

**PATHWAYS TO EDUCATION**  
A PROGRAM OF  
REGENT PARK COMMUNITY HEALTH CENTRE  
FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2017

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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, 2017 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, 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, 2017, current assets and net assets as at March 31, 2017.

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, 2017, 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 27, 2017

CHARTERED ACCOUNTANTS  
LICENSED PUBLIC ACCOUNTANTS

**PATHWAYS TO EDUCATION**  
A Program of Regent Park Community Health Centre  
Statement of Financial Position  
March 31, 2017

	2017	(note 17) 2016
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents - unrestricted (note 4)	\$ 718,030	\$ 710,968
Cash and cash equivalents - restricted (note 4)	60,236	26,269
Amounts receivable (note 5)	23,149	23,312
Prepaid and sundry assets	16,160	16,934
Marketable securities - restricted (note 6)	328,137	-
	<u>1,145,712</u>	<u>777,483</u>
<b>Marketable Securites - Restricted for Future Use</b> (note 6)	588,402	1,414,276
<b>Property and Equipment</b> (note 7)	-	1,425
	<u>\$ 1,734,114</u>	<u>\$ 2,193,184</u>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued charges	\$ 30,668	\$ 24,510
Deferred revenue (note 8)	26,609	26,269
	<u>57,277</u>	<u>50,779</u>
<b>NET ASSETS</b>		
<b>General Operating Fund</b> (page 4)	726,671	726,671
<b>Scholarship Fund - Restricted by the Funder</b> (page 4)	361,764	825,907
<b>Regent Park Community Health Centre Scholarship Fund - Restricted by the Board</b> (page 4)	588,402	588,402
<b>Restrictive Fund - Capital</b> (page 4)	-	1,425
	<u>1,676,837</u>	<u>2,142,405</u>
	<u>\$ 1,734,114</u>	<u>\$ 2,193,184</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, 2017

	(note 9) General Operating Fund	(note 10) Scholarship Fund - Restricted by the Donors	(note 11) Scholarship Fund - Restricted by the Funder	(note 12) Regent Park Community Health Centre Scholarship Fund - Restricted by the Board	(note 13) Restrictive Fund - Capital	2017 Total	(note 17) 2016 Total
<b>Fund Balance - beginning of year</b>	\$ 726,671	\$ -	\$ 825,907	\$ 588,402	\$ 1,425	\$ 2,142,405	\$ 2,612,351
Excess of (Expenditures over Receipts) (page 5)	-	-	(464,143)	-	-	(464,143)	(466,820)
Amortization for the year	-	-	-	-	(1,425)	(1,425)	(3,126)
<b>Fund Balance - end of year</b>	<b>\$ 726,671</b>	<b>\$ -</b>	<b>\$ 361,764</b>	<b>\$ 588,402</b>	<b>\$ -</b>	<b>\$ 1,676,837</b>	<b>\$ 2,142,405</b>

(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, 2017

	(note 9) General Operating Fund	(note 10) Scholarship Fund - Restricted by the Donors	(note 11) Scholarship Fund - Restricted by the Funder	2017 Total	(note 17) 2016 Total
<b>Receipts</b>					
Donations:					
Pathways to Education Canada	\$ 3,107,001	\$ -	\$ -	\$ 3,107,001	\$ 3,209,500
Google Community Grant (note 14)	-	-	-	-	26,849
Other	200	11,500	-	11,700	9,000
Individuals	3,213	-	-	3,213	-
Investment income	-	-	16,389	16,389	5,672
Toronto Arts Council	6,000	-	-	6,000	-
	<b>3,116,414</b>	<b>11,500</b>	<b>16,389</b>	<b>3,144,303</b>	<b>3,251,021</b>
<b>Expenditures</b>					
Salaries	1,674,974	-	-	1,674,974	1,756,357
Benefits	439,106	-	-	439,106	447,625
Administration	117,000	-	-	117,000	117,000
Office rent	95,734	-	-	95,734	92,191
Purchased services	52,162	-	-	52,162	45,313
Rent tutoring space	45,751	-	-	45,751	48,887
Furniture and equipment	28,047	-	-	28,047	19,625
Telephone and computer	22,620	-	-	22,620	22,149
Office supplies	21,719	-	-	21,719	20,815
Mentoring and tutoring	17,637	-	-	17,637	19,828
Repairs and maintenance	13,701	-	-	13,701	7,187
Staff development	13,004	-	-	13,004	12,802
Program materials	12,791	-	-	12,791	12,988
Graduation and convocation expenses	11,349	-	-	11,349	9,145
Legal and audit	11,244	-	-	11,244	14,120
Program materials - Toronto Arts Council	6,000	-	-	6,000	-
Travel and transportation	4,361	-	-	4,361	5,665
Outreach	3,316	-	-	3,316	364
Miscellaneous	3,013	-	-	3,013	2,255
General insurance	2,000	-	-	2,000	2,000
Volunteer recognition	1,744	-	-	1,744	2,062
TTC and school supplies	519,141	-	-	519,141	551,285
Student scholarship	-	11,500	480,532	492,032	481,329
Google Community Grant (note 14)	-	-	-	-	26,849
	<b>3,116,414</b>	<b>11,500</b>	<b>480,532</b>	<b>3,608,446</b>	<b>3,717,841</b>
<b>Excess of (Expenditures Over Receipts)</b>					
(page 4)	\$ -	\$ -	\$ (464,143)	\$ (464,143)	\$ (466,820)

(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, 2017

	2017	(note 17) 2016
<b>Cash Flows from Operating Activities</b>		
Excess of expenditures over receipts before funds transferred	\$ (464,143)	\$ (466,820)
Changes in non-cash working capital:		
Amounts receivable	163	17,167
Prepaid and sundry assets	774	3,697
Accounts payable and accrued charges	6,158	(1,343)
Deferred revenue	340	(3,434)
	<u>(456,708)</u>	<u>(450,733)</u>
<b>Cash Flows from Investing Activities</b>		
Marketable securities - restricted for future use	<u>497,737</u>	<u>290,177</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	41,029	(160,556)
<b>Cash and Cash Equivalents - beginning of year</b>	<u>737,237</u>	<u>897,793</u>
<b>Cash and Cash Equivalents - end of year</b>	<u>\$ 778,266</u>	<u>\$ 737,237</u>
<b>Cash and Cash Equivalents:</b>		
Cash and cash equivalents - unrestricted	\$ 718,030	\$ 710,968
Cash and cash equivalents - restricted	<u>60,236</u>	<u>26,269</u>
<b>Total Cash and Cash Equivalents</b>	<u>\$ 778,266</u>	<u>\$ 737,237</u>

(See Accompanying Notes to Financial Statements)

## **PATHWAYS TO EDUCATION**

A Program of Regent Park Community Health Centre

Notes to Financial Statements

March 31, 2017

### **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 9-13 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.



## PATHWAYS TO EDUCATION

A Program of Regent Park Community Health Centre

Notes to Financial Statements

March 31, 2017

### 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 27, 2017.

#### 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 assets during the year.

## **PATHWAYS TO EDUCATION**

A Program of Regent Park Community Health Centre

Notes to Financial Statements

March 31, 2017

### **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 and marketable securities, which are 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 charges.

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, 2017 was \$91,365 (2016 - \$119,235, 2015 - \$114,403). Had the vacation pay been accrued, the excess of expenditures over receipts would have decreased/(increased) by \$27,870 (2016 - (\$4,832)). In addition the current liabilities would have increased and the net assets would have decreased by \$91,365 (2016 - \$119,235).

### **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 are classified as either unrestricted or restricted.

## PATHWAYS TO EDUCATION

A Program of Regent Park Community Health Centre

Notes to Financial Statements

March 31, 2017

### 5. Amounts Receivable

	2017	2016
Harmonized Sales Tax Rebate	<u>\$ 23,149</u>	<u>\$ 23,312</u>

### 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 to be incurred.

	2017	2016
Marketable securities	\$ 916,539	\$ 1,414,276
Less current portion for expenses which will be incurred in the coming year	<u>328,137</u>	<u>-</u>
Long-term portion for expenses which will be incurred after March 31, 2018	<u>\$ 588,402</u>	<u>\$ 1,414,276</u>

### 7. Property and Equipment

	2017		2016	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and fixtures	\$ 44,005	\$ 44,005	\$ 44,005	\$ 43,154
Computer hardware	<u>64,519</u>	<u>64,519</u>	<u>64,519</u>	<u>63,945</u>
	<u>\$ 108,524</u>	<u>\$ 108,524</u>	<u>\$ 108,524</u>	<u>\$ 107,099</u>
Net book value		<u>\$ -</u>		<u>\$ 1,425</u>

### 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 \$- (2016 - \$26,849) to offset the related expenditures as explained in note 14.

## **PATHWAYS TO EDUCATION**

A Program of Regent Park Community Health Centre

Notes to Financial Statements

March 31, 2017

### **9. General Operating Fund**

This fund provides supports for students, other program and operating expenses to run the Pathways to Education™ program. The \$718,030 unrestricted cash and cash equivalents is designated for the General Operating Fund.

### **10. Scholarship Fund - Restricted by the Donors**

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. It has been designated for the Scholarship Fund and is restricted by the donors.

### **11. Scholarship Fund - Restricted by the Funder**

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 \$361,764 of cash and cash equivalents and marketable securities, contributed by Pathways Canada, has been designated for the Scholarship Fund and is restricted by the funder. The entire fund is for current use.

### **12. 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 and marketable securities has been designated for future use for the Scholarship Fund and is internally restricted by the Board of Directors (note 6).

### **13. 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.

## PATHWAYS TO EDUCATION

A Program of Regent Park Community Health Centre

Notes to Financial Statements

March 31, 2017

### 14. Google Community Grant

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

	2017	2016
<b>Receipts</b>		
Google Community Grant and other funders (note 8)	\$ -	\$ 26,849
<b>Expenditures</b>		
Office rent	-	23,705
Telephone	-	744
Program materials	-	500
Equipment and technology	-	900
Computer	-	1,000
	<u>-</u>	<u>26,849</u>
<b>Excess of Receipts Over Expenditures</b>	<u>\$ -</u>	<u>\$ -</u>

### 15. Commitments - Lease Agreement

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

2017/2018	\$ 75,978
2018/2019	64,183
2019/2020	<u>16,046</u>
	<u>\$ 156,207</u>

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

## **PATHWAYS TO EDUCATION**

A Program of Regent Park Community Health Centre

Notes to Financial Statements

March 31, 2017

### **16. 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.

#### 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 two types of 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.

### **17. Comparative Information**

Certain figures for the comparative year ended March 31, 2016 have been reclassified to conform with the current year's financial statement presentation.