PATHWAYS TO INDEPENDENCE
FINANCIAL STATEMENTS
AS AT MARCH 31, 2019

WILKINSON

PATHWAYS TO INDEPENDENCE

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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, 2019 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, 2019, 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
June 24, 2019

Chartered Professional Accountants
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PATHWAYS TO INDEPENDENCE
STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2019

	2019 $	2018 $ (Restated - Note 2)
ASSETS		
CURRENT		
Cash	**1,756,311**	1,565,881
Accounts receivable	**708,525**	525,178
Due from Ministry - Note 4	**24,736**	38,312
Prepaid expenses	**71,197**	118,949
	2,560,769	2,248,320
TANGIBLE CAPITAL ASSETS - at cost less accumulated amortization - Note 6	**9,497,840**	8,959,473
OTHER		
Cash - restricted to capital purposes	**447,714**	428,251
	12,506,323	11,636,044
LIABILITIES AND FUND BALANCE		
CURRENT		
Accounts payable and accrued liabilities	**2,638,718**	2,165,273
Government remittances payable	**375,540**	350,161
Due to Ministry - Note 4	**477,926**	404,161
Current portion of long-term debt	**464,326**	574,522
	3,956,510	3,494,117
LONG-TERM		
Accrued pension benefit liability - Note 8	**881,300**	
Accrued termination benefit liability - Note 8	**3,099,000**	2,778,400
Accrued post-retirement benefit liability - Note 8	**1,989,800**	1,873,400
Long-term debt - Note 9	**1,704,563**	1,802,241
Deferred contributions - Note 10	**4,528,734**	4,087,259
	12,203,397	10,541,300
	16,159,907	14,035,417
SURPLUS - Note 11	**(3,653,584)**	(2,399,373)
COMMITMENTS - Note 12		
	12,506,323	11,636,044

The accompanying notes form an integral part of these financial statements

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PATHWAYS TO INDEPENDENCE
STATEMENT OF FUND BALANCE
FOR THE YEAR ENDED MARCH 31, 2019

	2019 $	2018 $ (Restated - Note 2)
FUND BALANCE - BEGINNING OF YEAR		
-as previously reported		2,098,602
Adjustment to prior period - Note 2		(4,351,200)
FUND BALANCE - BEGINNING OF YEAR	**(2,399,373)**	(2,252,598)
EXCESS OF EXPENDITURES OVER REVENUE	**(1,254,211)**	(146,775)
FUND BALANCE - END OF YEAR - Note 11	**(3,653,584)**	(2,399,373)

The accompanying notes form an integral part of these financial statements

PATHWAYS TO INDEPENDENCE
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2019

	2019 $	2018 $ (Restated - Note 2)
REVENUES		
Government operating grants - Note 13	**28,251,128**	26,290,594
Service recipient revenue	**1,583,262**	1,519,155
Private fees	**1,016,163**	1,018,110
Program management fees	**87,523**	83,164
Other income	**892,152**	657,135
Interest earned	**4,432**	880
Amortization of deferred contributions	**422,614**	381,008
Gain (loss) on sale of tangible capital assets	**(42,099)**	37,833
	32,215,175	29,987,879
EXPENDITURES		
Salaries and benefits	**26,454,696**	23,304,919
Advertising	**39,044**	35,501
Amortization of tangible capital assets	**650,017**	657,897
Food and supplies	**631,906**	588,991
General and administrative	**157,503**	125,245
Insurance	**58,728**	56,620
New furniture and equipment	**118,652**	126,679
Interest on long-term debt	**82,501**	71,112
Program expenditures	**303,208**	275,694
Purchased services	**2,569,496**	2,657,861
Rent	**402,651**	338,605
Repairs and maintenance	**427,971**	368,534
Staff training	**134,871**	89,867
Travel and automotive	**870,609**	848,408
Utilities and taxes	**567,533**	588,721
	33,469,386	30,134,654
EXCESS OF EXPENDITURES OVER REVENUE	**(1,254,211)**	(146,775)

PATHWAYS TO INDEPENDENCE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2019

	2019 $	2018 $ (Restated - Note 2)
OPERATING ACTIVITIES		
Excess of expenditures over revenue	**(1,254,211)**	(146,775)
Amortization of tangible capital assets	**650,017**	657,897
Loss (gain) on disposal of tangible capital assets	**42,099**	(37,833)
Amortization of deferred contributions	**(422,614)**	(381,008)
Net change in non-cash working capital balances related to operations - Note 16	**431,107**	74,269
Net change in accrued benefit liability - Note 8	**881,300**	58,100
Net change in accrued termination benefit liability - Note 8	**320,600**	242,500
Net change in accrued post-retirement benefit liability - Note 8	**116,400**	
CASH FLOWS PROVIDED FROM OPERATING ACTIVITIES	**764,698**	467,150
INVESTING ACTIVITIES		
Purchase of tangible capital assets	**(1,230,483)**	(1,134,425)
Proceeds on sale of tangible capital assets		43,764
CASH FLOWS USED IN INVESTING ACTIVITIES	**(1,230,483)**	(1,090,661)
FINANCING ACTIVITIES		
Increase in deferred contributions	**864,089**	499,428
Increase in long-term debt		460,700
Repayment of long-term debt	**(207,874)**	(198,270)
CASH FLOWS PROVIDED FROM FINANCING ACTIVITIES	**656,215**	761,858
INCREASE IN CASH AND CASH EQUIVALENTS FOR YEAR	**190,430**	138,347
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	**1,565,881**	1,427,534
CASH AND CASH EQUIVALENTS - END OF YEAR	**1,756,311**	1,565,881
REPRESENTED BY:		
Cash	**1,756,311**	1,565,881

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

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 was an omission of the accrued termination benefit liability and accrued post-retirement benefit liability. As a result, the Organization's liabilities were understated and the fund balance was overstated. The yearly cost for these benefits prior to 2018 is not known and has been adjusted through the opening fund balance.

As a result of the restatement of termination benefits, the prior period accrued termination benefit liability was understated by $2,778,400, salaries and benefits was understated by $242,500 and the opening fund balance was overstated by $2,535,900.

As a result of the restatement of post-retirement benefits, the prior period accrued post-retirement benefit liability was understated by $1,873,400, salaries and benefits was understated by $58,100 and the opening fund balance was overstated by $1,815,300.

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

Statement of Financial Position	2018 Previously reported $	2018 Revision $	2018 Restated $
Accrued termination benefit liability	Nil	2,778,400	2,778,400
Accrued post-retirement benefit liability	Nil	1,873,400	1,873,400
	NIL	4,651,800	4,651,800

Statement of Operations	2018 Previously reported $	2018 Revision $	2018 Restated $
Salaries and benefits	23,004,319	300,600	23,304,919

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

2. RESTATEMENT OF PRIOR PERIOD (Cont'd)

Statement of Fund Balance	2018 Previously reported $	2018 Revision $	2018 Restated $
Fund Balance Surplus - Beginning of Year	2,098,602	(4,351,200)	(2,252,598)

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.

3. 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 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, 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, 2019, net of management estimates of final settlements for the year.

3. 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.

3. ACCOUNTING POLICIES (Cont'd)

(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, 2019.

(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.

(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, 2019.

(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.

(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, 2019.

(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.

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

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 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.

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 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, 2019, Pathways to Independence owes Pathways Foundation $Nil (2018 - $Nil).

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

6. TANGIBLE CAPITAL ASSETS

	2019		2018	
	Cost $	Accumulated amortization $	Cost $	Accumulated amortization $
Land and buildings				
Main Office - Pinnacle	**3,457,610**	**1,552,961**	3,448,281	1,414,059
Bethesda	**614,091**	**350,266**	614,091	327,582
Cloverleaf Drive	**576,108**	**129,110**	576,108	110,666
Emily Street	**429,120**	**263,049**	429,120	247,726
Fry Road	**261,023**	**153,671**	261,023	145,390
Lake Street	**276,958**	**156,434**	276,958	146,829
Frankford	**472,971**	**275,875**	472,971	258,809
Lesley	**358,072**	**201,840**	358,072	188,758
North Park Street	**982,613**	**34,731**		
Crofton	**391,785**	**195,045**	391,785	182,300
Clothier	**606,701**	**268,420**	535,710	246,732
William Street	**421,440**	**242,563**	421,440	235,098
West Moira	**287,478**	**184,691**	287,478	182,100
Whites Road	**256,424**	**162,955**	256,424	160,365
Mark Crescent	**289,134**	**170,605**	232,695	160,895
West Street	**265,356**	**167,451**	265,356	158,421
122 Cannifton Road North	**281,774**	**189,729**	281,774	180,171
98 Bridge Street	**200,106**	**128,685**	200,106	122,040
122 Bridge Street West	**169,114**	**113,400**	169,114	107,975
139 Bridge Street West	**145,222**	**97,210**	145,222	92,319
Burnham Street	**293,453**	**140,896**	284,228	130,694
Charles Street	**305,494**	**169,128**	305,494	158,848
Chatham Street	**243,922**	**104,990**	183,013	96,113
Coleman Street	**130,485**	**86,034**	130,485	81,809
34 College Street	**178,052**	**115,889**	178,052	110,082
Foster Avenue	**133,045**	**85,897**	133,045	81,553
Bachman Terrace	**1,336,939**	**162,447**	1,344,940	121,328
Napanee ABI	**1,390,671**	**187,845**	1,391,096	140,892
198 College Street	**286,798**	**9,320**	268,983	
Haig Road	**281,100**	**17,990**	281,100	8,995
	15,323,059	**6,119,127**	14,124,164	5,598,549
Computer equipment	**206,092**	**196,833**	206,092	183,218
Furniture and fixtures	**392,327**	**231,026**	421,684	172,080
Leasehold improvements	**245,564**	**174,624**	245,564	166,739
Automotive equipment	**504,619**	**484,015**	499,517	453,314
Parking area	**45,474**	**13,670**	45,474	9,122
	16,717,135	**7,219,295**	15,542,495	6,583,022
Cost less accumulated amortization	**$ 9,497,840**		$ 8,959,473	

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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 (2018 - $Nil).

8. EMPLOYEE FUTURE BENEFITS

(a) Pension Benefits

Included in the Organization's accounts payable and accrued liabilities are pension liabilities totalling $207,516 (2018 - $228,070).

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, 2019. The following information is provided on pension asset funds:

	2019 **$**	2018 $
Fair value of plan assets, beginning of year	**32,463,900**	30,408,500
Actual return on plan assets	**1,531,900**	1,195,200
Contributions on behalf of employees	**1,402,800**	1,193,300
Contributions by employees	**1,370,500**	1,158,300
Benefits paid	**(1,219,200)**	(1,491,400)
Fair value of plan assets, end of year	**35,549,900**	32,463,900
Accrued benefit obligation	**37,312,500**	30,987,300
Jointly sponsored plan surplus (deficit)	**(1,762,600)**	1,476,600
Valuation allowance		(1,476,600)
Accrued benefit asset (liability)	**(1,762,600)**	NIL
Allocated as:		
Employer portion	**(881,300)**	
Employee portion	**(881,300)**	
Total	**(1,762,600)**	NIL

8. EMPLOYEE FUTURE BENEFITS (Cont'd)

(a) Pension Benefits (Cont'd)

As at March 31, 2019, 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 $1,762,600. The Pension Plan is a jointly sponsored plan, and as such, the Organization is restricted in its ability to utilize any estimated surplus. In the current year, the pension expense included in salaries and benefits includes remeasurement losses of $4,027,300 (2018 - losses of $2,682,600).

(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's week 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, 2019, based on the results of the March 31, 2019 actuarial valuation for accounting purposes, the termination benefit plan is projected to have a deficit of $3,099,000. There is $320,600 of termination payments expensed in the current year and included in this expense are remeasurement losses of $161,600.

	2019	2018
	$	$
Fair value of plan assets, end of year	**Nil**	Nil
Accrued benefit obligation	**3,099,000**	2,778,400
Plan deficit	**(3,099,000)**	(2,778,400)
Accrued benefit liability	**(3,099,000)**	(2,778,400)

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

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, 2019, based on the results of the March 31, 2019 actuarial valuation for accounting purposes, the post-retirement benefit plan is projected to have a deficit of $1,989,800. There is $116,400 of post-retirement benefits expensed in the current year and included in this expense are remeasurement losses of $34,300.

	2019	2018
	$	$
Fair value of plan assets, end of year	**Nil**	Nil
Accrued benefit obligation	**1,989,800**	1,873,400
Plan deficit	**(1,989,800)**	(1,873,400)
Accrued benefit liability	**(1,989,800)**	(1,873,400)

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

9. LONG-TERM DEBT

Long-term debt consists of:

	2019 $	2018 $
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 $263,110 at March 31, 2019.	**225,560**	233,485
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 $277,478 at March 31, 2019.	**217,974**	225,250
Term loan payable at 4.29%, repayable in blended monthly instalments of $5,642 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 $1,904,649 at March 31, 2019.	**356,118**	407,543
Term loan payable at 4.22%, repayable in blended monthly instalments of $1,950 until March, 2024, 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 $1,174,492 at March 31, 2019.	**282,726**	292,273
Term loan payable at 3.99%, repayable in blended monthly instalments of $718 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 $446,998 at March 31, 2019.	**90,486**	95,505
	1,172,864	1,254,056

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

9. LONG-TERM DEBT (Cont'd)

	2019 $	2018 $
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 $178,877 at March 31, 2019.	**86,111**	96,082
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 $102,787 at March 31, 2019.	**108,917**	117,807
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 $93,469 at March 31, 2019.	**84,193**	91,756
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 $118,529 at March 31, 2019.	**88,944**	96,749
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 $97,905 at March 31, 2019.	**92,008**	99,727
	460,173	502,121

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

9. LONG-TERM DEBT (Cont'd)

	2019 $	2018 $
Mortgage (Cont'd)		
Mortgage balance carried forward	**460,173**	502,121
Mortgage payable bearing interest at a rate of 2.44%, 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 $92,045 at March 31, 2019. Subsequent to year end, the terms of the mortgage were renegotiated to bear interest at a rate of 2.7%, repayable in blended monthly instalments to April, 2024 of $932.	**98,687**	107,217
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 $71,421 at March 31, 2019.	**45,421**	54,239
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 $55,714 at March 31, 2019.	**51,552**	60,522
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 $48,012 at March 31, 2019.	**35,080**	41,858
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 $152,557 at March 31, 2019.	**55,093**	65,524
	746,006	831,481

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

9. LONG-TERM DEBT (Cont'd)

	2019 $	2018 $
Mortgage (Cont'd)		
Mortgage balance carried forward	**746,006**	831,481
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 $136,366 at March 31, 2019.	**96,339**	107,201
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 $138,932 at March 31, 2019.	**34,213**	42,201
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 $44,451 at March 31, 2019.	**28,854**	35,761
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 $62,163 at March 31, 2019.	**49,990**	58,836
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 $47,148 at March 31, 2019.	**40,623**	47,227
	996,025	1,122,707
Total long-term debt	**2,168,889**	2,376,763
Less: Current portion of long term debt	**464,326**	574,522
	1,704,563	1,802,241

9. LONG-TERM DEBT (Cont'd)

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

	$
2020	**464,326**
2021	**286,362**
2022	**221,366**
2023	**771,759**
2024	**315,070**
Thereafter	**110,006**
	2,168,889

10. 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:

	2019 $	2018 $
Balance - Beginning of year	**4,087,259**	3,968,839
Additional contributions received	**864,089**	499,428
Less amounts amortized to revenue	**(422,614)**	(381,008)
Balance - End of year	**4,528,734**	4,087,259

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

11. 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:

	2019 $	2018 $
Investment in tangible capital assets	**2,800,217**	2,495,451
Restricted (deficiency)	**(7,033,845)**	(5,521,662)
Internally restricted	**132,330**	198,587
Capital reserve	**447,714**	428,251
	(3,653,584)	(2,399,373)

12. COMMITMENTS

The Organization has thirty-six vehicle lease agreements that expire at various times between April 2019 and January 2025. The future payments of these operating leases are as follows:

	$
2020	**198,677**
2021	**145,866**
2022	**89,135**
2023	**61,059**
2024	**19,929**

The Organization has a number of premise lease agreements that expire at various times between August 2019 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:

	$
2020	**253,232**
2021	**227,481**
2022	**187,432**
2023	**164,883**
2024	**164,883**

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

12. COMMITMENTS (Cont'd)

The Organization has two technology agreements that expire at various times between May 2019 and September 2021. The future payments of these technology agreements are as follows:

	$
2020	**63,798**
2021	**2,964**
2022	**282**

13. GOVERNMENT OPERATING GRANTS

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

	2019 **$**	2018 $
Ministry of Community and Social Services	**22,684,309**	20,727,142
Dedicated Supportive Housing	**296,581**	354,385
Ministry of Health	**1,170,129**	1,170,129
South East Local Health Integration Network	**4,100,109**	4,038,938
	28,251,128	26,290,594

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.

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

15. RELATED PARTY TRANSACTIONS

During the year, the Organization paid $Nil (2018 - $Nil) to Pathways Foundation to fund various purchases.

During the year, the Organization received $Nil (2018 - $39,750) from Pathways Foundation towards the purchase of 198 College Street.

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

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

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

	2019	2018
	$	$
(INCREASE) DECREASE IN CURRENT ASSETS		
Accounts receivable	**(183,347)**	(92,714)
Due from Ministry - Note 4	**13,576**	30,523
Prepaid expenses	**47,752**	(59,587)
Funds restricted for capital purchases	**(19,463)**	(56,062)
	(141,482)	(177,840)
INCREASE (DECREASE) IN CURRENT LIABILITIES		
Accounts payable and accrued liabilities	**473,445**	337,233
Government remittances payable	**25,379**	72,575
Due to Ministry - Note 4	**73,765**	(157,699)
	572,589	252,109
NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES RELATED TO OPERATIONS	**431,107**	74,269

17. 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.

17. 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 $1,530,045.

(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 $638,844. 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 $6,388.

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, 2019

17. 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.

18. 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

	2019 $	2018 $
#8871 DS Employment Supports	41,943	
#8917 Partner Facility Renewal - Fire Code Retrofit	261	
#9131 DS Community Participation Services	53,969	NIL
Current year surplus	96,173	NIL
Add: Balance from prior year not yet recovered	NIL	20,750
	96,173	20,750

PATHWAYS TO INDEPENDENCE
DEDICATED SUPPORTIVE HOUSING SCHEDULE
FOR THE YEAR ENDED MARCH 31, 2019

	2019 $	2018 $
REVENUE		
Government Operating Grants	**296,581**	354,385
Interest earned	**2,682**	111
Private fees	**107,164**	109,896
	406,427	464,392
EXPENSES		
General and administrative	**13,388**	11,227
Insurance	**10,308**	10,304
Interest on short-term borrowing	**2,134**	2,046
Interest on long-term borrowing	**29,656**	32,980
Repairs and maintenance	**110,583**	107,487
Salaries and benefits	**7,618**	17,875
Utilities	**89,275**	107,458
	262,962	289,377
	143,465	175,015

PATHWAYS TO INDEPENDENCE
MINISTRY OF COMMUNITY AND SOCIAL SERVICES SCHEDULE
FOR THE YEAR ENDED MARCH 31, 2019

	2019 $	2018 $
REVENUE		
Government Operating Grants	**22,684,309**	20,727,142
Interest earned	**7**	182
Program management fees	**34,848**	26,919
Service recipient revenue	**1,191,666**	1,144,818
Other revenue	**294,193**	248,126
	24,205,023	22,147,187
EXPENSES		
Advertising	**32,221**	30,211
Food and supplies	**485,197**	440,613
General and administrative	**131,908**	94,832
Insurance	**40,975**	39,628
New furniture and equipment	**88,872**	112,837
Interest on long-term debt	**35,083**	20,914
Program expenditures	**253,639**	224,903
Purchased services	**2,159,405**	2,184,564
Rent	**101,580**	98,296
Repairs and maintenance	**269,710**	216,088
Salaries and benefits	**19,330,195**	17,445,227
Staff training	**100,748**	64,803
Travel and automotive	**685,982**	649,518
Utilities and taxes	**343,974**	343,010
	24,059,489	21,965,444
	145,534	181,743