

Financial Statements of

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

Year ended March 31, 2018



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## 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, 2018, 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.



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*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, 2018 and March 31, 2017, 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, 2017.

*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, 2018, 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*

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Chartered Professional Accountants, Licensed Public Accountants

June 19, 2018  
Vaughan, Canada

# PATHWAYS TO EDUCATION CANADA/ PASSEPORT POUR MA RÉUSSITE CANADA

## Statement of Financial Position

March 31, 2018, with comparative information for 2017

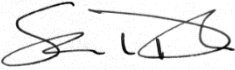
	2018	2017
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,688,442	\$ 1,024,335
Short-term investments (note 2):		
Unrestricted	1,000,756	4,329,493
Restricted	10,463,260	8,842,275
Amounts receivable	133,038	156,423
Prepaid expenses	147,235	139,201
	<u>13,432,731</u>	<u>14,491,727</u>
Long-term investments (note 2)	953,590	850,135
Capital assets (note 3)	53,227	81,141
	<u>\$ 14,439,548</u>	<u>\$ 15,423,003</u>

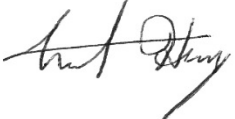
## Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 504,192	\$ 587,490
Deferred contributions (note 5):		
Program designated	4,708,496	7,721,214
Scholarship designated	954,667	1,143,596
Other designated	603,687	77,600
	<u>6,266,850</u>	<u>8,942,410</u>
	6,771,042	9,529,900
Net assets:		
Internally restricted (note 6)	5,150,000	750,000
Unrestricted	2,518,506	5,143,103
	<u>7,668,506</u>	<u>5,893,103</u>
Lease commitments (note 8)		
	<u>\$ 14,439,548</u>	<u>\$ 15,423,003</u>

See accompanying notes to financial statements.

On behalf of the Board:

  
 \_\_\_\_\_ Director  
 Samuel L. Duboc

  
 \_\_\_\_\_ Director  
 Trent Henry

# PATHWAYS TO EDUCATION CANADA/ PASSEPORT POUR MA RÉUSSITE CANADA

## Statement of Revenue and Expenses

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
<b>Revenue:</b>		
Government	\$ 19,035,154	\$ 19,077,846
Corporations	6,563,329	5,495,022
Foundations and agencies	4,341,384	3,990,982
Individuals	927,416	838,086
Investments	147,216	252,213
	<u>31,014,499</u>	<u>29,654,149</u>
<b>Expenses:</b>		
Grants to programs and students:		
Operating grants (note 1(b))	20,595,575	18,751,760
Innovation and project grants (note 1(b))	612,508	491,187
Scholarships and bursaries	1,604,404	1,997,579
	<u>22,812,487</u>	<u>21,240,526</u>
Program management, support and initiatives:		
Salaries and benefits	4,329,443	4,059,849
Purchased services	380,461	864,371
Events and stakeholder meetings	351,469	274,593
Office rent	342,134	269,625
Information technology	203,316	145,390
Community engagement	188,894	236,331
Travel and transportation	143,970	132,645
Professional services fees	111,719	89,885
Marketing and communications	111,253	111,418
Training, recruitment and development	106,169	70,605
Donor cultivation and stewardship	72,871	57,798
Office supplies, publications and printing	51,794	72,887
Amortization	33,116	62,551
	<u>6,426,609</u>	<u>6,447,948</u>
Total expenses	29,239,096	27,688,474
<b>Excess of revenue over expenses</b>	<b>\$ 1,775,403</b>	<b>\$ 1,965,675</b>

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, 2018, with comparative information for 2017

			2018	2017
	Internally restricted	Unrestricted	Total	Total
Net assets, beginning of year	\$ 750,000	\$ 5,143,103	\$ 5,893,103	\$ 3,927,428
Excess of revenue over expenses	–	1,775,403	1,775,403	1,965,675
Interfund transfer (note 6)	4,400,000	(4,400,000)	–	–
<b>Net assets, end of year</b>	<b>\$ 5,150,000</b>	<b>\$ 2,518,506</b>	<b>\$ 7,668,506</b>	<b>\$ 5,893,103</b>

See accompanying notes to financial statements.

# PATHWAYS TO EDUCATION CANADA/ PASSEPORT POUR MA RÉUSSITE CANADA

## Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 1,775,403	\$ 1,965,675
Amortization which does not involve cash	33,116	62,551
Change in non-cash operating working capital:		
Amounts receivable	23,385	67,582
Prepaid expenses	(8,034)	(87,424)
Accounts payable and accrued liabilities	(83,298)	(61,428)
Deferred contributions	(2,675,560)	1,617,301
	(934,988)	3,564,257
Financing activities:		
Additions to capital assets	(5,202)	–
Investing activities:		
Decrease (increase) in short-term investments, net	1,707,752	(2,054,343)
Increase in long-term investments, net	(103,455)	(850,135)
	1,604,297	(2,904,478)
Increase in cash and cash equivalents	664,107	659,779
Cash and cash equivalents, beginning of year	1,024,335	364,556
Cash and cash equivalents, end of year	\$ 1,688,442	\$ 1,024,335

See accompanying notes to financial statements.

# PATHWAYS TO EDUCATION CANADA/ PASSEPORT POUR MA RÉUSSITE CANADA

Notes to Financial Statements

Year ended March 31, 2018

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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, innovation and 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, innovation and 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, 2018

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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.

### (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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### (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.

### (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.

# PATHWAYS TO EDUCATION CANADA/ PASSEPORT POUR MA RÉUSSITE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2018

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## 1. Significant accounting policies (continued):

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.

## 2. Investments:

Short-term investments consist of cash deposits redeemable on demand, and guaranteed investment certificates with varying maturity dates between April 2018 and March 2019 (2017 - between May 2017 and March 2018), and stated interest rates between 1.4% and 2.75% (2017 - between 0.90% and 2.50%).

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 June 2019 and March 2022 (2017 - between April 2018 and March 2022), and stated interest rates between 1.7% and 2.57% (2017 - between 1.7% and 2.75%).

# PATHWAYS TO EDUCATION CANADA/ PASSEPORT POUR MA RÉUSSITE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2018

### 3. Capital assets:

			2018	2017
	Cost	Accumulated amortization	Net book value	Net book value
Computer hardware	\$ 47,905	\$ 47,905	\$ –	\$ 21,353
Computer software	11,685	11,685	–	–
Furniture and fixtures	48,384	48,384	–	–
Leasehold improvements	122,818	69,591	53,227	59,788
	\$ 230,792	\$ 177,565	\$ 53,227	\$ 81,141

### 4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances of \$1,763 (2017 - nil).

### 5. Deferred contributions:

	2018	2017
Balance, beginning of year	\$ 8,942,410	\$ 7,325,109
Restricted contributions received	6,594,910	5,620,331
Restricted contributions recognized as revenue	(9,270,470)	(4,003,030)
Balance, end of year	\$ 6,266,850	\$ 8,942,410

# PATHWAYS TO EDUCATION CANADA/ PASSEPORT POUR MA RÉUSSITE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2018

## 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 based on risk and economic conditions, and are only available for the following purposes:

	2018	2017
Programs	\$ 1,300,000	\$ –
Scholarships	500,000	–
Strategic initiatives	350,000	–
Operations	3,000,000	750,000
	<u>\$ 5,150,000</u>	<u>\$ 750,000</u>

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.

For the year ended March 31, 2018, the Board approved a transfer of \$4,400,000 from unrestricted to internally restricted net assets to set up these funds.

## 7. United Way contribution:

The United Way of Kingston, Frontenac, Lennox, and Addington ("UWKFLA") contributed \$80,000 (2017 - \$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 Centre for the Pathways Program.

# PATHWAYS TO EDUCATION CANADA/ PASSEPORT POUR MA RÉUSSITE CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2018

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## 8. 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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2019	\$ 143,500
2020	145,500
2021	151,800
2022	152,400
2023	37,500
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	\$ 630,700

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## 9. Comparative information:

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