PATHWAYS TO INDEPENDENCE

FINANCIAL STATEMENTS

AS AT MARCH 31, 2017

WILKINSON

PATHWAYS TO INDEPENDENCE

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AS AT MARCH 31, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Members of
Pathways To Independence

Report on the Financial Statements

We have audited the accompanying financial statements of Pathways To Independence, which comprise the statement of financial position as at March 31, 2017, and the statements of fund balance, operations 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 audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Pathways To Independence as at March 31, 2017, and the results of operations 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
June 26, 2017

Chartered Professional Accountants
Licensed Public Accountants

PATHWAYS TO INDEPENDENCE
STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2017

	2017 $	2016 $
ASSETS		
CURRENT		
Cash	**1,427,534**	476,841
Accounts receivable	**432,464**	374,863
Due from Ministry - Note 3	**68,835**	771,746
Prepaid expenses	**59,362**	47,940
	1,988,195	1,671,390
TANGIBLE CAPITAL ASSETS - at cost less accumulated amortization - Note 5	**8,488,876**	8,461,202
OTHER		
Cash - restricted to capital purposes	**372,189**	299,425
	10,849,260	10,432,017
LIABILITIES AND FUND BALANCE		
CURRENT		
Accounts payable and accrued liabilities	**1,828,040**	1,904,670
Government remittances payable	**277,586**	256,383
Due to Ministry - Note 3	**561,860**	396,288
Current portion of long-term debt	**1,088,373**	1,259,862
	3,755,859	3,817,203
LONG-TERM DEBT - Note 8	**1,025,960**	1,090,320
DEFERRED CONTRIBUTIONS - Note 9	**3,968,839**	3,736,148
	8,750,658	8,643,671
SURPLUS - Note 10	**2,098,602**	1,788,346
COMMITMENTS - Note 11		
	10,849,260	10,432,017

The accompanying notes form an integral part of these financial statements

PATHWAYS TO INDEPENDENCE
STATEMENT OF FUND BALANCE
FOR THE YEAR ENDED MARCH 31, 2017

	2017	2016
	$	$
FUND BALANCE SURPLUS - BEGINNING OF YEAR	**1,788,346**	1,350,204
EXCESS OF REVENUE OVER EXPENDITURES	**310,256**	438,142
FUND BALANCE SURPLUS - END OF YEAR - Note 10	**2,098,602**	1,788,346

PATHWAYS TO INDEPENDENCE
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2017

	2017 $	2016 $
REVENUES		
Government operating grants	**23,403,874**	21,282,122
Amortization of deferred contributions	**320,658**	358,505
Interest earned	**1,019**	539
Program management fees	**108,319**	109,692
Rental income	**1,404,923**	1,351,469
Private fees	**1,058,157**	1,062,151
Other income	**742,127**	655,576
Gain on sale of tangible capital assets	**12,954**	183,708
	27,052,031	25,003,762
EXPENDITURES		
Advertising	**47,662**	38,122
Amortization of tangible capital assets	**604,766**	636,105
Food and supplies	**514,642**	499,268
General and administrative	**125,392**	139,618
Insurance	**54,156**	55,880
New furniture and equipment	**150,249**	122,987
Interest on long-term debt	**75,152**	99,446
Program expenditures	**301,649**	266,979
Purchased services	**2,863,101**	2,419,333
Rent	**185,397**	154,390
Repairs and maintenance	**446,571**	435,118
Salaries and benefits	**20,003,318**	18,401,244
Staff training	**84,262**	82,956
Travel and automotive	**769,812**	723,536
Utilities and taxes	**515,646**	490,638
	26,741,775	24,565,620
EXCESS OF REVENUE OVER EXPENDITURES	**310,256**	438,142

The accompanying notes form an integral part of these financial statements

PATHWAYS TO INDEPENDENCE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2017

	2017 $	2016 $
OPERATING ACTIVITIES		
Excess of revenue over expenditures	**310,256**	438,142
Amortization of tangible capital assets	**604,766**	636,105
Gain on disposal of tangible capital assets	**(12,954)**	(183,708)
Amortization of deferred contributions	**(320,658)**	(358,505)
Net change in non-cash working capital balances related to operations - Note 14	**671,269**	(753,268)
CASH FLOWS PROVIDED FROM (USED IN) OPERATING ACTIVITIES	**1,252,679**	(221,234)
INVESTING ACTIVITIES		
Purchase of tangible capital assets	**(632,438)**	(1,136,141)
Proceeds on sale of tangible capital assets	**12,954**	534,114
CASH FLOWS USED IN INVESTING ACTIVITIES	**(619,484)**	(602,027)
FINANCING ACTIVITIES		
Increase in deferred contributions	**553,349**	481,021
Increase in long-term debt	**311,960**	1,933,718
Repayment of long-term debt	**(547,811)**	(2,298,062)
CASH FLOWS PROVIDED FROM FINANCING ACTIVITIES	**317,498**	116,677
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS FOR YEAR	**950,693**	(706,584)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	**476,841**	1,183,425
CASH AND CASH EQUIVALENTS - END OF YEAR	**1,427,534**	476,841
REPRESENTED BY:		
Cash	**1,427,534**	476,841

The accompanying notes form an integral part of these financial statements

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017

1. PURPOSE OF THE ORGANIZATION

(a) Pathways to Independence was incorporated under the Ontario Corporations Act in March, 1990 as a not-for-profit organization without share capital. The Organization provides support to individuals with disabilities by providing low income housing which allows them to live in communities of their choice.

(b) Due to the nature of its operations, the Organization is not subject to corporate income taxes.

(c) Upon the dissolution of the Organization 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 Organization 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.

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.

The financial statements disclose the activities of the Organization's operating fund. The operating fund reflects all the activities of the Organization's day-to-day operations including short and long-term capital requirements.

(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, accounts payable and accrued liabilities, employee future benefits, deferred revenue and the estimated useful life of tangible capital assets. Actual results could differ from those estimates.

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017

2. ACCOUNTING POLICIES (Cont'd)

(c) Financial Instruments

(i) Measurement of Financial Instruments

The organization initially measures its financial assets and liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The organization subsequently measures all its financial assets and financial liabilities at amortized costs.

Financial assets measured at amortized cost include cash, accounts receivable, and Due from Ministry.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, government remittances payable, Due to Ministry and Due to Pathways Foundation.

(ii) Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write down is reflected in excess (deficiency) of revenues over expenditures. When events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in excess (deficiency) of revenue over expenditures, up to the amount previously recognized as impaired.

(d) Revenue Recognition

(i) Government Subsidies

The Organization follows the deferral method of accounting for contributions.

Subsidies received to finance operating costs are recognized in the fiscal period to which the approved funding contribution agreements relate. Funds received that are designated for specific capital purposes are deferred and recognized as revenue at the same rate the related asset is amortized and the amount of the asset that will not be amortized is recognized as a direct increase in net assets. Funds received that are designated for capital reserve are recognized in the year received and added to the capital reserve fund.

Under agreements signed by the Organization and provincial authorities, the Organization receives substantial funding from the Ministry of Community and Social Services, the Ministry of Health and Long-Term Care and the Local Health Integration Networks. These financial statements reflect the interim funding arrangements which were approved for the year ended March 31, 2017, net of management estimates of final settlements for the year.

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017

2. ACCOUNTING POLICIES (Cont'd)

(d) Revenue Recognition (Cont'd)

(ii) Private and Program Management Fees

Fees are recognized as revenue at the time services are supplied to clients. Provision is made for expected collection losses based on the Organization's past experience.

(iii) Rents

Rents are recognized as revenue at the time services are supplied to clients. Provisions are made for expected collection losses based on the Organization's past experience.

(iv) Interest Income

Interest income is recognized at the time it is earned.

(e) Tangible Capital Assets and Amortization

Tangible capital assets are recorded at cost. Gains and losses on the sale of individual assets are charged to operations in the year of disposal. Amortization of tangible capital assets, which is based on estimated useful life, is calculated on the following bases and at the rates set out below:

Asset	Basis	Rate
Buildings	Straight-line	25 yrs.
Computer equipment	Straight-line	3 yrs.
Furniture and fixtures	Straight-line	5 yrs.
Leasehold improvements	Straight-line	25 yrs.
Automotive equipment	Straight-line	4 yrs.
Parking area	Straight-line	10 yrs.

(f) Donations

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

(g) Cash and Equivalents

Cash and equivalents consist of cash on deposit (revolving bank overdrafts), demand loans and bank term deposits in money market instruments with maturity dates of less than three months from the date they are acquired.

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017

2. ACCOUNTING POLICIES (Cont'd)

(h) Employee Benefit Plans

The Organization has adopted the following policies for the defined benefit plans:

(i) The cost of pensions earned by employees is determined using an actuarial valuation for funding purposes. The most recent actuarial valuation of the obligation was performed December 31, 2013 with extrapolated results to March 31, 2017.

(ii) Changes in the fair value of plan assets and in the measurement of the plan obligation, including past service costs, gains and losses arising from settlement and curtailments, and changes in the valuation allowance are recognized in the statement of operations in the period in which they occur.

(i) Contributed Services

Directors and committee members volunteer their time to assist in the Organization's activities. While these services benefit the Organization considerably, a reasonable estimate of their amount and fair value cannot be made, and accordingly, these contributed services are not recognized in the financial statements.

3. MINISTRY

Included in these financial statements are references to the "Ministry". This reference relates to one of or all of the following: Ministry of Community and Social Services, Ministry of Children and Youth Services, Ministry of Health and Long-Term Care, and/or the Local Health Integration Networks. The balances due to/from the Ministry are payable/receivable on demand.

4. DUE TO PATHWAYS FOUNDATION

Pathways To Independence has an economic interest in Pathways Foundation.

Pathways Foundation was incorporated under the Ontario Corporations Act on May 2, 2000 as a not-for-profit organization without share capital. Pathways Foundation has a board of directors and management that includes representation from the board of directors and management of Pathways To Independence.

The Foundation receives and maintains a fund and applies from time to time all or part of the income there from for charitable purposes. The mandate of the Pathways Foundation is to enhance the quality of life of individuals supported by Pathways To Independence and the quality of life of individuals supported by partner organizations. Due to the nature of its operations, the Foundation is not subject to corporate income taxes.

Amounts due to Pathways Foundation are non-interest bearing, unsecured with no fixed terms of repayment.

As at March 31, 2017, Pathways to Independence owes Pathways Foundation $Nil (2016 - $Nil).

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017

5. TANGIBLE CAPITAL ASSETS

	2017		2016	
	Cost	**Accumulated amortization**	Cost	Accumulated amortization
	$	**$**	$	$
Land and buildings				
Main Office - Pinnacle	**3,435,808**	**1,275,531**	3,162,446	1,137,501
Bethesda	**614,091**	**304,898**	573,763	282,215
Cloverleaf Drive	**576,108**	**92,221**	576,108	73,777
Emily Street	**429,120**	**232,403**	429,120	217,081
Fry Road	**261,023**	**137,109**	217,056	128,828
Lake Street	**219,791**	**137,223**	219,791	129,905
Frankford	**472,971**	**241,743**	472,971	224,677
Lesley	**301,736**	**175,675**	301,736	164,846
Crofton	**391,785**	**169,555**	391,785	156,811
Clothier	**535,710**	**227,903**	535,710	209,075
William Street	**421,440**	**227,634**	421,440	212,655
West Moira	**228,862**	**179,510**	228,862	172,137
Whites Road	**211,107**	**151,642**	211,107	144,731
Mark Crescent	**232,695**	**153,444**	232,695	145,992
West Street	**206,318**	**149,391**	206,318	142,722
122 Cannifton Road North	**281,774**	**170,614**	244,464	161,056
98 Bridge Street	**200,106**	**115,394**	200,106	108,748
122 Bridge Street West	**169,114**	**102,551**	169,114	97,126
139 Bridge Street West	**145,222**	**87,429**	145,222	82,539
Burnham Street	**202,219**	**120,861**	202,219	114,308
Charles Street	**250,094**	**148,529**	250,094	140,425
Chatham Street	**148,172**	**89,672**	148,172	84,625
Coleman Street	**130,485**	**77,584**	130,485	73,360
College Street	**178,052**	**104,276**	178,052	98,470
Foster Street	**133,045**	**77,210**	133,045	72,866
Bachman Terrace	**1,311,586**	**79,889**	1,311,586	39,784
Napanee ABI	**1,391,096**	**93,923**	1,391,096	46,953
	13,079,530	**5,123,814**	12,684,563	4,663,213
Computer equipment	**178,312**	**148,500**	842,235	800,029
Furniture and fixtures	**411,284**	**89,214**	923,702	778,946
Leasehold improvements	**245,564**	**154,375**	245,564	142,819
Automotive equipment	**522,895**	**451,099**	588,197	458,632
Parking area	**22,867**	**4,574**	22,867	2,287
	14,460,452	**5,971,576**	15,307,128	6,845,926
Cost less accumulated amortization	**$ 8,488,876**		$ 8,461,202	

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017

5. TANGIBLE CAPITAL ASSETS (Cont'd)

Certain tangible capital assets, including Bethesda, Clothier, Emily Street, Fry Road, Lake Street, Frankford, Leslie Street, the Pinnacle Street main office, some furniture and fixtures and some vehicles have been funded by capital grants from the Government of Ontario. The Organization is restricted in its ability to sell, mortgage or otherwise encumber these assets, as the Government of Ontario maintains its interest in these assets.

6. BANK INDEBTEDNESS

The Organization has a credit facility agreement with the Royal Bank of Canada whereby it can draw on a demand operating loan to a maximum of $1,065,000. The loan bears interest at prime plus 1% and is secured by a general security agreement and the first charge on the lands and improvements located at 289 Pinnacle Street, Belleville, Ontario. Any unused portion of the $1,065,000 operating loan may be cancelled or restricted by the bank without notice. At year-end the balance is $Nil (2016 - $Nil).

7. EMPLOYEE FUTURE BENEFITS

Included in the Organization's accounts payable and accrued liabilities are pension liabilities totalling $152,071 (2016 - $142,139).

The Organization contributes to a defined benefit plan for its employees. Pension fund assets consist primarily of pooled funds, valued at market value as at March 31, 2017. The following information is provided on pension asset funds:

	2017	2016
	$	$
Fair value of plan assets, beginning of year	**27,579,900**	27,450,900
Actual return on plan assets	**2,551,300**	(573,700)
Contributions on behalf of employees	**954,700**	966,700
Contributions by employees	**934,700**	934,100
Benefits paid	**(1,612,100)**	(1,198,100)
Fair value of plan assets, end of year	**30,408,500**	27,579,900

As at March 31, 2017, based on the extrapolation from the results of the December 31, 2013 actuarial valuation for funding purposes, the pension plan is projected to have a surplus of $3,276,200. The Pension Plan is a jointly sponsored Plan, and as such, the organization is restricted in its ability to utilize any estimated surplus. Accordingly, a valuation allowance of $3,276,200 has been recorded to reduce the accrued pension asset to $Nil (2016 - $Nil).

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017

8. LONG-TERM DEBT

Long-term debt consists of:

	2017 $	2016 $
Demand Loans		
Demand loan payable at prime plus 1.15%, repayable in blended monthly instalments of $5,642, secured by a first charge mortgage on land and buildings 289 Pinnacle Street, which has a net book value of $2,160,277 at March 31, 2017.	**466,640**	567,356
Demand loan payable at prime plus 1.15%, repayable in blended monthly instalments of $1,866, secured in conjunction with the credit facility agreement detailed in Note 6 to these financial statements by a first charge mortgage on land and buildings at Bachman Terrace, which has a net book value of $1,231,697 at March 31, 2017.	**301,397**	311,960
Demand loan payable at 4.04%, repayable in blended monthly instalments of $718, secured in conjunction with the credit facility agreement detailed in Note 6 to these financial statements by a first charge mortgage on land and buildings at Cloverleaf Drive, which has a net book value of $483,887 at March 31, 2017	**100,199**	104,664
	868,236	983,980

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017

8. LONG-TERM DEBT (Cont'd)

	2017 **$**	2016 $
Mortgage		
Mortgage payable bearing interest at a rate of 2.195% per annum, repayable in blended monthly instalments to January, 2022 of $998 and secured by a first charge on land and building at 248 William Street, Belleville, Ontario, which has a net book value of $193,806 at March 31, 2017.	**105,837**	115,380
Mortgage payable bearing interest at a rate of 6.49%, repayable in blended monthly instalments to January, 2026 of $1,348 and secured by a first charge on land and building at 155 West Moira Street, Belleville, Ontario, which has a net book value of $49,352 at March 31, 2017.	**126,148**	133,972
Mortgage payable bearing interest at a rate of 2.882%, repayable in blended monthly instalments to September, 2018 of $844 and secured by a first charge on land and building at 342 Whites Road, Quinte West, Ontario, which has a net book value of $59,465 at March 31, 2017.	**99,142**	106,319
Mortgage payable bearing interest at a rate of 2.32%, repayable in blended monthly instalments to June, 2017 of $816 and secured by a first charge on land and building at 9 Mark Crescent, Quinte West, Ontario, which has a net book value of $79,251 at March 31, 2017.	**104,357**	111,645
	435,484	467,316

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017

8. LONG-TERM DEBT (Cont'd)

	2017 **$**	2016 $
Mortgage (Cont'd)		
Mortgage balance carried forward	**435,484**	467,316
Mortgage payable bearing interest at a rate of 2.18%, repayable in blended monthly instalments to September, 2019 of $817 and secured by a first charge on land and building at 169 West Street, Napanee, Ontario, which has a net book value of $56,927 at March 31, 2017.	**107,281**	114,672
Mortgage payable bearing interest at a rate of 2.435%, repayable in blended monthly instalments to April, 2019 of $920 and secured by a first charge on land and building at 122 Cannifton Road North, Belleville, Ontario, which has a net book value of $111,160 at March 31, 2017	**115,541**	123,667
Mortgage payable bearing interest at a rate of 2.18%, repayable in blended monthly instalments to September, 2019 of $826 and secured by a first charge on land and building at 98 Bridge Street, Belleville, Ontario, which has a net book value of $84,712 at March 31, 2017.	**62,868**	71,311
Mortgage payable bearing interest at a rate of 2.35%, repayable in blended monthly instalments to July, 2019 of $858 and secured by a first charge on land and building at 122 Bridge Street West, Belleville, Ontario, which has a net book value of $66,563 at March 31, 2017.	**69,286**	77,848
Mortgage payable bearing interest at a rate of 1.716%, repayable in blended monthly instalments to February, 2021 of $620 and secured by a first charge on land and building at 139 Bridge Street West, Belleville, Ontario, which has a net book value of $57,793 at March 31, 2017.	**48,521**	55,172
	838,981	909,986

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017

8. LONG-TERM DEBT (Cont'd)

	2017	2016
	$	$
Mortgage (Cont'd)		
Mortgage balance carried forward	**838,981**	909,986
Mortgage payable bearing interest at a rate of 2.418%, repayable in blended monthly instalments to October, 2019 of $991 and secured by a first charge on land and building at 179 Burnham Street, Belleville, Ontario, which has a net book value of $81,358 at March 31, 2017.	**75,707**	85,648
Mortgage payable bearing interest at a rate of 1.79%, repayable in blended monthly instalments to May, 2020 of $1,057 and secured by a first charge on land and building at 247 Charles Street, Belleville, Ontario, which has a net book value of $101,565 at March 31, 2017.	**117,872**	128,353
Mortgage payable bearing interest at a rate of 1.878%, repayable in blended monthly instalments to April, 2021 of $726 and secured by a first charge on land and building at 80 Chatham Street, Belleville, Ontario, which has a net book value of $58,500 at March 31, 2017.	**50,041**	57,707
Mortgage payable bearing interest at a rate of 1.735%, repayable in blended monthly instalments to March, 2021 of $623 and secured by a first charge on land and building at 247 Coleman Street, Belleville, Ontario, which has a net book value of $52,901 at March 31, 2017.	**42,550**	49,223
Mortgage payable bearing interest at a rate of 2.35%, repayable in blended monthly instalments to July, 2019 of $844 and secured by a first charge on land and building at 34 College Street, Belleville, Ontario, which has a net book value of $73,776 at March 31, 2017.	**67,478**	75,921
Mortgage payable bearing interest at a rate of 5.755%, repayable in blended monthly instalments to May, 2024 of $760 and secured by a first charge on land and building at 281 Foster Avenue, Belleville, Ontario, which has a net book value of $55,835 at March 31, 2017.	**53,468**	59,364
	1,246,097	1,366,202
Total long-term debt	**2,114,333**	2,350,182
Less: Current portion of long term debt	**1,088,373**	1,259,862
	1,025,960	1,090,320

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017

8. LONG-TERM DEBT (Cont'd)

The requirements for future repayment of long-term debt obligations are as follows:

	$
2018	**1,088,373**
2019	**203,072**
2020	**452,529**
2021	**171,500**
2022	**101,884**
Thereafter	**96,975**
	2,114,333

9. DEFERRED CONTRIBUTIONS

Deferred contributions related to property, plant and equipment represent the unamortized and unspent balances of donations and grants received for property, plant and equipment acquisitions. Details of the continuity of these funds are as follows:

	2017 $	2016 $
Balance - Beginning of year	**3,736,148**	3,613,632
Additional contributions received	**553,349**	481,021
Less amounts amortized to revenue	**(320,658)**	(358,505)
Balance - End of year	**3,968,839**	3,736,148

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017

10. RESTRICTIONS ON FUND BALANCE

The Organization is restricted in the future use of any surpluses arising from those programs which receive Ministry of Community and Social Services or Ministry of Health and Long-Term Care funding. These amounts represent excess funding which may be expended only at the direction of the designated Ministry.

The Organization's fund balance is comprised of the following:

	2017	2016
	$	$
Investment in tangible capital assets	**2,405,704**	2,374,872
Restricted (deficiency)	**(848,461)**	(940,915)
Internally restricted	**130,000**	
Capital reserve	**411,359**	354,389
	2,098,602	1,788,346

11. COMMITMENTS

The Organization has thirty one vehicle lease agreements that expire at various times between May 2017 and March 2021. The future payments of these operating leases are as follows:

	$
2018	**176,658**
2019	**155,379**
2020	**76,380**
2021	**38,814**

The Organization has a number of premise lease agreements that expire at various times between March 2018 and March 2037. In addition to the payments outlined below, the lease expiring in March 2037 has annual payments of $164,883. The future payments of these operating leases are as follows:

	$
2018	**288,399**
2019	**214,506**
2020	**197,766**
2021	**173,697**
2022	**164,883**

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017

12. ECONOMIC DEPENDENCE

The Organization relies on the Government of Ontario for substantially all of its income, and accordingly, is economically dependent for the continuation of its operations on funding from this source.

13. RELATED PARTY TRANSACTIONS

During the year, the Organization paid $Nil (2016 - $Nil) to Pathways Foundation to fund various purchases.

During the year, the Organization received $Nil (2016 - $26,100) from Pathways Foundation to fund the Bachman Terrace construction project.

The transactions have been recorded in these financial statements at the exchange amount which is the consideration negotiated between the two Organizations.

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

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

	2017	2016
	$	$
(INCREASE) DECREASE IN CURRENT ASSETS		
Accounts receivable	**(57,601)**	44,047
Due from Ministry - Note 3	**702,911**	(746,575)
Prepaid expenses	**(11,422)**	(46,797)
Funds restricted for capital purchases	**(72,764)**	(17,304)
	561,124	(766,629)
INCREASE (DECREASE) IN CURRENT LIABILITIES		
Accounts payable and accrued liabilities	**(76,630)**	(142,359)
Government remittances payable	**21,203**	(19,189)
Due to Pathways Foundation		(2,000)
Due to Ministry - Note 3	**165,572**	176,909
	110,145	13,361
NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES RELATED TO OPERATIONS	**671,269**	(753,268)

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017

15. FINANCIAL RISK AND CONCENTRATION OF RISK

The Organization 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 price) risk. Price risk arises from changes in interest rates, foreign currency exchange rates and market prices.

(a) 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. Market factors include three types of risk: currency risk, interest rate risk, and equity risk. It is in management's opinion that it is not exposed to currency and equity risk as it does not hold amounts denominated in foreign currency or equities.

(b) 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 because of changes in market interest rates.

The Organization is exposed to interest rate risk on its long-term debt, as discussed in Note 8 of these financial statements. The Organization is exposed to this risk in two respects;

(a) Fixed rate long-term debt; as prevailing interest rates increase or decrease, the Organization may not be able to renew the long-term debt at similar rates. Long-term debt with fixed rates held by the Organization at year end total $1,812,936.

(b) Variable rate long-term debt; as current market interest rates increase or decrease, the interest expense of the Organization will fluctuate. Long-term debt with variable rates held by the Organization at year end total $301,397. If the interest rates were to change by 1%, with all other variables being held constant, then the effect on the expense of these long-term debt items would be approximately $3,013.

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

15. FINANCIAL RISK AND CONCENTRATION OF RISK (Cont'd)

(c) 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 and through its access to its credit facility.

Management is of the opinion that the Organization will be able to meet all of its cash flow obligations as they come due and are not subject to significant liquidity risk.

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

(d) Credit Risk

Credit risk is the risk of financial loss to the Organization if a debtor fails to make payments of interest and principal when due.

Accounts receivable are short term in nature and are not subject to material credit risk. The maximum exposure to credit risk and concentration of this risk is limited to the carrying value of these instruments.

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

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017

16. SERVICE CONTRACT/CFSA APPROVAL WITH THE MINISTRY OF COMMUNITY AND SOCIAL SERVICES AND MINISTRY OF CHILDREN AND YOUTH SERVICES

The Organization has a Service Contract/CFSA Approval with the Ministry of Community and Social Services and the Ministry of Children and Youth Services. One requirement of the Service Contract/CFSA Approval is the production by management of a report, TPAR, which shows a summary by service of all revenues and expenditures and any resulting surplus of deficit that relates to the Service Contract/CFSA Approval. Any surplus amounts are reflected in the Due to Ministry on the Statement of Financial Position.

A review of these reports shows the following services to be in a surplus (deficit) position as follows:

Ministry of Community and Social Services

	2017 **$**	2016 $
#8871 DS Employment Supports	**8,171**	
#8915 Partner Facility Renewal - Capital	**2,908**	
#8917 Partner Facility Renewal - Fire Code Retrofit	**9,671**	
#9131 DS Community Participation		35,963
Current year surplus	**20,750**	35,963
Add: Balance from prior year not yet recovered	**35,963**	NIL
	56,713	35,963

17. COMPARATIVE FIGURES

In order to conform with the financial statement presentation adopted for the current year, certain of the comparative figures have been regrouped.

PATHWAYS TO INDEPENDENCE
DEDICATED SUPPORTIVE HOUSING SCHEDULE
FOR THE YEAR ENDED MARCH 31, 2017

	2017 $	2016 $
REVENUE		
Government Operating Grants	**356,499**	376,190
Interest earned	**1,019**	523
Private fees	**113,928**	110,568
	471,446	487,281
EXPENSES		
General and administrative	**11,421**	11,030
Insurance	**10,304**	11,446
Interest on short-term borrowing	**2,173**	2,198
Interest on long-term borrowing	**36,484**	42,348
Repairs and maintenance	**110,971**	130,425
Salaries and benefits	**18,303**	18,286
Utilities	**105,733**	105,826
	295,389	321,559
	176,057	165,722