Pathways partners.

PATHWAYS TO EDUCATION CANADA/ PASSEPORT POUR MA RÉUSSITE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2022

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 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, 2022

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, 2022

2. Investments:

Short-term investments consist of cash deposits redeemable on demand, and guaranteed investment certificates with varying maturity dates between November 2022 and January 2023 (2021 - between November 2021 and March 2022), and stated interest rates between 0.60% and 1.30% (2021 - between 0.15% and 1.95%).

Certain cash balances have been included in short-term investments based on intent of use, regardless of the liquid nature of these assets.

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

3. Capital assets:

			2022	2021
	Cost	Accumulated amortization	Net book value	Net book value
Computer hardware	\$ 47,476	\$ 47,476	\$ –	\$ –
Computer software	41,446	24,478	16,968	20,532
Furniture and fixtures	138,407	128,937	9,470	47,347
Leasehold improvements	286,757	267,141	19,616	98,085
	\$ 514,086	\$ 468,032	\$ 46,054	\$ 165,964

4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances of \$7,047 (2021 - \$17,228).

PATHWAYS TO EDUCATION CANADA/ PASSEPORT POUR MA RÉUSSITE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2022

5. Deferred contributions:

	2022	2021
Balance, beginning of year	\$ 14,231,008	\$ 5,717,085
Restricted contributions received	31,546,588	35,826,531
Restricted contributions recognized as revenue	(29,176,403)	(27,312,608)
Balance, end of year	\$ 16,601,193	\$ 14,231,008
Current	\$ 14,351,193	\$ 14,231,008
Long-term	2,250,000	-
	\$ 16,601,193	\$ 14,231,008

6. 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:

	2022	2021
Programs and scholarships	\$ 2,800,000	\$ 2,800,000
Strategic initiatives	3,500,000	2,500,000
Operations	3,500,000	3,500,000
	\$ 9,800,000	\$ 8,800,000

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

Strategic initiatives reserve 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 \$1,000,000 (2021 - \$4,000,000) from the unrestricted fund to internally restricted net assets.

PATHWAYS TO EDUCATION CANADA/ PASSEPORT POUR MA RÉUSSITE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2022

7. United Way contribution:

The United Way of Kingston, Frontenac, Lennox, and Addington contributed \$50,000 (2021 - \$72,500) 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.

8. Lease commitments:

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

2023	\$ 169,000
2024	181,500
2025	183,600
2026	189,800
2027	198,200
Thereafter	50,100
	<hr/>
	\$ 972,200

9. Risk management:

Management has taken measures to manage the COVID-19 environment risk and is actively monitoring the situation to minimize its impact to Pathways, including the application for the Canada Emergency Wage Subsidy program and the Canada Emergency Rent Subsidy program. Included as a recovery within salaries and benefits expense is nil (2021 - \$1,366,896) and included within office rent expense is nil (2021 - \$24,400) of subsidies related to the year ended March 31, 2022. Included in amounts receivable at year end is nil (2021 - \$550,058) related to the subsidies applied for and not yet received.

Pathways is not exposed to any significant market, price, liquidity or credit risks. No changes in these risks from the prior year.