PATHWAYS TO INDEPENDENCE

FINANCIAL STATEMENTS

AS AT MARCH 31, 2023

WILKINSON

PATHWAYS TO INDEPENDENCE
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WILKINSON

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, 2023 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, 2023, 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 26, 2023

Chartered Professional Accountants
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PATHWAYS TO INDEPENDENCE
STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2023

	2023 $	2022 $
ASSETS		
CURRENT		
Cash	**1,510,456**	894,495
Accounts receivable	**801,867**	879,168
Due from Ministry - Note 3	**240,361**	78,164
Prepaid expenses	**141,373**	124,476
	2,694,057	1,976,303
TANGIBLE CAPITAL ASSETS - at cost less accumulated amortization - Note 4	**9,553,617**	9,931,456
OTHER		
Cash - restricted to capital purposes and other - Note 9	**1,258,177**	1,223,723
	13,505,851	13,131,482
LIABILITIES AND FUND BALANCE		
CURRENT		
Accounts payable and accrued liabilities	**3,437,718**	2,886,254
Government remittances payable	**331,443**	240,408
Deferred revenue	**74,938**	9,040
Due to Ministry - Note 3	**98,328**	448,180
Current portion of long-term debt	**503,252**	901,629
	4,445,679	4,485,511
LONG-TERM		
Accrued termination benefit liability - Note 6	**2,442,829**	2,367,830
Accrued post-retirement benefit liability - Note 6	**1,542,200**	1,632,600
Long-term debt - Note 7	**1,866,780**	1,081,696
Deferred contributions - Note 8	**4,317,115**	4,391,036
	10,168,924	9,473,162
	14,614,603	13,958,673
FUND BALANCE - Note 9	**(1,108,752)**	(827,191)
COMMITMENTS - Note 10		
	13,505,851	13,131,482

The accompanying notes form an integral part of these financial statements

PATHWAYS TO INDEPENDENCE
STATEMENT OF FUND BALANCE
FOR THE YEAR ENDED MARCH 31, 2023

	2023	2022
	$	$
FUND BALANCE - BEGINNING OF YEAR	**(827,191)**	(1,881,511)
EXCESS OF REVENUE OVER EXPENDITURES	**258,439**	545,320
RESTRICTED CONTRIBUTION - LAND		188,000
REMEASUREMENT AND OTHER ITEMS RELATING TO EMPLOYEE FUTURE BENEFITS	**(540,000)**	321,000
FUND BALANCE - END OF YEAR - Note 9	**(1,108,752)**	(827,191)

PATHWAYS TO INDEPENDENCE
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2023

	2023	2022
	$	$
REVENUE		
Government operating grants and subsidies - Note 11	**39,394,965**	34,400,063
Service recipient revenue	**1,714,682**	1,684,302
Private fees	**873,301**	851,836
Other income	**692,229**	815,371
Interest earned	**10,810**	1,949
Amortization of deferred contributions	**355,592**	382,122
Gain on sale of tangible capital assets	**24,614**	
	43,066,193	38,135,643
EXPENDITURES		
Salaries and benefits	**33,356,113**	29,875,344
Advertising	**27,666**	26,844
Amortization of tangible capital assets	**638,723**	675,562
Food and supplies	**796,654**	735,082
General and administrative	**181,401**	165,423
Insurance	**110,019**	89,008
New furniture and equipment	**135,402**	162,330
Interest on long-term debt	**81,036**	72,744
Program expenditures	**177,326**	158,783
Purchased services	**3,413,451**	2,927,445
Rent	**455,584**	439,824
Repairs and maintenance	**1,684,401**	839,897
Staff training	**78,727**	87,023
Travel and automotive	**924,209**	717,118
Utilities and taxes	**747,042**	617,896
	42,807,754	37,590,323
EXCESS OF REVENUE OVER EXPENDITURES	**258,439**	545,320

PATHWAYS TO INDEPENDENCE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2023

	2023 $	2022 $
OPERATING ACTIVITIES		
Excess of revenue over expenditures	**258,439**	545,320
Amortization of tangible capital assets	**638,723**	675,562
Gain on disposal of tangible capital assets	**(24,614)**	
Amortization of deferred contributions	**(355,592)**	(382,122)
Pension, termination and post-retirement benefits expense	**1,617,899**	1,442,200
Employer benefit contributions	**(2,173,300)**	(1,936,000)
Net change in non-cash working capital balances related to operations - Note 13	**222,298**	(671,662)
CASH FLOWS PROVIDED FROM (USED IN) OPERATING ACTIVITIES	**183,853**	(326,702)
INVESTING ACTIVITIES		
Purchase of tangible capital assets	**(260,884)**	(870,171)
Proceeds on disposal of tangible capital assets	**24,614**	
CASH FLOWS USED IN INVESTING ACTIVITIES	**(236,270)**	(870,171)
FINANCING ACTIVITIES		
Increase in deferred contributions	**281,671**	134,736
Issuance of long-term debt	**665,000**	14,773
Repayment of long-term debt	**(278,293)**	(263,348)
CASH FLOWS PROVIDED FROM (USED IN) FINANCING ACTIVITIES	**668,378**	(113,839)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS FOR YEAR	**615,961**	(1,310,712)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	**894,495**	2,205,207
CASH AND CASH EQUIVALENTS - END OF YEAR	**1,510,456**	894,495
REPRESENTED BY:		
Cash	**1,510,456**	894,495

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

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. 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.

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

2. ACCOUNTING POLICIES (Cont'd)

(c) Financial Instruments

(i) Measurement of Financial Instruments

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

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

(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 revenue 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 Ontario Health. These financial statements reflect the interim funding arrangements which were approved for the year ended March 31, 2023, net of management estimates of final settlements for the year.

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

2. ACCOUNTING POLICIES (Cont'd)

(d) Revenue Recognition (Cont'd)

(ii) Private and Program Management Fees

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

(iii) Rents

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

(iv) Interest Income

Interest income is recognized at the time it is earned.

(e) Tangible Capital Assets and Amortization

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

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

(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. Donated tangible capital assets that will not be amortized will be recognized as direct increases in net assets.

(g) Investments

Investments are classified at amortized cost.

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

2. ACCOUNTING POLICIES (Cont'd)

(h) 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.

(i) 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, 2019 with extrapolated results to March 31, 2023.

(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.

(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, 2023.

(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, 2023.

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

2. ACCOUNTING POLICIES (Cont'd)

(i) Employee Future Benefits (Cont'd)

(c) Post-Retirement Benefits (Cont'd)

(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.

(j) Contributed Services

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

3. MINISTRY

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

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

4. TANGIBLE CAPITAL ASSETS

	2023		2022	
	Cost	**Accumulated amortization**	Cost	Accumulated amortization
	$	**$**	$	$
Land and buildings				
Main Office - Pinnacle	**3,472,182**	**2,110,674**	3,472,182	1,971,190
Bethesda	**631,355**	**426,468**	631,355	411,344
McGovern Road	**773,595**	**50,688**	773,595	25,344
Cloverleaf Drive	**576,108**	**202,887**	576,108	184,443
Emily Street	**429,120**	**314,492**	429,120	309,017
Fry Road	**285,657**	**177,909**	285,657	175,113
Lake Street	**276,958**	**194,855**	276,958	185,250
Frankford	**472,971**	**344,140**	472,971	327,074
Lesley Street	**358,072**	**254,170**	358,072	241,088
North Park Street	**982,613**	**173,656**	982,613	138,925
Crofton	**408,234**	**246,683**	391,785	233,280
Clothier	**638,432**	**356,832**	617,976	333,895
Mitchell	**960,000**	**61,760**	960,000	30,880
William Street	**421,440**	**272,421**	421,440	264,957
West Moira	**287,478**	**195,052**	287,478	192,461
Whites Road	**256,424**	**173,314**	256,424	170,724
Mark Crescent	**289,134**	**184,426**	289,134	180,971
West Street	**575,477**	**216,927**	575,477	201,829
122 Cannifton Road North	**281,774**	**200,550**	281,774	197,845
98 Bridge Street	**200,106**	**155,269**	200,106	148,623
122 Bridge Street West	**169,114**	**135,098**	169,114	129,673
139 Bridge Street West	**145,222**	**116,770**	145,222	111,880
Burnham Street	**466,232**	**188,617**	300,729	171,503
Charles Street	**305,494**	**210,248**	305,494	199,968
Chatham Street	**243,922**	**140,498**	243,922	131,621
Coleman Street	**130,485**	**102,932**	130,485	98,707
34 College Street	**178,052**	**139,115**	178,052	133,308
Foster Avenue	**133,045**	**103,271**	133,045	98,928
Bachman Terrace	**1,336,939**	**326,923**	1,336,939	285,804
Napanee ABI	**1,407,561**	**377,683**	1,407,561	330,054
198 College Street	**286,798**	**46,600**	286,798	37,280
Haig Road	**281,100**	**53,971**	281,100	44,976
	17,661,094	**8,254,899**	17,458,686	7,697,955
Computer equipment	**321,776**	**308,188**	321,776	276,579
Furniture and fixtures	**520,606**	**459,851**	462,130	428,897
Leasehold improvements	**245,564**	**203,728**	245,564	197,060
Automotive equipment	**475,564**	**469,513**	485,092	472,988
Parking area	**64,942**	**39,750**	64,942	33,255
	19,289,546	**9,735,929**	19,038,190	9,106,734
Cost less accumulated amortization	**$ 9,553,617**		$ 9,931,456	

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

4. TANGIBLE CAPITAL ASSETS (Cont'd)

Certain tangible capital assets, including Bethesda, Clothier, Emily Street, Fry Road, Lake Street, Frankford, Leslie Street, North Park 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.

5. CREDIT FACILITIES

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 $4,064,000 which are secured concurrently with the demand loans as outlined in Note 7 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 (2022 - $Nil).

6. EMPLOYEE FUTURE BENEFITS

(a) Pension Benefits

Included in the Organization's accounts payable and accrued liabilities are pension liabilities totalling $166,330 (2022 - $130,767).

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, 2023. The following information is provided on pension asset funds:

	2023 **$**	2022 $
Fair value of plan assets, beginning of year	**45,419,900**	43,080,400
Actual return on plan assets	**(213,600)**	2,442,700
Contributions on behalf of employees	**1,612,800**	1,323,300
Contributions by employees	**1,611,700**	1,308,100
Benefits paid	**(2,199,400)**	(2,734,600)
Fair value of plan assets, end of year	**46,231,400**	45,419,900
Accrued benefit obligation	**43,482,000**	41,321,100
Jointly sponsored plan surplus	**2,749,400**	4,098,800
Valuation allowance	**(2,749,400)**	(4,098,800)
Accrued benefit asset (liability)	**NIL**	NIL

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

6. EMPLOYEE FUTURE BENEFITS (Cont'd)

(a) Pension Benefits (Cont'd)

As at March 31, 2023, based on the extrapolation from the results of the December 31, 2019 actuarial valuation for funding purposes, the pension plan is projected to have a surplus of $2,749,400. 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, 2023, based on the results of the March 31, 2023 actuarial valuation for accounting purposes, the termination benefit plan is projected to have a deficit of $2,674,400.

	2023 **$**	2022 $
Fair value of plan assets, end of year	**NIL**	NIL
Accrued benefit obligation	**2,674,400**	2,565,000
Plan deficit	**2,674,400**	2,565,000
Less: Termination benefits included in accounts payable and accrued liabilities	**(231,571)**	(197,170)
Accrued benefit liability	**2,442,829**	2,367,830

6. 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, 2023, based on the results of the March 31, 2023 actuarial valuation for accounting purposes, the post-retirement benefit plan is projected to have a deficit of $1,542,200.

	2023	2022
	$	$
Fair value of plan assets, end of year	**NIL**	NIL
Accrued benefit obligation	**1,542,200**	1,632,600
Plan deficit	**1,542,200**	1,632,600
Accrued benefit liability	**1,542,200**	1,632,600

Annual cash requirements to fund Termination Benefits and ongoing Post-Retirement Benefit obligations detailed in Note 6(b) and 6(c) are anticipated by the Organization's management each year and form part of the Organization’s funding submissions in accordance with the Ministry’s budget process each fiscal year. Accordingly, plan assets to fund these employee future benefits are not accumulated separately because the Organization's annual service contracts with the Ministry provide funding sufficient to satisfy these obligations in the years they become payable.

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

7. LONG-TERM DEBT

Long-term debt consists of:

	2023 $	2022 $
Term Loans		
Term loan payable bearing interest at a rate of 6.08%, repayable in blended monthly instalments of $1,637 until December 2026 for 257 Haig Road and secured in conjunction with the credit facility agreement detailed in Note 5 to these financial statements, which has a net book value of $227,129 at March 31, 2023.	**190,890**	199,820
Term loan payable bearing interest at a rate of 4.29%, repayable in blended monthly instalments of $1,626 until March 2024 for 198 College Street and secured in conjunction with the credit facility agreement detailed in Note 5 to these financial statements, which has a net book value of $240,198 at March 31, 2023.	**185,564**	194,203
Term loan payable bearing interest at a rate of 7.06%, repayable in blended monthly instalments of $5,733 until February 2025 for 289 Pinnacle Street, and secured in conjunction with the credit facility agreement detailed in Note 5 to these financial statements, which has a net book value of $1,361,508 at March 31, 2023.	**127,676**	188,358
Term loan payable bearing interest at a rate of 3.73%, repayable in blended monthly instalments of $1,991 until March 2025 for Bachman Terrace and secured in conjunction with the credit facility agreement detailed in Note 5 to these financial statements, which has a net book value of $1,010,016 at March 31, 2023.	**228,972**	243,987
Term loan payable bearing interest at a rate of 6.00%, repayable in blended monthly instalments of $795 until December 2027 for Cloverleaf Drive, and secured in conjunction with the credit facility agreement detailed in Note 5 to these financial statements, which has a net book value of $373,221 at March 31, 2023.	**68,451**	74,189
Term loan payable bearing interest at a rate of 6.09%, repayable in blended monthly instalments of $4,798 until November 2027 for McGovern Road and secured in conjunction with the credit facility agreement detailed in Note 5 to these financial statements, which has a net book value of $748,251 at March 31, 2023.	**659,266**	
	1,460,819	900,557

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

7. LONG-TERM DEBT (Cont'd)

	2023 $	2022 $
Term Loans (Cont'd)		
Term loans balance carried forward	**1,460,819**	900,557
Term loan payable bearing interest at a rate of 2.40%, repayable in blended monthly instalments of $750 until April 2023 for 80 Chatham Street and secured in conjunction with the credit facility agreement detailed in Note 5 to these financial statements, which has a net book value of $103,424 at March 31, 2023. This mortgage was repaid during the year.		9,626
Term loan payable bearing interest at a rate of 2.25%, repayable in blended monthly instalments of $631 to April 2023 247 Coleman Street and secured in conjunction with the credit facility agreement detailed in Note 5 to these financial statements, which has a net book value of $27,553 at March 31, 2023.	**610**	8,077
Term loan payable bearing interest at a rate of 3.16%, repayable in blended monthly instalments of $847 to October 2024 for 34 College Street and secured in conjunction with the credit facility agreement detailed in Note 5 to these financial statements, which has a net book value of $38,937 at March 31, 2023.	**15,764**	25,273
Term loan payable bearing interest at a rate of 3.16%, repayable in blended monthly instalments of $1,801 to October 2024 for 110 North Park Street and secured in conjunction with the credit facility agreement detailed in Note 5 to these financial statements, which has a net book value of $808,957 at March 31, 2023.	**278,915**	291,507
Term loan payable bearing interest at a rate of 2.65%, repayable in blended monthly instalments of $2,040 to January 2027 for 169 West Street, Napanee, Ontario and secured in conjunction with the credit facility agreement detailed in Note 5 to these financial statements, which has a net book value of $358,550 at March 31, 2023.	**171,011**	190,675
	1,927,119	1,425,715

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

7. LONG-TERM DEBT (Cont'd)

	2023 $	2022 $
Mortgages		
Mortgage payable bearing interest at a rate of 2.195% per annum, repayable in blended monthly instalments to January 2027 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 $149,019 at March 31, 2023.	**43,998**	54,863
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 $92,426 at March 31, 2023.	**67,298**	78,675
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 $83,110 at March 31, 2023.	**51,712**	60,204
Mortgage payable bearing interest at a rate of 3.74%, repayable in blended monthly instalments to June 2027 of $847 and secured by a first charge on land and building at 9 Mark Crescent, Quinte West, Ontario, which has a net book value of $104,708 at March 31, 2023.	**56,639**	64,663
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 $358,550 at March 31, 2023.	**59,441**	67,852
Mortgage payable bearing interest at a rate of 2.70%, 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 $81,224 at March 31, 2023.	**62,769**	72,115
	341,857	398,372

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

7. LONG-TERM DEBT (Cont'd)

	2023 $	2022 $
Mortgages (Cont'd)		
Mortgages balance carried forward	**341,857**	398,372
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 $44,837 at March 31, 2023.	**8,421**	18,151
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 $34,016 at March 31, 2023.	**13,522**	23,370
Mortgage payable bearing interest at a rate of 0.52%, repayable in blended monthly instalments to February 2024 of $609 and secured by a first charge on land and building at 139 Bridge Street West, Belleville, Ontario, which has a net book value of $28,452 at March 31, 2023.	**6,682**	13,935
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 $277,615 at March 31, 2023.	**10,874**	22,392
Mortgage payable bearing interest at a rate of 2.42%, repayable in blended monthly instalments to May 2025 of $1,080 and secured by a first charge on land and building at 247 Charles Street, Belleville, Ontario, which has a net book value of $95,246 at March 31, 2023.	**51,395**	62,961
	432,751	539,181

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

7. LONG-TERM DEBT (Cont'd)

	2023 $	2022 $
Mortgages (Cont'd)		
Mortgages balance carried forward	**432,751**	539,181
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 $29,774 at March 31, 2023.	**10,162**	18,429
	442,913	557,610
Total long-term debt	**2,370,032**	1,983,325
Less: Current portion of long term debt	**503,252**	901,629
	1,866,780	1,081,696

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

	$
2024	**503,252**
2025	**752,356**
2026	**147,172**
2027	**320,721**
2028	**646,531**
	2,370,032

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

8. 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:

	2023	2022
	$	$
Balance - Beginning of year	**4,391,036**	3,886,422
Donations in-kind		752,000
Additional contributions received	**281,671**	134,736
Less: Amounts amortized to revenue	**(355,592)**	(382,122)
Balance - End of year	**4,317,115**	4,391,036

9. 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, Ministry of Health or Ontario Health funding. These amounts represent excess funding which may be expended only at the direction of the designated Ministry with the exception of the internally restricted fund which is managed by the Board.

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

	2023	2022
	$	$
Investment in tangible capital assets	**2,866,470**	3,557,095
Restricted (deficiency)	**(5,233,400)**	(5,608,009)
Internally restricted	**631,102**	623,972
Capital reserve	**526,349**	504,199
Trustee Program	**100,727**	95,552
	(1,108,752)	(827,191)

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

10. COMMITMENTS

The Organization has thirty-seven vehicle lease agreements that expire at various times between April 2023 and April 2027. The future payments of these operating leases are as follows:

	$
2024	**212,912**
2025	**137,623**
2026	**84,736**
2027	**46,520**

The Organization has a number of premise lease agreements that expire at various times between July 2023 and March 2037. In addition to the payments outlined below, the lease expiring in March 2037 has annual payments of $111,996. The future payments of these operating leases are as follows:

	$
2024	**217,222**
2025	**142,633**
2026	**122,292**
2027	**111,996**
2028	**111,996**

The Organization has three technology agreements that expire at various times between April 2024 and January 2025. The future payments of these technology agreements are as follows:

	$
2024	**7,378**
2025	**5,356**

11. GOVERNMENT OPERATING GRANTS AND SUBSIDIES

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

	2023 **$**	2022 $
Ministry of Children, Community and Social Services	**28,113,021**	26,122,972
Dedicated Supportive Housing	**297,856**	297,840
Ministry of Health	**1,170,129**	1,170,129
Ontario Health	**5,332,720**	4,160,879
Covid Residential Relief Fund and Wage Enhancement - Note 16	**4,481,239**	2,648,243
	39,394,965	34,400,063

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

12. ECONOMIC DEPENDENCE

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

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

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

	2023	2022
	$	$
(INCREASE) DECREASE IN CURRENT ASSETS		
Accounts receivable	**77,301**	20,198
Due from Ministry - Note 3	**(162,197)**	(34,153)
Prepaid expenses	**(16,897)**	(28,375)
Funds restricted for capital purchases	**(34,454)**	(462,428)
	(136,247)	(504,758)
INCREASE (DECREASE) IN CURRENT LIABILITIES		
Accounts payable and accrued liabilities	**551,464**	390,297
Government remittances payable	**91,035**	
Deferred revenue	**65,898**	6,633
Due to Ministry - Note 3	**(349,852)**	(563,834)
	358,545	(166,904)
NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES RELATED TO OPERATIONS	**222,298**	(671,662)

14. FINANCIAL RISKS AND CONCENTRATION OF RISK

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

(a) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: currency risk, interest rate risk, and equity risk. It is in management's opinion that the Organization 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 7 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 $2,370,032.

(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 is 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, 2023

14. FINANCIAL RISKS 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.

15. 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, ARR, which shows a summary by service of all revenues and expenditures and any resulting surplus or deficit that relates to the Service Contract/CFSA Approval. Any surplus amounts are reflected in Due to Ministry on the Statement of Financial Position.

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

Ministry of Children, Community and Social Services

	2023	2022
	$	$
Adults' DS Community Support Services (East Region)		72,101
Covid Residential Relief Fund (CRRF)	**(189,723)**	(156,374)
Current year payable (receivable)	**(189,723)**	(84,273)
Add: Balance from prior year(s) not yet paid (received)	**(25,773)**	440,198
	(215,496)	355,925

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023

16. 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.

During the year, the Ministry of Children, Community and Social Services, Ontario Health and Ministry of Health provided Covid Residential Relief Fund and Wage Enhancement funding in the amounts of $4,039,419, $345,620 and $96,200 respectively during the year, which are included in Government operating grants and subsidies on the Statement of Operations.

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

PATHWAYS TO INDEPENDENCE
DEDICATED SUPPORTIVE HOUSING SCHEDULE
FOR THE YEAR ENDED MARCH 31, 2023

	2023 $	2022 $
REVENUE		
Government operating grants	**297,856**	297,840
Interest earned	**5,369**	989
Private fees	**99,800**	99,800
	403,025	398,629
EXPENSES		
Salaries and benefits		10,603
General and administrative	**8,834**	9,745
Insurance	**14,838**	12,091
Interest on long-term borrowing	**17,494**	20,924
Interest on short-term borrowing	**2,226**	2,209
Repairs and maintenance	**81,130**	89,509
Utilities	**121,160**	101,024
	245,682	246,105
	157,343	152,524

PATHWAYS TO INDEPENDENCE
MINISTRY OF CHILDREN, COMMUNITY AND SOCIAL SERVICES SCHEDULE
FOR THE YEAR ENDED MARCH 31, 2023

	2023 $	2022 $
REVENUE		
Government operating grants and subsidies	**32,152,440**	28,385,107
Interest earned	**108**	284
Program management fees	**143,657**	84,730
Service recipient revenue	**1,288,603**	1,277,168
Other revenue	**248,169**	102,745
	33,832,977	29,850,034
EXPENSES		
Salaries and benefits	**26,681,485**	24,239,434
Advertising	**23,845**	22,750
Food and supplies	**627,045**	582,066
General and administrative	**157,316**	137,971
Insurance	**77,737**	62,587
Interest on long-term debt	**42,442**	29,900
New furniture and equipment	**113,393**	140,905
Program expenditures	**145,198**	127,995
Purchased services	**2,977,522**	2,518,926
Rent	**153,396**	165,528
Repairs and maintenance	**1,479,059**	681,535
Staff training	**30,013**	28,277
Travel and automotive	**754,281**	584,632
Utilities and taxes	**466,596**	374,224
	33,729,328	29,696,730
	103,649	153,304