

**PATHWAYS FOUNDATION  
FINANCIAL STATEMENTS  
AS AT MARCH 31, 2014**

**PATHWAYS FOUNDATION  
TABLE OF CONTENTS  
AS AT MARCH 31, 2014**

	<u>Page</u>
<b>INDEPENDENT AUDITORS' REPORT</b>	1
<b>FINANCIAL STATEMENTS</b>	
Statement of Financial Position	2
Statement of Operations and Changes in Fund Balances	3
Statement of Cash Flows	4
Notes to Financial Statements	5-9

**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, 2014, and the statements of operations and changes in fund balances 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.

**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, 2014, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

*Wilkinson & Company LLP*

BELLEVILLE, Canada  
July 9, 2014

Chartered Accountants  
Licensed Public Accountants

**WILKINSON & COMPANY LLP - CHARTERED ACCOUNTANTS**

**PATHWAYS FOUNDATION**  
**STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2014**

	2014	2013
	\$	\$
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	121,654	62,558
Short-term investment - Operating - Note 3	76,167	75,563
Accounts receivable	1,488	4,434
Accrued interest	288	278
Inventories	926	1,389
Due from Pathways to Independence - Note 4	4,977	
Prepaid expenses	445	702
	205,945	144,924
<b>LONG-TERM</b>		
Short-term investment - Endowment - Note 5	1,000	1,000
	206,945	145,924
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued charges	3,946	4,114
<b>FUND BALANCES</b>		
<b>OPERATING FUND</b>	201,999	140,810
<b>ENDOWMENT FUND - Note 6</b>	1,000	1,000
<b>APPROVED ON BEHALF OF THE BOARD</b>		
_____ Director		
_____ Director		
	206,945	145,924

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, 2014**

	Operating Fund \$	2014 Endowment Fund \$	Total \$	2013 \$
<b>REVENUES</b>				
Interest income	615		615	591
Donations	7,803		7,803	5,566
Fundraising income	74,084		74,084	82,552
Nevada income	9,403		9,403	18,287
	<b>91,905</b>	<b>NIL</b>	<b>91,905</b>	<b>106,996</b>
<b>EXPENDITURES</b>				
Bank and service charges	1,270		1,270	2,007
Capital campaign - promotion				300
Fundraising	11,773		11,773	16,874
Grants and awards	7,968		7,968	12,319
Miscellaneous	2,078		2,078	1,100
Nevada expenses	4,752		4,752	7,361
Consulting and professional fees	2,875		2,875	14,126
	<b>30,716</b>	<b>NIL</b>	<b>30,716</b>	<b>54,087</b>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	<b>61,189</b>	<b>NIL</b>	<b>61,189</b>	<b>52,909</b>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<b>140,810</b>	<b>1,000</b>	<b>141,810</b>	<b>88,901</b>
<b>FUND BALANCE AT END OF YEAR</b>	<b>201,999</b>	<b>1,000</b>	<b>202,999</b>	<b>141,810</b>

The accompanying notes form an integral part of these financial statements

**PATHWAYS FOUNDATION  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED MARCH 31, 2014**

	<b>2014</b>	2013
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenditures	61,189	52,909
Net change in non-cash working capital balances related to operations - Note 7	(2,093)	(14,355)
<b>CASH FLOWS PROVIDED FROM OPERATING ACTIVITIES</b>	<b>59,096</b>	38,554
<b>INCREASE IN CASH AND CASH EQUIVALENTS FOR YEAR</b>	<b>59,096</b>	38,554
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>62,558</b>	24,004
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>121,654</b>	62,558
<b>REPRESENTED BY:</b>		
Cash	121,654	62,558

The accompanying notes form an integral part of these financial statements

**PATHWAYS FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2014**

**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. 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.

**PATHWAYS FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2014**

**2. ACCOUNTING POLICIES (Cont'd)**

**(c) Fund Accounting**

Pathways Foundation follows the restricted fund method of accounting for contributions. In order to properly reflect its activities, the Foundation maintains its accounts in accordance with the principals of Fund Accounting. Under Fund Accounting, resources are classified for accounting and reporting purposes into funds in order that limitations and restrictions placed on the use of available resources are observed.

- (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 contributions for endowment. Investment income generated from the endowment must be used in accordance with the purposes established by donors.

**(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.

**(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.



**PATHWAYS FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2014**

**2. ACCOUNTING POLICIES (Cont'd)**

**(g) Revenue Recognition (Cont'd)**

**(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.

**3. SHORT-TERM INVESTMENT**

The investment consists of a one-year cashable GIC with an interest rate of 0.80%, maturing October 21, 2014. The total market value at March 31, 2014 was \$76,167.

**4. DUE FROM PATHWAYS TO INDEPENDENCE**

Amounts due to Pathways To Independence, a not-for-profit organization with a Board of Directors and Management that includes representation from the Board of Directors and Management of Pathways Foundation, are non-interest bearing, unsecured, with no fixed terms of repayment.

**5. ENDOWMENT INVESTMENT**

The endowment investment consists of a one-year cashable GIC with an interest rate of 1.00%, maturing April 2, 2014. The total market value at March 31, 2014 was \$1,000.

**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.

**PATHWAYS FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2014**

**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:

	2014	2013
	\$	\$
<b>(INCREASE) DECREASE IN CURRENT ASSETS</b>		
Short-term investments - Operating	(603)	(563)
Short-term investments - Endowment		(1,000)
Accounts receivable	2,946	(2,551)
Accrued interest	(10)	(28)
Inventories	463	1,697
Due from Pathways to Independence	(4,977)	
Prepaid expenses and deposits	257	(133)
	(1,924)	(2,578)
<b>INCREASE (DECREASE) IN CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	(169)	(1,777)
Due to Pathways to Independence		(10,000)
	(169)	(11,777)
<b>NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES RELATED TO OPERATIONS</b>	<b>(2,093)</b>	<b>(14,355)</b>

**8. FINANCIAL RISKS AND CONCENTRATION OF RISK**

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.

**PATHWAYS FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2014**

**8. FINANCIAL RISKS AND CONCENTRATION OF RISK (Cont'd)**

**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.