# PATHWAYS FOUNDATION
# FINANCIAL STATEMENTS
# AS AT MARCH 31, 2013

WILKINSON

**PATHWAYS FOUNDATION**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Pathways Foundation

**Report on the Financial Statements**

We have audited the accompanying financial statements of Pathways Foundation, which comprise the statement of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011 and the statements of operations and changes in fund balances and cash flows for the years ended March 31, 2013 and March 31, 2012, 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 audits. We conducted our audits 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.

**Basis for Qualified Opinion**

In common with many charitable organizations, the Foundation derives revenue from donations and fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to donations revenue, excess of revenue over expenditure, assets and fund balances.

**Qualified Opinion**

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of Pathways Foundation as at March 31, 2013, March 31, 2012 and April 1, 2011 and its financial performance and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

Wilkinson & Company LLP

BELLEVILLE, Canada
September 19, 2013

Chartered Accountants
Licensed Public Accountants

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# PATHWAYS FOUNDATION
## STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2013

| | March 31, 2013 $ | March 31, 2012 $ (Note 2) | April 1, 2011 $ (Note 2) |
|---|---|---|---|
| **ASSETS** | | | |
| **CURRENT** | | | |
| Cash | **62,558** | 24,004 | 129,570 |
| Short-term investment - Operating - Note 4 | **75,563** | 75,000 | |
| Accounts receivable | **4,434** | 1,883 | 3,111 |
| Accrued interest | **278** | 250 | |
| Inventories | **1,389** | 3,086 | 4,143 |
| Prepaid expenses | **702** | 569 | 3,102 |
| | **144,924** | 104,792 | 139,926 |
| **LONG-TERM** | | | |
| Short-term investment - Endowment - Note 5 | **1,000** | | |
| | **145,924** | 104,792 | 139,926 |
| **LIABILITIES** | | | |
| **CURRENT** | | | |
| Accounts payable and accrued charges | **4,114** | 5,891 | 4,106 |
| Due to Pathways To Independence | | 10,000 | |
| | **4,114** | 15,891 | 4,106 |
| **FUND BALANCES** | | | |
| **OPERATING FUND** | **141,800** | 88,901 | 135,820 |
| **ENDOWMENT FUND** - Note 6 | **10** | | |
| | **145,924** | 104,792 | 139,926 |

**APPROVED ON BEHALF OF THE BOARD**

______________________ Director

______________________ Director

The accompanying notes form an integral part of these financial statements

# PATHWAYS FOUNDATION
## STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
## FOR THE YEAR ENDED MARCH 31, 2013

| | 2013 Operating Fund $ | 2013 Endowment Fund $ | 2013 Total $ | 2012 $ |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Interest income | 581 | 10 | 591 | 261 |
| Donations | 5,566 | | 5,566 | 3,480 |
| Fundraising income | 82,552 | | 82,552 | 61,320 |
| Nevada income | 18,287 | | 18,287 | 41,153 |
| | 106,986 | 10 | 106,996 | 106,214 |
| **EXPENDITURES** | | | | |
| Bank and service charges | 2,007 | | 2,007 | 1,572 |
| Capital campaign - promotion | 300 | | 300 | 7 |
| Fundraising | 16,874 | | 16,874 | 15,904 |
| Grants and awards | 12,319 | | 12,319 | 98,930 |
| Miscellaneous | 1,100 | | 1,100 | 1,607 |
| Nevada expenses | 7,361 | | 7,361 | 20,562 |
| Consulting and professional fees | 14,126 | | 14,126 | 14,551 |
| | 54,087 | NIL | 54,087 | 153,133 |
| **EXCESS OF REVENUE OVER EXPENDITURES (EXPENDITURES OVER REVENUE)** | 52,899 | 10 | 52,909 | (46,919) |
| **FUND BALANCE AT BEGINNING OF YEAR** | 88,901 | | 88,901 | 135,820 |
| **FUND BALANCE AT END OF YEAR** | 141,800 | 10 | 141,810 | 88,901 |

The accompanying notes form an integral part of these financial statements

# PATHWAYS FOUNDATION
## STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED MARCH 31, 2013

| | 2013 $ | 2012 $ |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Excess of revenue over expenditures (expenditures over revenue) | **52,909** | (46,919) |
| Net change in non-cash working capital balances related to operations - Note 7 | **(14,355)** | (58,647) |
| **CASH FLOWS PROVIDED FROM (USED IN) OPERATING ACTIVITIES** | **38,554** | (105,566) |
| **INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS FOR YEAR** | **38,554** | (105,566) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | **24,004** | 129,570 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | **62,558** | 24,004 |
| **REPRESENTED BY:** | | |
| Cash | **62,558** | 24,004 |

The accompanying notes form an integral part of these financial statements

**PATHWAYS FOUNDATION**
**NOTES TO FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED MARCH 31, 2013**

## 1. PURPOSE OF THE FOUNDATION

(a) Pathways Foundation was incorporated under the Ontario Corporations Act on May 2, 2000 as a not-for-profit organization without share capital.

(b) The Foundation receives and maintains a fund or funds and to apply from time to time all or part of the income therefrom, from time to time, for charitable purposes to enhance the quality of life of individuals supported by Pathways to Independence and the quality of life of individuals supported by partner organizations.

(c) The Foundation has been registered with the Canada Revenue Agency as a charitable public foundation, and accordingly, is exempt from income taxes provided it disburses its available funds as set out under the requirements of the Income Tax Act.

(d) Upon the dissolution of the Foundation and upon the payment of all debts and liabilities, its remaining property shall be distributed or disposed of to another organization with similar goals and objectives.

## 2. ADOPTION OF ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

Effective April 1, 2012, the Foundation adopted the requirements of the Canadian Institute of Chartered Accountants (CICA) Handbook – Accounting electing to adopt the new accounting framework: Canadian Accounting Standards for Not-For-Profit Organizations (Part III). These are the Foundation's first financial statements prepared in accordance with Part III and the transitional provisions of Section 1501, First-time Adoption have been applied. Section 1501 requires retrospective application of the accounting standards with certain elective exemptions and limited retrospective exceptions. The accounting policies set out in the significant accounting policy note have been applied in preparing the financial statements for the year ended March 31, 2013, the comparative information for the year ended March 31, 2012 and the opening Part III statement of financial position at April 1, 2011 (the Foundation's date of transition).

The Foundation issued financial statements for the year ended March 31, 2012 using generally accepted accounting principles prescribed by the CICA Handbook – Part V. The adoption of Canadian Accounting Standards for Not-for-Profit Organizations resulted in no adjustments to the previously reported assets, liabilities, fund balances, statement of operations and cash flows of the organization.

PATHWAYS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2013

## 3. ACCOUNTING POLICIES

Outlined below are those accounting policies adopted by the Foundation considered to be particularly significant:

### (a) Basis of Accounting

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations.

### (b) Accounting 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include valuation of accounts receivable, inventory and prepaid expenses. Actual results could differ from those estimates.

### (c) Fund Accounting

The financial statements have been prepared using the accrual method of accounting. Under the accrual method of accounting, revenue is recorded when earned and expenses are recorded when incurred as follows:

(i) The Operating Fund reflects all the activities of the Foundation's day-to-day operations including short and long-term capital requirements.

(ii) The Endowment Fund reflects all the contributions to the Foundation restricted for use in the day-to-day operations.

### (d) Basis of Reporting

These financial statements pertain to the operations of Pathways Foundation. They do not include the assets, liabilities, revenues or expenditures of Pathways to Independence which is an organization that has representation on the Board of Directors of Pathways Foundation.

### (e) Investments

Investments are classified as amortized cost.

# PATHWAYS FOUNDATION
# NOTES TO FINANCIAL STATEMENTS
# FOR THE YEAR ENDED MARCH 31, 2013

## 3. ACCOUNTING POLICIES (Cont'd)

### (f) Inventories

Inventories are valued at the lower of cost and net realizable value, with cost being determined on a first-in, first-out basis. Net realizable value is defined as expected proceeds to be received for inventory, less direct costs associated with this sale.

### (g) Revenue Recognition

#### (i) Contributions

The Foundation follows the deferral method of accounting for contributions.

Restricted contributions related to general operations are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

#### (ii) Donations

Cash donations are recognized strictly on a cash received basis. Donated property, equipment and services are recorded at fair market value when the value can be reasonably estimated, the value is greater than $5,000 and the Foundation would have paid for the item if it had not been donated.

#### (iii) Interest Income

Interest income is recognized at the time it is earned.

### (h) Cash and Equivalents

Cash and equivalents consist of cash on deposit.

## 4. SHORT-TERM INVESTMENT

The investment consists of a one-year cashable GIC with an interest rate of 0.80%, maturing October 21, 2013. The total market value at March 31, 2013 was $75,562.

## 5. ENDOWMENT INVESTMENT

The endowment investment consists of a one-year cashable GIC with an interest rate of 1.00%, maturing April 2, 2013. The total market value at March 31, 2013 was $1,000.

PATHWAYS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2013

## 6. ENDOWMENT FUND

Contributions restricted for endowments consist of donation received by an individual where the endowment principal is required to remain intact. Accordingly, these amounts are classified as long-term investments. The investment income generated from the endowments must be used in accordance with the purposes established by donors.

## 7. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES RELATED TO OPERATIONS

Cash provided from (used in) non-cash working capital is compiled as follows:

| | 2013 $ | 2012 $ |
|---|---|---|
| **(INCREASE) DECREASE IN CURRENT ASSETS** | | |
| Short-term investments - Operating | **(563)** | (75,000) |
| Short-term investments - Endowment | **(1,000)** | |
| Accounts receivable | **(2,551)** | 1,228 |
| Accrued interest | **(28)** | (250) |
| Inventories | **1,697** | 1,057 |
| Prepaid expenses and deposits | **(133)** | 2,533 |
| | **(2,578)** | (70,432) |
| **INCREASE (DECREASE) IN CURRENT LIABILITIES** | | |
| Accounts payable and accrued liabilities | **(1,777)** | 1,785 |
| Due to Pathways to Independence | **(10,000)** | 10,000 |
| | **(11,777)** | 11,785 |
| **NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES RELATED TO OPERATIONS** | **(14,355)** | (58,647) |

PATHWAYS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2013

## 8. FINANCIAL INSTRUMENTS

The Foundation has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The risks that arise from transacting financial instruments include interest rate risk, liquidity risk, and market (other) risk. Price risk arises from changes in interest rates and market prices.

**Market Risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Management mitigates market risk by utilizing diversification techniques.

It is management's opinion that the organization is not exposed to significant market risks from these financial instruments.

**Interest Rate Risk**

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments.

The Foundation is exposed to risk through its interest-bearing investments.

**Liquidity Risk**

Liquidity risk is the risk that the organization will not be able to meet all cash outflow obligations as they come due. The organization mitigates this risk by monitoring cash activities and expected outflows.

There have been no significant changes from the previous period in the exposure to risk or policies, procedures and methods used to measure risk.