

PATHWAYS TO EDUCATION
A PROGRAM OF
REGENT PARK COMMUNITY HEALTH CENTRE
FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2018

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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, 2018 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, 2018, current assets and net assets as at March 31, 2018.

As more fully described in note 2(c) 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, 2018, 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.

Richmond Hill, Canada
June 26, 2018

**CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS**

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Statement of Financial Position

March 31, 2018

	2018	2017
ASSETS		
Current		
Cash and cash equivalents - unrestricted (note 4)	\$ 679,345	\$ 718,030
Cash and cash equivalents - restricted (note 4)	41,552	60,236
Amounts receivable (note 5)	25,757	23,149
Prepaid and sundry assets	22,914	16,160
Marketable securities - restricted (note 6)	<u>385,199</u>	<u>328,137</u>
	1,154,767	1,145,712
Marketable Securites - Restricted for Future Use (note 6)	<u>-</u>	<u>588,402</u>
	<u>\$ 1,154,767</u>	<u>\$ 1,734,114</u>
LIABILITIES		
Current		
Accounts payable and accrued charges	\$ 2,724	\$ 30,668
Deferred revenue (note 7)	<u>41,552</u>	<u>26,609</u>
	<u>44,276</u>	<u>57,277</u>
NET ASSETS		
General Operating Fund (page 4)	725,292	726,671
Scholarship Fund - Restricted by the Funder (page 4)	-	361,764
Regent Park Community Health Centre Scholarship Fund - Restricted by the Board (page 4)	<u>385,199</u>	<u>588,402</u>
	<u>1,110,491</u>	<u>1,676,837</u>
	<u>\$ 1,154,767</u>	<u>\$ 1,734,114</u>

APPROVED ON BEHALF OF THE BOARD

Director

Director

(See Accompanying Notes to Financial Statements)

Draft for Management Discussion purpose only -June 22, 2018
Hennick Herman LLP

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A Program of Regent Park Community Health Centre

Statement of Changes in Net Assets

Year Ended March 31, 2018

	(note 8) General Operating Fund	(note 9) Scholarship Fund - Restricted by the Donors	(note 10) Scholarship Fund - Restricted by the Funder	(note 11) Regent Park Community Health Centre Scholarship Fund - Restricted by the Board	2018 Total	2017 Total
Fund Balance - beginning of year	\$ 726,671	\$ -	\$ 361,764	\$ 588,402	\$ 1,676,837	\$ 2,142,405
Prior year adjustments	(1,379)	-	-	-	(1,379)	-
Excess of (Expenditures over Receipts) (page 5)	-	-	(564,967)	-	(564,967)	(464,143)
Amortization for the year	-	-	-	-	-	(1,425)
Funds transferred from Scholarship Fund - Restricted by the Board to Scholarship Fund - Restricted by the Funder	-	-	203,203	(203,203)	-	-
Fund Balance - end of year	\$ 725,292	\$ -	\$ -	\$ 385,199	\$ 1,110,491	\$ 1,676,837

(See Accompanying Notes to Financial Statements)

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A Program of Regent Park Community Health Centre

Statement of Receipts and Expenditures

Year Ended March 31, 2018

	(note 8) General Operating Fund	(note 9) Scholarship Fund - Restricted by the Donors	(note 10) Scholarship Fund - Restricted by the Funder	2018 Total	2017 Total
Receipts					
Donations:					
Pathways to Education Canada (PEC)					
- Core	\$ 2,881,400	\$ -	\$ -	\$ 2,881,400	\$ 3,107,001
- Program Review	26,606	-	-	26,606	-
Other	2,303	13,550	-	15,853	11,700
Individuals	350	-	-	350	3,213
Investment income	632	-	16,943	17,575	16,389
Toronto Arts Council (TAC)	-	-	-	-	6,000
	2,911,291	13,550	16,943	2,941,784	3,144,303
Expenditures					
Salaries	1,614,435	-	-	1,614,435	1,674,974
Benefits	407,075	-	-	407,075	439,106
Administration	112,000	-	-	112,000	117,000
Office rent	94,752	-	-	94,752	95,734
Rent tutoring space	48,006	-	-	48,006	45,751
Purchased services	43,214	-	-	43,214	52,162
Furniture and equipment	22,442	-	-	22,442	28,047
Telephone and computer	21,808	-	-	21,808	22,620
Program materials	20,868	-	-	20,868	12,791
Office supplies	20,472	-	-	20,472	21,719
Legal and audit	18,540	-	-	18,540	11,244
Graduation and convocation expenses	11,137	-	-	11,137	11,349
Mentoring and tutoring	9,883	-	-	9,883	17,637
Repairs and maintenance	7,590	-	-	7,590	13,701
Staff development	7,287	-	-	7,287	13,004
Outreach	3,343	-	-	3,343	3,316
Miscellaneous	3,245	-	-	3,245	3,013
Travel and transportation	2,939	-	-	2,939	4,361
General insurance	2,000	-	-	2,000	2,000
Volunteer recognition	1,982	-	-	1,982	1,744
Program materials - (TAC)	-	-	-	-	6,000
TTC and school supplies	411,667	-	-	411,667	519,141
Student scholarship	-	13,550	556,831	570,381	492,032
PEC Program Review	26,606	-	-	26,606	-
Changes in fair value of investments	-	-	25,079	25,079	-
	2,911,291	13,550	581,910	3,506,751	3,608,446
Excess of (Expenditures Over Receipts)	\$ -	\$ -	\$ (564,967)	\$ (564,967)	\$ (464,143)

(See Accompanying Notes to Financial Statements)

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Statement of Cash Flows

Year Ended March 31, 2018

	2018	2017
Cash Flows from (used by) Operating Activities		
Excess of expenditures over receipts	\$ (564,967)	\$ (464,143)
Changes in non-cash working capital:		
Amounts receivable	(2,608)	163
Prepaid and sundry assets	(6,754)	774
Accounts payable and accrued charges	(27,944)	6,158
Deferred revenue	14,943	340
Prior year adjustment	(1,379)	-
	(588,709)	(456,708)
Cash Flows from (used by) Investing Activities		
Marketable securities - restricted	531,340	497,737
Net (Decrease) Increase in Cash and Cash Equivalents	(57,369)	41,029
Cash and Cash Equivalents - beginning of year	778,266	737,237
Cash and Cash Equivalents - end of year	\$ 720,897	\$ 778,266
Cash and Cash Equivalents:		
Cash and cash equivalents - unrestricted	\$ 679,345	\$ 718,030
Cash and cash equivalents - restricted	41,552	60,236
Total Cash and Cash Equivalents	\$ 720,897	\$ 778,266

(See Accompanying Notes to Financial Statements)

PATHWAYS TO EDUCATION

A Program of Regent Park Community Health Centre

Notes to Financial Statements

March 31, 2018

1. Organization - Overview

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(c). 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 8-11 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. 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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Notes to Financial Statements

March 31, 2018

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

c) Vacation Pay

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

d) 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.

e) 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 26, 2018.

f) 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.

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Notes to Financial Statements

March 31, 2018

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

g) 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, 2018 was \$86,280 (2017 - \$91,365, 2016 - \$119,235). Had the vacation pay been accrued, the excess of expenditures over receipts would have decreased by \$5,085 (2017 - \$27,870). In addition the current liabilities would have increased and the net assets would have decreased by \$86,280 (2017 - \$91,365).

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.

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Notes to Financial Statements

March 31, 2018

5. Amounts Receivable

	2018	2017
Harmonized Sales Tax Rebate	<u>\$ 25,757</u>	<u>\$ 23,149</u>

6. Marketable Securities - Restricted for Future Use

Marketable securities - restricted for future use represent investments in fixed income funds that are externally and internally restricted for expenses to be incurred.

	2018	2017
Marketable securities	\$ 385,199	\$ 916,539
Less: current portion for expenses which will be incurred in the coming year	<u>385,199</u>	<u>328,137</u>
Long-term portion for expenses which will be incurred in the future.	<u>\$ -</u>	<u>\$ 588,402</u>

7. Deferred Revenue

	2018	2017
Google Community Grants Fund	\$ 26,609	\$ 26,609
PEC Program Review Fund	<u>14,943</u>	<u>-</u>
Total	<u>\$ 41,552</u>	<u>\$ 26,609</u>

8. General Operating Fund

This fund provides supports for students, other programs and operating expenses to run the Pathways to Education™ program. The \$679,345 unrestricted cash and cash equivalents is designated for the General Operating Fund.

9. 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.

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Notes to Financial Statements
March 31, 2018

10. 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. This fund has been fully spent and will not be replenished due to upcoming transfer of scholarship distribution back to Pathways to Education.

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 \$385,199 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).

12. Commitments - Lease Agreement

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

2018/2019	\$ 104,748
2019/2020	56,611
2020/2021	40,565
2021/2022	40,565
2022/2023	<u>30,424</u>
	<u>\$ 272,913</u>

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

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Notes to Financial Statements

March 31, 2018

13. 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.