PATHWAYS TO INDEPENDENCE

FINANCIAL STATEMENTS

AS AT MARCH 31, 2020

WILKINSON

PATHWAYS TO INDEPENDENCE

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AS AT MARCH 31, 2020

INDEPENDENT AUDITOR'S REPORT

To the Members of
Pathways To Independence

Opinion

We have audited the financial statements of Pathways To Independence (the Organization), which comprise the statement of financial position as at March 31, 2020 and the statements of fund balance, operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing these financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization, or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

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INDEPENDENT AUDITOR'S REPORT
(CONT'D)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Wilkinson & Company LLP

BELLEVILLE, Canada
July 13, 2020

Chartered Professional Accountants
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PATHWAYS TO INDEPENDENCE
STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2020

	2020 $	2019 $ (Restated - Note 2)
ASSETS		
CURRENT		
Cash	**906,894**	1,623,981
Accounts receivable	**621,001**	708,525
Due from Ministry - Note 4	**24,020**	24,736
Prepaid expenses	**137,202**	71,197
	1,689,117	2,428,439
TANGIBLE CAPITAL ASSETS - at cost less accumulated amortization - Note 6	**9,064,287**	9,497,840
OTHER		
Cash - restricted to capital purposes	**672,533**	580,044
	11,425,937	12,506,323
LIABILITIES AND FUND BALANCE		
CURRENT		
Accounts payable and accrued liabilities	**1,744,401**	2,638,718
Government remittances payable	**186,418**	375,540
Deferred revenue	**5,013**	
Due to Ministry - Note 4	**491,989**	477,926
Current portion of long-term debt	**271,977**	464,326
	2,699,798	3,956,510
LONG-TERM		
Accrued pension benefit liability - Note 8	**2,041,500**	881,300
Accrued termination benefit liability - Note 8	**3,020,371**	2,925,743
Accrued post-retirement benefit liability - Note 8	**1,745,700**	1,989,800
Long-term debt - Note 9	**2,001,046**	1,704,563
Deferred contributions - Note 10	**4,157,131**	4,528,734
	12,965,748	12,030,140
	15,665,546	15,986,650
FUND BALANCE - Note 11	**(4,239,609)**	(3,480,327)
COMMITMENTS - Note 12		
	11,425,937	12,506,323

The accompanying notes form an integral part of these financial statements

PATHWAYS TO INDEPENDENCE
STATEMENT OF FUND BALANCE
FOR THE YEAR ENDED MARCH 31, 2020

	2020 **$**	2019 $ (Restated - Note 2)
FUND BALANCE - BEGINNING OF YEAR	**(3,480,327)**	(2,399,373)
EXCESS OF REVENUE OVER EXPENDITURES	**181,068**	210,667
REMEASUREMENT AND OTHER ITEMS RELATING TO EMPLOYEE FUTURE BENEFITS	**(940,350)**	(1,291,621)
FUND BALANCE - END OF YEAR - Note 11	**(4,239,609)**	(3,480,327)

PATHWAYS TO INDEPENDENCE
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2020

	2020 $	2019 $ (Restated - Note 2)
REVENUES		
Government operating grants - Note 13	**28,340,662**	28,251,128
Service recipient revenue	**1,642,042**	1,583,262
Private fees	**912,578**	1,016,163
Other income	**1,632,173**	979,674
Interest earned	**7,121**	4,432
Amortization of deferred contributions	**371,603**	422,614
Gain (loss) on sale of tangible capital assets	**13,732**	(42,099)
	32,919,911	32,215,174
EXPENDITURES		
Salaries and benefits	**25,649,696**	24,989,819
Advertising	**52,680**	39,044
Amortization of tangible capital assets	**630,716**	650,017
Food and supplies	**707,916**	631,906
General and administrative	**146,529**	157,501
Insurance	**68,417**	58,728
New furniture and equipment	**128,991**	119,351
Interest on long-term debt	**81,484**	82,501
Program expenditures	**185,278**	303,208
Purchased services	**2,564,452**	2,569,496
Rent	**426,417**	402,651
Repairs and maintenance	**521,956**	427,272
Staff training	**105,662**	134,871
Travel and automotive	**865,067**	870,609
Utilities and taxes	**603,582**	567,533
	32,738,843	32,004,507
EXCESS OF REVENUE OVER EXPENDITURES	**181,068**	210,667

PATHWAYS TO INDEPENDENCE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2020

	2020 **$**	2019 $
OPERATING ACTIVITIES		
Excess of revenue over expenditures	**181,068**	210,667
Amortization of tangible capital assets	**630,716**	650,017
Loss (gain) on disposal of tangible capital assets	**(13,732)**	42,099
Amortization of deferred contributions	**(371,603)**	(422,614)
Pension, termination and post-retirement benefits expense	**1,672,078**	1,573,022
Employer benefit contributions	**(1,601,700)**	(1,719,600)
Net change in non-cash working capital balances related to operations - Note 15	**(1,134,617)**	298,777
CASH FLOWS PROVIDED FROM (USED IN) OPERATING ACTIVITIES	**(637,790)**	632,368
INVESTING ACTIVITIES		
Purchase of tangible capital assets	**(197,162)**	(1,230,483)
Proceeds on disposal of tangible capital assets	**13,732**	
CASH FLOWS USED IN INVESTING ACTIVITIES	**(183,430)**	(1,230,483)
FINANCING ACTIVITIES		
Increase in deferred contributions		864,089
Issuance of long-term debt	**320,000**	
Repayment of long-term debt	**(215,867)**	(207,874)
CASH FLOWS PROVIDED FROM FINANCING ACTIVITIES	**104,133**	656,215
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS FOR YEAR	**(717,087)**	58,100
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	**1,623,981**	1,565,881
CASH AND CASH EQUIVALENTS - END OF YEAR	**906,894**	1,623,981
REPRESENTED BY:		
Cash	**906,894**	1,623,981

The accompanying notes form an integral part of these financial statements

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020

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) In the event of dissolution of the Organization, the payment of all debts and liabilities and its remaining property shall be distributed or disposed of to another organization with similar goals and objectives.

2. RESTATEMENT OF PRIOR PERIOD

In prior period financial statements, there were remeasurement losses included in the salaries and benefits expense on the statement of operations. As a result, the Organization's excess of revenue over expenditures was understated by $1,291,621, however there was no effect on the ending fund balance.

In the prior period, the accrued termination benefit liability was overstated by terminations that were accrued in accounts payable and accrued liabilities. As a result, the Organization's liabilities and salaries and benefits were overstated by $173,257.

The effect of the restatement on the comparative balances have been reflected below:

Statement of Financial Position	2019 Previously reported $	2019 Revision $	2019 Restated $
Accrued termination benefit liability	3,099,000	(173,257)	2,925,743

Statement of Operations	2019 Previously reported $	2019 Revision $	2019 Restated $
Salaries and benefits	26,454,696	(1,464,878)	24,989,818

Statement of Fund Balance	2019 Previously reported $	2019 Revision $	2019 Restated $
Remeasurement and other items relating to employee future benefits	NIL	(1,291,621)	(1,291,621)

3. 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 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.

(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 cost.

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, and Due to Ministry.

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020

3. ACCOUNTING POLICIES (Cont'd)

(c) Financial Instruments (Cont'd)

(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 Children, 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, 2020, net of management estimates of final settlements for the year.

(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.

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020

3. ACCOUNTING POLICIES (Cont'd)

(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.

(h) Employee Future Benefits

(a) Pension Benefits

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

(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, 2017 with extrapolated results to March 31, 2020.

(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 fund balance in the period in which they occur. The current service cost and finance cost are recognized in the statement of operations in the period in which they occur.

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020

3. ACCOUNTING POLICIES (Cont'd)

(h) Employee Future Benefits (Cont'd)

(b) Termination Benefits - Severance Pay Program

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

(i) The cost of termination benefits earned by employees who have completed a minimum of one year of continuous service and who cease to be an employee due to death, retirement, permanent lay-off or resignation is determined using an actuarial valuation for accounting purposes. The most recent actuarial valuation of the obligation was performed March 31, 2020.

(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 fund balance in the period in which they occur. The current service cost and finance cost are recognized in the statement of operations in the period in which they occur.

(c) Post-Retirement Benefits

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

(i) The cost of post-retirement life insurance benefits, extended health benefits and dental benefits is determined using an actuarial valuation for accounting purposes. The most recent actuarial valuation of the obligation was performed March 31, 2020.

(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 fund balance in the period in which they occur. The current service cost and finance cost 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.

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020

4. MINISTRY

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

5. 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 or funds and applies from time to time all or part of the income 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, 2020, Pathways to Independence owes Pathways Foundation $Nil (2019 - $Nil).

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020

6. TANGIBLE CAPITAL ASSETS

	2020		2019	
	Cost	**Accumulated amortization**	Cost	Accumulated amortization
	$	**$**	$	$
Land and buildings				
Main Office - Pinnacle	**3,466,569**	**1,692,221**	3,457,610	1,552,961
Bethesda	**614,091**	**372,949**	614,091	350,266
Cloverleaf Drive	**576,108**	**147,554**	576,108	129,110
Emily Street	**429,120**	**278,371**	429,120	263,049
Fry Road	**261,023**	**161,952**	261,023	153,671
Lake Street	**276,958**	**166,039**	276,958	156,434
Frankford	**472,971**	**292,942**	472,971	275,875
Lesley	**358,072**	**214,923**	358,072	201,840
North Park Street	**982,613**	**69,462**	982,613	34,731
Crofton	**391,785**	**207,790**	391,785	195,045
Clothier	**606,701**	**290,108**	606,701	268,420
William Street	**421,440**	**250,027**	421,440	242,563
West Moira	**287,478**	**187,281**	287,478	184,691
Whites Road	**256,424**	**165,545**	256,424	162,955
Mark Crescent	**289,134**	**174,060**	289,134	170,605
West Street	**343,434**	**171,631**	265,356	167,451
122 Cannifton Road North	**281,774**	**192,435**	281,774	189,729
98 Bridge Street	**200,106**	**135,331**	200,106	128,685
122 Bridge Street West	**169,114**	**118,824**	169,114	113,400
139 Bridge Street West	**145,222**	**102,100**	145,222	97,210
Burnham Street	**293,453**	**151,099**	293,453	140,896
Charles Street	**305,494**	**179,408**	305,494	169,128
Chatham Street	**243,922**	**113,867**	243,922	104,990
Coleman Street	**130,485**	**90,258**	130,485	86,034
34 College Street	**178,052**	**121,695**	178,052	115,889
Foster Avenue	**133,045**	**90,240**	133,045	85,897
Bachman Terrace	**1,336,939**	**203,566**	1,336,939	162,447
Napanee ABI	**1,390,671**	**234,798**	1,390,671	187,845
198 College Street	**286,798**	**18,640**	286,798	9,320
Haig Road	**281,100**	**26,986**	281,100	17,990
	15,410,096	**6,622,102**	15,323,059	6,119,127
Computer equipment	**226,947**	**213,044**	206,092	196,833
Furniture and fixtures	**462,130**	**317,679**	392,327	231,026
Leasehold improvements	**245,564**	**182,103**	245,564	174,624
Automotive equipment	**470,053**	**460,252**	504,619	484,015
Parking area	**64,942**	**20,265**	45,474	13,670
	16,879,732	**7,815,445**	16,717,135	7,219,295
Cost less accumulated amortization	**$ 9,064,287**		$ 9,497,840	

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020

6. 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.

7. 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 properties held by the Organization totalling $3,399,000 which are secured concurrently with the demand loans as outlined in Note 9 to these financial statements. 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 (2019 - $Nil).

8. EMPLOYEE FUTURE BENEFITS

(a) Pension Benefits

Included in the Organization's accounts payable and accrued liabilities are pension liabilities totalling $110,434 (2019 - $207,516).

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, 2020. The following information is provided on pension asset funds:

	2020	2019
	$	$
Fair value of plan assets, beginning of year	**35,549,900**	32,463,900
Actual return on plan assets	**(1,139,400)**	1,531,900
Contributions on behalf of employees	**1,259,200**	1,402,800
Contributions by employees	**1,246,900**	1,370,500
Benefits paid	**(1,325,400)**	(1,219,200)
Fair value of plan assets, end of year	**35,591,200**	35,549,900
Accrued benefit obligation	**39,674,200**	37,312,500
Jointly sponsored plan surplus (deficit)	**(4,083,000)**	(1,762,600)
Valuation allowance		
Accrued benefit asset (liability)	**(4,083,000)**	(1,762,600)
Allocated as:		
Employer portion	**(2,041,500)**	(881,300)
Employee portion	**(2,041,500)**	(881,300)
Total	**(4,083,000)**	(1,762,600)

8. EMPLOYEE FUTURE BENEFITS (Cont'd)

(a) Pension Benefits (Cont'd)

As at March 31, 2020, based on the extrapolation from the results of the December 31, 2017 actuarial valuation for funding purposes, the pension plan is projected to have a deficit of $4,083,000. The Pension Plan is a jointly sponsored plan, and as such, the Organization is restricted in its ability to utilize any estimated surplus.

(b) Termination Benefits - Severance Pay Program

In alignment with the Collective Agreement and the Organization's policies, an employee who has completed a minimum of one year of continuous service and ceases to be an employee because of death, retirement, permanent lay-off or resignation is entitled to severance pay. This pay is either one or one and a half week's pay for each year of continuous service, dependent on the hire date. The severance pay will not exceed twenty-six weeks of regular pay. The Organization recognizes these benefits as they are earned during the employees' tenure of service.

As at March 31, 2020, based on the results of the March 31, 2020 actuarial valuation for accounting purposes, the termination benefit plan is projected to have a deficit of $3,107,100.

	2020 **$**	2019 $
Fair value of plan assets, end of year	**NIL**	NIL
Accrued benefit obligation	**3,107,100**	3,099,000
Plan deficit	**(3,107,100)**	(3,099,000)
Less: termination benefits included in accounts payable and accrued liabilities	**(86,729)**	(173,257)
Accrued benefit liability	**(3,020,371)**	(2,925,743)

8. EMPLOYEE FUTURE BENEFITS (Cont'd)

(c) Post-Retirement Benefits

The Organization offers post-retirement life insurance benefits, extended health benefits and dental benefits to employees subsequent to their retirement, until the age of sixty-five. The Organization recognizes these benefits as they are earned during the employees' tenure of service.

As at March 31, 2020, based on the results of the March 31, 2020 actuarial valuation for accounting purposes, the post-retirement benefit plan is projected to have a deficit of $1,745,700.

	2020	2019
	$	$
Fair value of plan assets, end of year	**NIL**	NIL
Accrued benefit obligation	**1,745,700**	1,989,800
Plan deficit	**(1,745,700)**	(1,989,800)
Accrued benefit liability	**(1,745,700)**	(1,989,800)

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020

9. LONG-TERM DEBT

Long-term debt consists of:

	2020 **$**	2019 $
Term Loans		
Term loan payable at 3.99%, repayable in blended monthly instalments $1,425 until December, 2022 and secured by a first charge mortgage on land and buildings at 257 Haig Road, which has a net book value of $254,114 at March 31, 2020.	**217,361**	225,560
Term loan payable at 4.29%, repayable in blended monthly instalments $1,400 until March, 2023 and secured by a first charge mortgage on land and buildings at 198 College Street, which has a net book value of $268,158 at March 31, 2020.	**210,430**	217,974
Term loan payable at 4.29%, repayable in blended monthly instalments of $5,650 until February, 2023, secured in conjunction with the credit facility agreement detailed in Note 7 to these financial statements by a first charge mortgage on land and buildings at 289 Pinnacle Street to a maximum of $1,000,000, which has a net book value of $1,774,348 at March 31, 2020.	**302,644**	356,118
Term loan payable at 3.73%, repayable in blended monthly instalments of $1,956 until March, 2025, secured in conjunction with the credit facility agreement detailed in Note 7 to these financial statements by a first charge mortgage on land and buildings at Bachman Terrace to a maximum of $858,000, which has a net book value of $1,133,373 at March 31, 2020.	**272,418**	282,726
Term loan payable at 3.99%, repayable in blended monthly instalments of $728 until December, 2022, secured in conjunction with the credit facility agreement detailed in Note 7 to these financial statements by a first charge mortgage on land and buildings at Cloverleaf Drive to a maximum of $380,000, which has a net book value of $428,554 at March 31, 2020.	**85,291**	90,486
	1,088,144	1,172,864

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020

9. LONG-TERM DEBT (Cont'd)

	2020 **$**	2019 $
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 $171,413 at March 31, 2020.	**75,959**	86,111
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 $100,197 at March 31, 2020.	**99,776**	108,917
Mortgage payable bearing interest at a rate of 3.03%, repayable in blended monthly instalments to September, 2023 of $850 and secured by a first charge on land and building at 342 Whites Road, Quinte West, Ontario, which has a net book value of $90,879 at March 31, 2020.	**76,437**	84,193
Mortgage payable bearing interest at a rate of 1.865%, repayable in blended monthly instalments to June, 2022 of $795 and secured by a first charge on land and building at 9 Mark Crescent, Quinte West, Ontario, which has a net book value of $115,074 at March 31, 2020.	**81,005**	88,944
Mortgage payable bearing interest at a rate of 2.22%, repayable in blended monthly instalments to September, 2024 of $819 and secured by a first charge on land and building at 169 West Street, Napanee, Ontario, which has a net book value of $171,803 at March 31, 2020.	**84,128**	92,008
	417,305	460,173

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020

9. LONG-TERM DEBT (Cont'd)

	2020 **$**	2019 $
Mortgage (Cont'd)		
Mortgage balance carried forward	**417,305**	460,173
Mortgage payable bearing interest at a rate of 2.7%, repayable in blended monthly instalments to April, 2024 of $932 and secured by a first charge on land and building at 122 Cannifton Road North, Belleville, Ontario, which has a net book value of $89,339 at March 31, 2020.	**90,068**	98,687
Mortgage payable bearing interest at a rate of 3.75%, repayable in blended monthly instalments to January, 2024 of $854 and secured by a first charge on land and building at 98 Bridge Street, Belleville, Ontario, which has a net book value of $64,775 at March 31, 2020.	**36,551**	45,421
Mortgage payable bearing interest at a rate of 2.38%, repayable in blended monthly instalments to July, 2024 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 $50,290 at March 31, 2020.	**42,377**	51,552
Mortgage payable bearing interest at a rate of 1.72%, 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 $43,122 at March 31, 2020.	**28,202**	35,080
Mortgage payable bearing interest at a rate of 2.89%, repayable in blended monthly instalments to October, 2023 of $1,001 and secured by a first charge on land and building at 179 Burnham Street, Belleville, Ontario, which has a net book value of $142,354 at March 31, 2020.	**44,454**	55,093
	658,957	746,006

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020

9. LONG-TERM DEBT (Cont'd)

	2020	2019
	$	$
Mortgage (Cont'd)		
Mortgage balance carried forward	**658,957**	746,006
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 $126,086 at March 31, 2020. Subsequent to year end, the mortgage was renewed bearing an interest rate of 2.42%, repayable in blended monthly instalments of $1,080 to May, 2025.	**85,313**	96,339
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 $130,055 at March 31, 2020.	**26,093**	34,213
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 $40,227 at March 31, 2020.	**21,843**	28,854
Mortgage payable bearing interest at a rate of 3.16%, repayable in blended monthly instalments to October, 2024 of $847 and secured by a first charge on land and building at 34 College Street, Belleville, Ontario, which has a net book value of $56,357 at March 31, 2020.	**43,412**	49,990
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 $42,805 at March 31, 2020.	**33,743**	40,623
	869,361	996,025

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020

9. LONG-TERM DEBT (Cont'd)

	2020 $	2019 $
Mortgage (Cont'd)		
Mortgage balance carried forward	**869,361**	996,025
Mortgage payable bearing interest at a rate of 3.16%, repayable in blended monthly instalments to October, 2024 of $1,801 and secured by a first charge on land and building at 110 North Park Street, Belleville, Ontario, which has a net book value of $913,151 at March 31, 2020.	**315,518**	
	1,184,879	996,025
Total long-term debt	**2,273,023**	2,168,889
Less: Current portion of long term debt	**271,977**	464,326
	2,001,046	1,704,563

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

	$
2021	**271,977**
2022	**294,273**
2023	**846,912**
2024	**170,429**
2025	**619,345**
Thereafter	**70,087**
	2,273,023

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020

10. DEFERRED CONTRIBUTIONS

Deferred contributions related to tangible capital assets represent the remaining unamortized balances of donations and grants received for tangible capital asset acquisitions. Details of the continuity of these funds are as follows:

	2020	2019
	$	$
Balance - Beginning of year	**4,528,734**	4,087,259
Additional contributions received		864,089
Less amounts amortized to revenue	**(371,603)**	(422,614)
Balance - End of year	**4,157,131**	4,528,734

11. RESTRICTIONS ON FUND BALANCE

The Organization is restricted in the future use of any surpluses arising from those programs which receive Ministry of Children, Community and Social Services or Ministry of Health 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:

	2020	2019
	$	$
Investment in tangible capital assets	**2,634,133**	2,800,217
Restricted (deficiency)	**(7,546,275)**	(6,860,588)
Internally restricted	**203,960**	132,330
Capital reserve	**468,573**	447,714
	(4,239,609)	(3,480,327)

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020

12. COMMITMENTS

The Organization has thirty-six vehicle lease agreements that expire at various times between May 2020 and February 2025. The future payments of these operating leases are as follows:

	$
2021	**199,054**
2022	**132,588**
2023	**96,067**
2024	**44,443**
2025	**19,345**

The Organization has a number of premise lease agreements that expire at various times between June 2020 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:

	$
2021	**252,381**
2022	**199,672**
2023	**171,063**
2024	**164,883**
2025	**164,883**

The Organization has two technology agreements that expire at various times between September 2020 and September 2021. The future payments of these technology agreements are as follows:

	$
2021	**2,964**
2022	**282**

13. GOVERNMENT OPERATING GRANTS

The Organization's government operating grants are comprised of the following:

	2020 $	2019 $
Ministry of Children, Community and Social Services	**22,775,931**	22,684,309
Dedicated Supportive Housing	**294,493**	296,581
Ministry of Health	**1,170,129**	1,170,129
South East Local Health Integration Network	**4,100,109**	4,100,109
	28,340,662	28,251,128

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020

14. 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.

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

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

	2020	2019
	$	$
(INCREASE) DECREASE IN CURRENT ASSETS		
Accounts receivable	**87,524**	(183,347)
Due from Ministry - Note 4	**716**	13,576
Prepaid expenses	**(66,005)**	47,752
Funds restricted for capital purchases	**(92,489)**	(151,793)
	(70,254)	(273,812)
INCREASE (DECREASE) IN CURRENT LIABILITIES		
Accounts payable and accrued liabilities	**(894,317)**	473,445
Government remittances payable	**(189,122)**	25,379
Deferred revenue	**5,013**	
Due to Ministry - Note 4	**14,063**	73,765
	(1,064,363)	572,589
NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES RELATED TO OPERATIONS	**(1,134,617)**	298,777

16. 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.

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

(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 9 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 $2,273,023.

(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 $Nil.

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.

(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.

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020

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

(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.

17. SERVICE CONTRACT/CFSA APPROVAL WITH THE MINISTRY OF CHILDREN, COMMUNITY AND SOCIAL SERVICES

The Organization has a Service Contract/CFSA Approval with the Ministry of Children, Community and Social 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 Children, Community and Social Services

	2020 **$**	2019 $
#8871 DS Employment Supports (F714)		41,943
#8917 Partner Facility Renewal - Fire Code Retrofit		261
#9131 DS Community Participation Services (F704)	**10,859**	53,969
#8936 Partner Facility Renewal - Minor Capital	**3,204**	
Current year surplus	**14,063**	96,173
Add: Balance from prior year not yet recovered	**96,173**	
	110,236	96,173

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020

18. COVID-19

Since the beginning of calendar year 2020, a virus known as Coronavirus ("COVID-19") has caused a world-wide pandemic, including being present in Canada. The pandemic has had a considerable impact both globally and locally, which has the potential to create financial stress on the Organization.

Both federal and provincial governments have introduced legislative measures to combat the financial impact of the pandemic as well as combating the spread of the virus, including forced closures of several businesses.

At the date these financial statements were issued, management does not anticipate these events impacting the Organization's ability to continue as a going concern.

At the time that these financial statements were finalized, the amount of the financial impact on the Organization could not be determined

19. 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, 2020

	2020	2019
	$	$
REVENUE		
Government Operating Grants	**294,493**	296,581
Interest earned	**4,078**	2,682
Private fees	**99,800**	107,164
	398,371	406,427
EXPENSES		
General and administrative	**10,838**	13,388
Insurance	**10,623**	10,308
Interest on short-term borrowing	**2,072**	2,134
Interest on long-term borrowing	**27,652**	29,656
Repairs and maintenance	**100,937**	110,583
Salaries and benefits	**5,552**	7,618
Utilities	**97,347**	89,275
	255,021	262,962
	143,350	143,465

PATHWAYS TO INDEPENDENCE
MINISTRY OF CHILDREN, COMMUNITY AND SOCIAL SERVICES SCHEDULE
FOR THE YEAR ENDED MARCH 31, 2020

	2020	2019
	$	$
REVENUE		
Government Operating Grants	**22,775,931**	22,684,309
Interest earned		7
Program management fees	**97,341**	34,848
Service recipient revenue	**1,246,414**	1,191,666
Other revenue	**748,650**	294,193
	24,868,336	24,205,023
EXPENSES		
Advertising	**45,089**	32,221
Food and supplies	**556,057**	485,197
General and administrative	**117,329**	131,908
Insurance	**44,895**	40,975
New furniture and equipment	**106,220**	88,872
Interest on long-term debt	**32,482**	35,083
Program expenditures	**136,179**	253,639
Purchased services	**2,155,442**	2,159,405
Rent	**119,569**	101,580
Repairs and maintenance	**360,488**	269,710
Salaries and benefits	**19,832,633**	19,330,195
Staff training	**78,079**	100,748
Travel and automotive	**656,797**	685,982
Utilities and taxes	**356,697**	343,974
	24,597,956	24,059,489
	270,380	145,534