

PATHWAYS TO EDUCATION
A PROGRAM OF
REGENT PARK COMMUNITY HEALTH CENTRE
FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
**Regent Park Community Health Centre
for Pathways to Education**

We have audited the accompanying financial statements of Pathways to Education, a program of Regent Park Community Health Centre, which are comprised of the statement of Financial Position as at March 31, 2016 and the statements of Changes in Net Assets, Receipts and Expenditures, and Cash Flows for the year then ended, and 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.

Auditor's 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 the auditor's 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, the auditor considers 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.

INDEPENDENT AUDITORS' REPORT

Basis for Qualified Opinion

In common with many charitable organizations, the program derives a portion of its receipts from donations and receipts in the form of voluntary services, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these receipts was limited to the amounts recorded in the records of the program. Therefore, we were not able to determine whether any adjustments might be necessary to receipts, excess of receipts over expenditures, and cash flows from operations for the year ended March 31, 2016, current assets and net assets as at March 31, 2016.

As more fully described in note 2(d) of the financial statements, the program accounts for vacation pay on a cash basis. In this respect, the financial statements are not in accordance with Canadian accounting standards for not-for-profit organizations. The effect of the departure from Canadian accounting standards for not-for-profit organizations for vacation pay is outlined in note 3 to the financial statements.

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Pathways to Education as at March 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Hennick Herman, LLP

Richmond Hill, Canada

June 28, 2016

**CHARTERED ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS**

PATHWAYS TO EDUCATION
A Program of Regent Park Community Health Centre
Statement of Financial Position
March 31, 2016

	2016	(note 16) 2015
ASSETS		
Current		
Cash and cash equivalents - unrestricted (note 4)	\$ 710,968	\$ 691,414
Cash and cash equivalents - restricted (note 4)	26,269	206,379
Amounts receivable (note 5)	40,213	40,480
Prepaid and sundry assets	33	20,630
	<u>777,483</u>	<u>958,903</u>
Marketable Securites - Restricted for Future Use (note 6)	1,414,276	1,704,453
Property and Equipment (note 7)	<u>1,425</u>	<u>4,551</u>
	<u>\$ 2,193,184</u>	<u>\$ 2,667,907</u>
LIABILITIES		
Current		
Accounts payable and accrued charges	\$ 24,510	\$ 25,853
Deferred revenue (note 8)	26,269	29,703
	<u>50,779</u>	<u>55,556</u>
NET ASSETS		
General Operating Fund (page 4)	726,671	726,671
Scholarship Fund - Restricted by the Donors (page 4)	-	51,888
Scholarship Fund - Restricted by the Board (page 4)	825,907	1,240,839
Regent Park Community Health Centre Scholarship Fund - Restricted by the Board (page 4)	588,402	588,402
Restrictive Fund - Capital (page 4)	<u>1,425</u>	<u>4,551</u>
	<u>2,142,405</u>	<u>2,612,351</u>
	<u>\$ 2,193,184</u>	<u>\$ 2,667,907</u>

APPROVED ON BEHALF OF THE BOARD



Director



Director

(See Accompanying Notes to Financial Statements)

PATHWAYS TO EDUCATION

A Program of Regent Park Community Health Centre
 Statement of Changes in Net Assets
 Year Ended March 31, 2016

	(note 9) General Operating Fund	(note 10) Scholarship Fund - Restricted by the Donors	(note 10&16) Scholarship Fund - Restricted by the Board	(note 11&16) Regent Park Community Health Centre Scholarship Fund Restricted by the Board	(note 12) Restrictive Fund - Capital	2016 Total	2015 Total
Fund Balance - beginning of year	\$ 726,671	\$ 51,888	\$ 1,240,839	\$ 588,402	\$ 4,551	\$ 2,612,351	\$ 3,149,499
Excess of (Expenditures over Receipts) (page 5)	-	(51,888)	(414,932)	-	-	(466,820)	(532,028)
Amortization for the year	-	-	-	-	(3,126)	(3,126)	(5,120)
Fund Balance - end of year	\$ 726,671	\$ -	\$ 825,907	\$ 588,402	\$ 1,425	\$ 2,142,405	\$ 2,612,351

(See Accompanying Notes to Financial Statements)

PATHWAYS TO EDUCATION

A Program of Regent Park Community Health Centre

Statement of Receipts and Expenditures

Year Ended March 31, 2016

	General Operating Fund	Scholarship Fund - Restricted by the Donors	Scholarship Fund - Restricted by the Board	Regent Park Community Health Centre Scholarship Fund Restricted By the Board	2016 Total	2015 Total
Receipts						
Donations:						
Pathways to Education Canada	\$ 3,209,500	\$ -	\$ -	\$ -	\$ 3,209,500	\$ 3,317,000
Google Community Grant (note 13)	26,849	-	-	-	26,849	30,123
Other	-	9,000	-	-	9,000	-
Interest income	163	-	5,509	-	5,672	23,483
	3,236,512	9,000	5,509	-	3,251,021	3,370,606
Expenditures						
Salaries	1,756,357	-	-	-	1,756,357	1,914,764
Benefits	447,625	-	-	-	447,625	437,853
Administration	117,000	-	-	-	117,000	125,000
Office rent	92,191	-	-	-	92,191	87,196
Rent tutoring space	48,887	-	-	-	48,887	48,000
Purchased services	45,313	-	-	-	45,313	39,250
Telephone and computer	22,149	-	-	-	22,149	28,356
Office supplies	20,815	-	-	-	20,815	17,277
Mentoring and tutoring	19,828	-	-	-	19,828	18,938
Furniture and equipment	19,625	-	-	-	19,625	15,311
Legal and audit	14,120	-	-	-	14,120	9,842
Program materials	12,988	-	-	-	12,988	12,943
Staff development	12,802	-	-	-	12,802	9,257
Graduation and convocation expenses	9,145	-	-	-	9,145	16,115
Repairs and maintenance	7,187	-	-	-	7,187	7,245
Travel and transportation	5,665	-	-	-	5,665	4,736
Miscellaneous	2,255	-	-	-	2,255	2,306
Volunteer recognition	2,062	-	-	-	2,062	1,530
General insurance	2,000	-	-	-	2,000	2,000
Outreach	364	-	-	-	364	1,187
TTC and school supplies	551,285	-	-	-	551,285	520,024
Student scholarship	-	60,888	420,441	-	481,329	553,381
Google Community Grant (note 13)	26,849	-	-	-	26,849	30,123
	3,236,512	60,888	420,441	-	3,717,841	3,902,634
Excess of (Expenditures Over Receipts) (page 4)	-	\$ (51,888)	(414,932)	\$ -	(466,820)	(532,028)

(See Accompanying Notes to Financial Statements)

PATHWAYS TO EDUCATION

A Program of Regent Park Community Health Centre

Statement of Cash Flows

Year Ended March 31, 2016

	2016	2015
Cash Flows from Operating Activities		
Excess of expenditures over receipts before funds transferred	\$ (466,820)	\$ (532,028)
Changes in non-cash working capital:		
Amounts receivable	267	1,399
Prepaid and sundry assets	20,597	(20,630)
Accounts payable and accrued charges	(1,343)	(24,272)
Deferred revenue	(3,434)	(14,222)
	<u>(450,733)</u>	<u>(589,753)</u>
Cash Flows from Investing Activities		
Marketable securities - restricted for future use	<u>290,177</u>	<u>(54,453)</u>
Net Decrease in Cash and Cash Equivalents	(160,556)	(644,206)
Cash and Cash Equivalents - beginning of year	<u>897,793</u>	<u>1,541,999</u>
Cash and Cash Equivalents - end of year	<u>\$ 737,237</u>	<u>\$ 897,793</u>
Cash and Cash Equivalents:		
Cash and cash equivalents - unrestricted	\$ 710,968	\$ 691,414
Cash and cash equivalents - restricted	<u>26,269</u>	<u>206,379</u>
Total Cash and Cash Equivalents	<u>\$ 737,237</u>	<u>\$ 897,793</u>

(See Accompanying Notes to Financial Statements)

PATHWAYS TO EDUCATION

A Program of Regent Park Community Health Centre

Notes to Financial Statements

March 31, 2016

1. Mission Statement

Pathways to Education™ is a program delivered by the Regent Park Community Health Centre. Its goal is to provide community, advocacy, social, financial, and academic supports to youth in the Regent Park area to enable them to successfully complete high school.

The Regent Park Community Health Centre established the Pathways Trust Fund to receive and disburse funds for the benefit of participants in the Pathways program.

2. Summary of Significant Accounting Policies

These financial statements have been prepared for filing with the individual donors, corporation donors, foundation donors and other funders. The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations except for note 2(d). The following are the significant accounting policies:

a) Basis of Accounting

The Program follows the restricted fund method of accounting.

Restricted contributions related to general operations are recognized as receipts of the Operating Fund in the year in which the related expenditures are incurred. All other restricted contributions are recognized as receipts of the appropriate restricted fund.

Unrestricted contributions are recognized as receipts of the Operating Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

See notes 9-12 for a full description of all funds.

b) Use of Estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of receipts and expenditures during the reporting period. Such estimates include providing for amortization of property and equipment as explained in note 2(c). Actual results could differ from those estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in net assets in the period in which they become known.

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A Program of Regent Park Community Health Centre

Notes to Financial Statements

March 31, 2016

2. Summary of Significant Accounting Policies (cont'd)

c) Property and Equipment - Amortization

Property and equipment are stated at cost. Amortization, which is reported in the Restrictive Funds - Capital is based on the estimated useful lives of the assets and is provided using the undernoted annual rates and methods:

Furniture and fixtures	3 years	Straight line
Computer hardware	2 years	Straight line

In the year of acquisition one half of the annual rate is used to calculate amortization.

d) Vacation Pay

The Program accounts for vacation pay on a cash basis as described in Note 3 of the financial statements.

e) Contributed Services

Volunteers contribute many hours per year to assist the program in carrying out its activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

f) Regent Park Community Health Centre (Core) and Parents for Better Beginnings

These statements do not include the operations, assets and liabilities of Regent Park Community Health Centre (Core) and Parents for Better Beginnings, which are reported separately.

Regent Park Community Health Centre has prepared audited financial statements that combined all three programs to which is attached an Independent Auditor's Report dated June 28, 2016.

g) Impairment of Long-lived Assets

Property and equipment and other long-lived assets are reviewed for impairment whenever changes in circumstances indicate that the carrying value of an asset may not be recoverable. Impairment is assessed by comparing the carrying amount of an asset with its expected future net undiscounted cash flows from use together with its residual value (net recoverable value). If such assets are considered impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds its net recoverable value. Any impairment results in a write-down of the asset and a charge to net asset during the year.

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A Program of Regent Park Community Health Centre

Notes to Financial Statements

March 31, 2016

2. Summary of Significant Accounting Policies (cont'd)

h) Financial Instruments

The Program initially measures its financial assets and liabilities at fair value. The program subsequently measures all its financial assets and financial liabilities at amortized cost, except for cash and cash equivalents, which is at fair value. Changes in fair value are recognized in the Statement of Receipts and Expenditures.

Financial assets measured at amortized cost include amounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in the Statement of Receipts and Expenditures. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the Statement of Receipts and Expenditures.

Investments in fixed income funds are financial assets measured at fair value. Changes in fair value are recognized in the Statement of Receipts and Expenditures.

3. Vacation Pay

The Program accounts for vacation pay on a cash basis. Canadian accounting standards for not-for-profit organizations require that vacation pay earned and not paid be accrued as a liability in the accounts.

The unrecorded vacation pay liability as at March 31, 2016 was \$119,235 (2015 - \$114,403, 2014 - \$131,315). Had the vacation pay been accrued, the excess of receipts over expenditures would have decreased/(increased) by \$4,832 (2015 - (\$16,912)). In addition the current liabilities would have increased and the net assets would have decreased by \$119,235 (2015 - \$114,403).

4. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit and term deposits with maturities of less than 90 days. Cash and cash equivalents not currently needed and with maturities of greater than 90 days are classified as restricted for future use.

PATHWAYS TO EDUCATION

A Program of Regent Park Community Health Centre

Notes to Financial Statements

March 31, 2016

5. Amounts Receivable

	2016		2015	
Harmonized Sales Tax Rebate	\$	23,312	\$	22,824
Accounts Receivable - Other		16,901		17,656
	\$	40,213	\$	40,480

6. Marketable Securities - Restricted for Future Use

Marketable securities - restricted for future use represents investments in fixed income funds that are externally and internally restricted for expenses which will be incurred after March 31, 2017.

7. Property and Equipment

	2016		2015	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and fixtures	\$ 44,005	\$ 43,154	\$ 44,005	\$ 40,277
Computer hardware	64,519	63,945	64,519	63,696
	\$ 108,524	\$ 107,099	\$ 108,524	\$ 103,973
Net book value		\$ 1,425		\$ 4,551

8. Deferred Revenue

Deferred revenue consists of amounts received from the Google Community Grants Fund in fiscal 2012 and other sources of funding. The purpose of this project is to create the Pathways Regent Park/Google Digital Learning Centre. The deferred revenue will be realized based on the actual expenditures spent over the term of the project. During the year, the Program brought into revenue \$26,849 (2015 - \$30,123) to offset the related expenditures as explained in note 13.

9. General Operating Fund

This fund provides supports for students, other program and operating expenses to run the Pathways to Education™ program. The \$710,968 unrestricted cash and cash equivalents is designated for the General Operating Fund.

PATHWAYS TO EDUCATION

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Notes to Financial Statements

March 31, 2016

10. Scholarship Fund

This fund provides scholarships and related costs for program participants who graduate from high school and wish to attend and attain post secondary education and qualifications. A total of \$825,907 of cash and cash equivalents, contributed by Pathways Canada, has been designated for the Scholarship Fund and is restricted by the funder. Of this fund \$33 is for current use and \$825,874 is for future use (notes 4 and 6).

11. Regent Park Community Health Centre Scholarship Fund

This fund provides scholarships and related costs for program participants who graduate from high school and wish to attend and attain post secondary education and qualifications. A total of \$588,402 of cash and cash equivalents has been designated for future use for the Scholarship Fund and is internally restricted by the Board of Directors (note 6).

12. Restrictive Fund - Capital

The Restrictive Fund - Capital reflects the net amount invested in property and equipment. The amortization based on the useful life of the assets are also reflected in this fund.

13. Google Community Grant

Below is the statement of receipts and detailed expenditures for Google Community Grant for the current year:

	2016	2015
Receipts		
Google Community Grant and other funders (note 8)	\$ 26,849	\$ 30,123
Expenditures		
Office rent	23,705	27,609
Telephone	744	1,036
Program materials	500	629
Equipment and technology	900	-
Computer	1,000	849
	<u>26,849</u>	<u>30,123</u>
Excess of Receipts Over Expenditures	<u>\$ -</u>	<u>\$ -</u>

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A Program of Regent Park Community Health Centre

Notes to Financial Statements

March 31, 2016

14. Commitments - Lease Agreement

The Program is committed under two lease agreements for its premises. Annual rental payments, exclusive of sales taxes, are as follows:

2016/2017	\$ 99,115
2017/2018	75,978
2018/2019	64,183
2019/2020	<u>16,046</u>
	<u>\$ 255,322</u>

In addition, the Program has committed to pay its proportionate share of realty taxes and common area maintenance.

15. Financial Instruments

The Program's financial instruments recorded on the Statement of Financial Position consist of cash, amounts receivable and all current liabilities. In management's opinion, the program is not exposed to significant currency, market or credit risks arising from these financial instruments as explained below.

Liquidity Risk

Liquidity risk is the risk that the Program may not be able to meet its obligations. To mitigate this risk, the Program commits to spending on the various projects only after the funds are received from the various funders or has reasonable assurance that the funds will be received.

Credit Risk

Credit risk is the risk that the Program will incur a financial loss if the other party to a financial instrument fails to discharge the obligation. The Program is subject to credit risk on its amounts receivable. The Program actively manages and monitors its receivables on a regular basis to mitigate this risk.

Currency Risk

The Program holds cash in foreign currency and therefore is subject to gains and losses due to fluctuations in foreign exchange rates. It is management's opinion that the program is not exposed to significant currency risks arising from its financial instruments, except for the U.S. cash account. However, due to the relatively liquid nature of cash and minimal US cash held, any currency risk is minimal.

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A Program of Regent Park Community Health Centre

Notes to Financial Statements

March 31, 2016

15. Financial Instruments (cont'd)

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. Financial instruments which potentially subject the Program to market risk, consist primarily of investments in fixed income funds. However, due to the liquid nature and regular review of the investments, the market risk is minimal.

16. Comparative Information

Certain figures for the comparative year ended March 31, 2015 have been reclassified to conform with the current year's financial statement presentation.