

Financial Statements of

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

And Independent Auditor's Report thereon

Year ended March 31, 2023



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 AUDITOR'S 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, 2023
- 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, 2023, 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 "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's 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.



Page 2

Other Information

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

- the information, other than the financial statements and the auditor's report thereon, included in the Annual Report 2023.

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 auditor's report thereon, included in the Annual Report 2023 as at the date of this auditor's 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 auditor's 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.



Auditor's 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 auditor's 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 auditor's 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 auditor's 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 20, 2023

PATHWAYS TO EDUCATION CANADA/ PASSEPORT POUR MA RÉUSSITE CANADA

Statement of Financial Position

March 31, 2023, with comparative information for 2022

	2023	2022
Assets		
Current assets:		
Cash and cash equivalents:		
Unrestricted	\$ 3,258,193	\$ 6,384,964
Restricted	8,056,650	4,874,283
Short-term investments (note 2):		
Restricted	11,706,446	19,276,910
Amounts receivable (note 3)	2,655,073	952,673
Prepaid expenses	345,213	476,887
	<u>26,021,575</u>	<u>31,965,717</u>
Capital assets (note 4)	550	46,054
	<u>\$ 26,022,125</u>	<u>\$ 32,011,771</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 1,246,488	\$ 2,005,595
Deferred contributions (note 6):		
Program designated	8,120,389	10,033,107
Scholarship designated	791,874	1,107,221
Other designated	1,050,834	3,210,865
	<u>9,963,097</u>	<u>14,351,193</u>
	11,209,585	16,356,788
Long-term deferred contributions (note 6)	1,407,557	2,250,000
Net assets:		
Internally restricted (note 7)	9,800,000	9,800,000
Unrestricted	3,604,983	3,604,983
	<u>13,404,983</u>	<u>13,404,983</u>
Lease commitments (note 9)		
	<u>\$ 26,022,125</u>	<u>\$ 32,011,771</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, 2023, with comparative information for 2022

	2023	2022
Revenue:		
Government:		
Federal	\$ 9,519,390	\$ 10,441,382
Ontario	9,500,000	9,500,000
Quebec	3,713,099	3,418,777
Private:		
Foundations and agencies	8,748,266	6,883,750
Corporations	3,843,037	2,861,220
Individuals	2,093,787	1,789,223
Investments	844,151	135,401
	<u>38,261,730</u>	<u>35,029,753</u>
Expenses:		
Grants in support of programs and students:		
Operating grants (note 1(b))	21,423,209	19,539,584
Pilot project grants (note 1(b))	2,167,338	1,694,138
Scholarships and bursaries	1,295,684	1,373,497
	<u>24,886,231</u>	<u>22,607,219</u>
Program management, support and initiatives:		
Salaries and benefits	6,805,152	5,910,683
Purchased services	2,351,895	1,964,723
Marketing and communications	2,109,249	1,897,515
Information technology	488,242	351,446
Office rent	353,584	329,977
Events and stakeholder meetings	251,984	92,578
Professional services fees	237,436	198,345
Training, recruitment and development	226,491	122,239
Donor cultivation and stewardship	205,078	123,200
Community engagement	172,148	79,556
Travel and transportation	97,808	10,166
Amortization	45,504	129,138
Office supplies, publications and printing	30,928	23,687
	<u>13,375,499</u>	<u>11,233,253</u>
Total expenses	<u>38,261,730</u>	<u>33,840,472</u>
Excess of revenue over expenses	<u>\$ -</u>	<u>\$ 1,189,281</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, 2023, with comparative information for 2022

			2023	2022
	Internally restricted	Unrestricted	Total	Total
Net assets, beginning of year	\$ 9,800,000	\$ 3,604,983	\$ 13,404,983	\$ 12,215,702
Excess of revenue over expenses	–	–	–	1,189,281
Net assets, end of year	\$ 9,800,000	\$ 3,604,983	\$ 13,404,983	\$ 13,404,983

See accompanying notes to financial statements.

PATHWAYS TO EDUCATION CANADA/ PASSEPORT POUR MA RÉUSSITE CANADA

Statement of Cash Flows

Year ended March 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Operating activities		
Excess of revenue over expenses	\$ —	\$ 1,189,281
Item not involving cash:		
Amortization	45,504	129,138
Change in non-cash operating working capital:		
Amounts receivable	(1,702,400)	534,283
Prepaid expenses	131,674	(19,580)
Accounts payable and accrued liabilities	(759,107)	957,587
Deferred contributions	(5,230,539)	2,370,185
	<u>(7,514,868)</u>	<u>5,160,894</u>
Financing activities:		
Additions to capital assets	—	(9,228)
Investing activities:		
Decrease (increase) in short-term investments, net	7,570,464	(3,796,304)
Increase in cash and cash equivalents	55,596	1,355,362
Cash and cash equivalents, beginning of year	11,259,247	9,903,885
Cash and cash equivalents, end of year	<u>\$ 11,314,843</u>	<u>\$ 11,259,247</u>

See accompanying notes to financial statements.

PATHWAYS TO EDUCATION CANADA/ PASSEPORT POUR MA RÉUSSITE CANADA

Notes to Financial Statements

Year ended March 31, 2023

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, 2023

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, 2023

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, 2023

2. Investments:

Short-term investments consist of cash deposits redeemable on demand, and guaranteed investment certificates with varying maturity dates between April 2023 and November 2023 (2022 - between November 2022 and January 2023) and stated interest rates between 2.15% and 5.14% (2022 - between 0.60% and 1.30%).

Certain cash balances have been included in short-term investments based on the 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. Contributions receivable:

Included in revenue is \$1,750,000 of contributions receivable, of which \$1,250,000 was received subsequent to year end and the remaining \$500,000 is expected to be received during fiscal 2024.

4. Capital assets:

			2023	2022
	Cost	Accumulated amortization	Net book value	Net book value
Computer software	\$ 41,445	\$ 40,895	\$ 550	\$ 16,968
Computer hardware	47,476	47,476	—	—
Furniture and fixtures	138,407	138,407	—	9,470
Leasehold improvements	286,758	286,758	—	19,616
	\$ 514,086	\$ 513,536	\$ 550	\$ 46,054

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances of \$17,578 (2022 - \$7,047).

PATHWAYS TO EDUCATION CANADA/ PASSEPORT POUR MA RÉUSSITE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2023

6. Deferred contributions:

	2023	2022
Balance, beginning of year	\$ 16,601,193	\$ 14,231,008
Restricted contributions received	28,440,274	31,546,588
Restricted contributions recognized as revenue	(33,670,813)	(29,176,403)
Balance, end of year	\$ 11,370,654	\$ 16,601,193
Current	\$ 9,963,097	\$ 14,351,193
Long-term	1,407,557	2,250,000
	\$ 11,370,654	\$ 16,601,193

7. Internally restricted net assets:

The Board of Directors has restricted certain funds to support the achievement of Pathways' mission, strategic plans, and provide reasonable operational stability in the event of financial risk. Fund amounts may be adjusted by the Board of Directors based on risk and economic conditions, and are only available for the following purposes:

	2023	2022
Programs and scholarships (a)	\$ 2,800,000	\$ 2,800,000
Strategic initiatives (b)	3,500,000	3,500,000
Operations (c)	3,500,000	3,500,000
	\$ 9,800,000	\$ 9,800,000

(a) The programs and scholarships reserve is to support costs of delivering Pathways Program resources, supports, and scholarships to students. The target of this reserve is 30% of annual budgeted grants and scholarships.

(b) The strategic initiatives reserve is to support Pathways approved strategic plan and project priorities. The funding target is established by the Board based on the strategic plan.

PATHWAYS TO EDUCATION CANADA/ PASSEPORT POUR MA RÉUSSITE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2023

7. Internally restricted net assets (continued):

(c) The operations reserve is for financial stability in the event of unforeseen events, adverse financial conditions, and temporary cash flow fluctuations. The target for this reserve is 15% of budgeted total annual expenses.

During the year, there were no transfers made (2022 - \$1,000,000) from the unrestricted fund to internally restricted net assets. All reserves approximate established targets or sufficiency.

8. United Way contribution:

The United Way of Kingston, Frontenac, Lennox, and Addington contributed \$50,000 (2022 - \$50,000) 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:

2024	\$ 181,500
2025	183,600
2026	189,800
2027	198,200
2028	50,100
	<hr/>
	\$ 803,200

10. Risk management:

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

PATHWAYS TO EDUCATION CANADA/ PASSEPORT POUR MA RÉUSSITE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2023

11. Payments to directors or connected persons:

Pathways uses the Royal Bank of Canada, the employer of Katherine Gibson, a director of the charitable organization, for banking and placement of guaranteed investment certificates.

12. Comparative information:

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