Financial Statements of

PATHWAYS TO EDUCATION CANADA/PASSEPORT POUR MA RÉUSSITE CANADA

And Independent Auditors' Report thereon

Year ended March 31, 2021

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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, 2021
- 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, 2021, 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

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

June 24, 2021

PATHWAYS TO EDUCATION CANADA/ PASSEPORT POUR MA RÉUSSITE CANADA

Statement of Financial Position

March 31, 2021, with comparative information for 2020

	2021	2020
Assets		
Current assets:		
Cash and cash equivalents:		
Unrestricted	$ 2,353,483	$ 1,117,069
Restricted	7,550,402	3,247,748
Short-term investments (note 2):		
Restricted	15,480,606	7,173,949
Amounts receivable (notes 3 and 10)	1,486,956	1,631,798
Prepaid expenses	457,307	124,237
	27,328,754	13,294,801
Long-term investment (note 2)	–	95,388
Capital assets (note 4)	165,964	263,424
	$ 27,494,718	$ 13,653,613
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	$ 1,048,008	$ 268,022
Deferred contributions (note 6):		
Program designated	10,095,025	3,530,961
Scholarship designated	567,375	322,750
Other designated	3,568,608	1,863,374
	14,231,008	5,717,085
	15,279,016	5,985,107
Net assets:		
Internally restricted (note 7)	8,800,000	4,800,000
Unrestricted	3,415,702	2,868,506
	12,215,702	7,668,506
Lease commitments (note 9)		
	$ 27,494,718	$ 13,653,613

See accompanying notes to financial statements.

On behalf of the Board:

_________________ Director
Vincent Mercier

_________________ Director
Jad Shimaly

PATHWAYS TO EDUCATION CANADA/ PASSEPORT POUR MA RÉUSSITE CANADA

Statement of Revenue and Expenses

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Revenue:		
Government	$ 25,393,027	$ 20,639,625
Foundations and agencies	4,474,154	5,654,108
Corporations	1,111,647	4,258,751
Individuals	981,608	942,058
Investments	199,947	244,164
	32,160,383	31,738,706
Expenses:		
Grants to programs and students:		
Operating grants (note 1(b))	17,385,472	20,672,116
Scholarships and bursaries	1,134,314	1,483,752
Pilot project grants (note 1(b))	1,657,438	395,766
	20,177,224	22,551,634
Program management, support and initiatives:		
Salaries and benefits (note 10)	3,988,292	4,990,961
Marketing and communications	1,548,090	2,188,625
Purchased services	797,708	324,010
Office rent (note 10)	303,846	321,489
Information technology	237,531	168,796
Professional services fees	186,050	136,670
Amortization	117,992	118,588
Events and stakeholder meetings	64,000	368,897
Donor cultivation and stewardship	56,618	48,518
Training, recruitment and development	54,345	36,812
Community engagement	41,584	298,928
Office supplies, publications and printing	28,025	54,297
Travel and transportation	11,882	130,481
	7,435,963	9,187,072
Total expenses	27,613,187	31,738,706
Excess of revenue over expenses	$ 4,547,196	$ –

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, 2021, with comparative information for 2020

			2021	2020
	Internally restricted	Unrestricted	Total	Total
Net assets, beginning of year	$ 4,800,000	$ 2,868,506	$ 7,668,506	$ 7,668,506
Excess of revenue over expenses	–	4,547,196	4,547,196	–
Interfund transfer (note 7)	4,000,000	(4,000,000)	–	–
Net assets, end of year	$ 8,800,000	$ 3,415,702	$ 12,215,702	$ 7,668,506

See accompanying notes to financial statements.

PATHWAYS TO EDUCATION CANADA/ PASSEPORT POUR MA RÉUSSITE CANADA

Statement of Cash Flows

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	$ 4,547,196	$ –
Items not involving cash:		
Amortization	117,992	118,588
Change in non-cash operating working capital:		
Amounts receivable	144,842	(238,881)
Prepaid expenses	(333,070)	14,843
Accounts payable and accrued liabilities	779,986	(326,813)
Deferred contributions	8,513,923	(347,502)
	13,770,869	(779,765)
Financing activities:		
Additions to capital assets	(20,532)	(5,060)
Investing activities:		
Decrease (increase) in short-term investments, net	(8,306,657)	2,693,266
Decrease in long-term investments, net	95,388	287,586
	(8,211,269)	2,980,852
Increase in cash and cash equivalents	5,539,068	2,196,027
Cash and cash equivalents, beginning of year	4,364,817	2,168,790
Cash and cash equivalents, end of year	$ 9,903,885	$ 4,364,817

See accompanying notes to financial statements.

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^{TM} ("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 spent by the Pathways partners.

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.

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.

2. Investments:

Short-term investments consist of cash deposits redeemable on demand, and guaranteed investment certificates with varying maturity dates between November 2021 and March 2022 (2020 - between August 2020 and March 2021), and stated interest rates between 0.15% and 1.95% (2020 - between 1.45% and 2.12%).

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.

Long-term investment as at March 31, 2020 consists of a guaranteed investment certificate with a maturity date of March 2022 and stated interest rate of 1.95%.

3. Contributions receivable:

Included in revenue is nil (2020 - $458,173) of contributions receivable which were received subsequent to year end.

4. Capital assets:

			2021	2020
	Cost	Accumulated amortization	Net book value	Net book value
Computer hardware	$ 47,476	$ 47,476	$ –	$ 1,647
Computer software	32,217	11,685	20,532	–
Furniture and fixtures	138,407	91,060	47,347	85,225
Leasehold improvements	286,758	188,673	98,085	176,552
	$ 504,858	$ 338,894	$ 165,964	$ 263,424

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances of $17,228 (2020 - $17,145).

6. Deferred contributions:

	2021	2020
Balance, beginning of year	$ 5,717,085	$ 6,064,587
Restricted contributions received	35,826,531	27,649,589
Restricted contributions recognized as revenue	(27,312,608)	(27,352,362)
Restricted contributions transferred to Community Education Development Association (CEDA)	–	(644,729)
Balance, end of year	$ 14,231,008	$ 5,717,085

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:

	2021	2020
Programs and scholarships	$ 2,800,000	$ 1,800,000
Strategic initiatives	2,500,000	–
Operations	3,500,000	3,000,000
	$ 8,800,000	$ 4,800,000

Programs and scholarships funds were combined during the year. The fund is 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 $4,000,000 (2020 - $300,000) from the unrestricted fund to internally restricted net assets (2020 - from the strategic initiatives reserve fund to the unrestricted fund).

8. United Way contribution:

The United Way of Kingston, Frontenac, Lennox, and Addington contributed $72,500 (2020 - $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:

2022	$ 152,400
2023	37,500
	$ 189,900

10. Risk management:

During fiscal 2020 the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact. This has resulted in governments worldwide, including the Canadian and provincial governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption in Canada to fundraising efforts. Management has taken measures to manage this risk and is actively monitoring the situation to minimize its impact to the Organization, 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 $1,366,896 (2020 - nil) and included within office rent expense is $24,400 (2020 - nil) of subsidies related to the year ended March 31, 2021. Included in amounts receivable at year end is $550,058 (2020 - nil) related to the subsidies applied for and not yet received.

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