

PATHWAYS TO INDEPENDENCE

FINANCIAL STATEMENTS

JUNE 30, 2008 and 2007

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Pathways to Independence

We have audited the accompanying statements of financial position of Pathways to Independence (a non-profit organization) as of June 30, 2008 and 2007, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pathways to Independence as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule presented on page 9 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Smith Patrick LLC

Smith Patrick LLC, CPA's
Certified Public Accountants

December 22, 2008

**PATHWAYS TO INDEPENDENCE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2008 AND 2007**

	2008	2007
ASSETS		
Current Assets:		
Cash	\$ 55,325.01	\$ 44,902.39
Accounts receivable	5,934.68	3,208.32
Total Current Assets	61,259.69	48,110.71
Property and Equipment:		
Furniture and fixtures	15,195.95	15,195.95
Less accumulated depreciation	(11,824.52)	(10,310.23)
Total Property and Equipment	3,371.43	4,885.72
Other Assets:		
Certificate of deposit	40,192.88	5,000.00
Total Other Assets	40,192.88	5,000.00
Total Assets	\$ 104,824.00	\$ 57,996.43
 LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accrued wages	\$ 2,390.28	\$ 3,889.51
Accounts payable	215.28	-
Payroll taxes payable	1,776.35	2,621.21
Accrued vacation pay	903.00	1,893.03
Total Current Liabilities	5,284.91	8,403.75
Total Liabilities	5,284.91	8,403.75
Net Assets:		
Unrestricted	99,539.09	49,592.68
Total Net Assets	99,539.09	49,592.68
Total Liabilities and Net Assets	\$ 104,824.00	\$ 57,996.43

See notes to financial statements.

**PATHWAYS TO INDEPENDENCE
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
Unrestricted Net Assets:		
Unrestricted Support and Revenue:		
Contributions	\$ 60,978.61	\$ 43,317.00
Grants:		
Productive Living Board for St. Louis County		
Citizens with Developmental Disabilities	95,789.81	89,527.95
Memberships	4,318.00	4,092.50
Investment income	513.53	2,306.23
Participant fees	1,124.32	2,117.50
Miscellaneous	1,876.01	988.10
Total Unrestricted Support and Revenue	<u>164,600.28</u>	<u>142,349.28</u>
Expenses:		
Programs	96,442.96	109,152.41
Supporting Services:		
Management and general	12,056.35	18,599.77
Fundraising	6,154.56	11,467.34
Total Expenses and Losses	<u>114,653.87</u>	<u>139,219.52</u>
Increase (Decrease) in Unrestricted Net Assets	49,946.41	3,129.76
Net Assets at Beginning of Year	<u>49,592.68</u>	<u>46,462.92</u>
Net Assets at End of Year	<u>\$ 99,539.09</u>	<u>\$ 49,592.68</u>

See notes to financial statements.

**PATHWAYS TO INDEPENDENCE
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

	2008				2007			
	<u>PROGRAM SERVICES</u>	<u>SUPPORTING SERVICES</u>		<u>TOTAL EXPENSE</u>	<u>PROGRAM SERVICES</u>	<u>SUPPORTING SERVICES</u>		<u>TOTAL EXPENSE</u>
		Management and General	Fundraising			Management and General	Fundraising	
Salaries & wages	\$ 64,727.37	\$ 4,724.97	\$ 3,452.92	\$ 72,905.26	\$ 70,667.31	\$ 10,742.09	\$ 9,549.53	\$ 90,958.93
Employee benefits	823.87	294.24	58.85	1,176.96	719.02	256.80	51.36	1,027.18
Payroll taxes	5,362.15	152.66	261.70	5,776.51	5,751.69	761.29	763.99	7,276.97
Office supplies & expense	1,491.64	394.02	43.00	1,928.66	1,379.70	404.52	110.00	1,894.22
Telephone	2,068.28	258.54	258.54	2,585.36	2,855.86	195.59		3,051.45
Postage & shipping	870.42	150.49	484.00	1,504.91	1,012.24	166.25	484.00	1,662.49
Occupancy	3,913.40	3,522.06	391.34	7,826.80	3,948.68	3,948.69		7,897.37
Repairs & maintenance	-	-		-	1,540.65	171.18		1,711.83
Printing & publications	962.79	-	474.21	1,437.00	1,032.33	-	508.46	1,540.79
Travel	441.59	-	250.00	691.59	1,214.10	-		1,214.10
Depreciation	1,362.86	151.43		1,514.29	1,362.86	151.43		1,514.29
Miscellaneous	750.45	-		750.45	600.00	900.00		1,500.00
Insurance	6,129.06	707.94		6,837.00	5,983.07	901.93		6,885.00
Program events	6,734.33			6,734.33	8,674.10	-		8,674.10
Professional fees	-	1,700.00		1,700.00	1,300.00	-		1,300.00
Training	479.38	-	480.00	959.38	726.28	-		726.28
Web site fee	325.37	-		325.37	384.52	-		384.52
	<u>\$ 96,442.96</u>	<u>\$ 12,056.35</u>	<u>\$ 6,154.56</u>	<u>\$ 114,653.87</u>	<u>\$ 109,152.41</u>	<u>\$ 18,599.77</u>	<u>\$ 11,467.34</u>	<u>\$ 139,219.52</u>

See notes to financial statements.

**PATHWAYS TO INDEPENDENCE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 49,946.41	\$ 3,129.76
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	1,514.29	1,514.29
Gain from sale of marketable security	-	(904.97)
(Increase) decrease in operating assets:		
Accounts receivable	(2,726.36)	3,715.14
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(3,118.84)	(1,078.27)
Net Cash Provided (Used) by Operating Activities	<u>45,615.50</u>	<u>6,375.95</u>
Cash Flows From Investing Activities		
Proceeds from sale of marketable security	-	5,979.36
Purchase of long term certificate of deposit	(35,000.00)	(5,000.00)
Interest income on long term certificates	(192.88)	-
Net Cash Provided (Used) by Investing Activities	<u>(35,192.88)</u>	<u>979.36</u>
Net Increase (Decrease) in Cash and Cash Equivalents	10,422.62	7,355.31
Cash and cash equivalents, Beginning of Year	<u>44,902.39</u>	<u>37,547.08</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 55,325.01</u></u>	<u><u>\$ 44,902.39</u></u>

For purposes of the statement of cash flows, the organization considers all highly liquid investments which are readily converted into cash within 90 days of purchase to be cash equivalents.

See notes to financial statements.

**PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Pathways to Independence is a not-for-profit organization created to assist adults with learning disabilities living in St. Louis County, Missouri to develop independent living socialization skills. This is accomplished through education, advocacy, networking with other agencies and leisure and recreation programs.

Basis of Accounting

The Organization's policy is to prepare its financial statements on the accrual basis of accounting.

Financial Statement Presentation

Under Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Property and Equipment

The Organization records its investment in fixed assets purchased for \$1,000 or greater and provides for depreciation expense in the accompanying statements. Purchased assets are recorded at cost. Items contributed to the Organization are recorded at the fair value determined at the date of acquisition. Depreciation is computed using the straight-line method over the estimated useful life of the related assets. The organization does not have a policy regarding accounting for planned major maintenance activities.

Support and Revenue

The Organization receives its primary funding from and is dependent for its continued existence on The Productive Living Board for St. Louis County Citizens with Developmental Disabilities (PLB), accounting for 58% and 68% of its public support for the past two fiscal years. The grants from this organization are on a reimbursements type basis and therefore the restriction has been met when the grant revenue is recognized. These are shown as unrestricted support.

Receivables

Receivables consist mainly of grant income to be received from PLB. No allowance for uncollectible amounts is made as all is expected to be received.

Functional Expenses

The costs associated with providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Contributed Services

The Organization has a number of unpaid volunteers who have made significant contributions of their time in the administration and in various programs of the

**PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008 AND 2007**

Organization. The value of these contributed services is not reflected in these statements, as they do not meet the requirements for recognition according to SFAS No. 116.

Tax Status

The Organization qualifies as a tax-exempt Organization under Section 501(c)(3) of the Internal Revenue Code, and therefore, has no provision for federal or Missouri income taxes.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2: PROPERTY AND EQUIPMENT

Property and equipment are depreciated as outlined in Note 1. A summary of current year depreciation follows:

Description	Estimated Useful Life	Current Year Depreciation	Accumulated Depreciation
Furniture & Equipment	5 years	\$ 1,514.29	\$ 13,338.81

NOTE 3: RETIREMENT EXPENSE

The Organization participates in a SIMPLE IRA plan matching up to 3% of full time employees' deferral and is shown as employee benefits in the financial statements. The Organization paid \$1,177 in 2008 and \$1,027 in 2007 as its matching portion.

NOTE 4: COMMITMENTS

The Organization entered into a lease for office space on June 26, 1992. This lease was extended several times and currently expires on June 30, 2010. The minimum yearly lease commitment for the years ending June 30, 2009 and 2010 is \$7,687.92 each year.

NOTE 5: FAIR VALUES OF FINANCIAL INSTRUMENTS

The Organization's financial instruments, none of which are held for trading purposes, include cash and one mutual fund. The organization estimates that the fair value of all financial instruments at June 30, 2008 and 2007 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statements of financial position. The estimated fair value amounts have been determined by the Organization using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and accordingly, the estimates are not necessarily indicative of the amounts that the Organization could realize in a current market exchange.

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008 AND 2007

NOTE 6: INVESTMENTS

Investments are stated at fair value. The organization has no investments at June 30, 2008 or 2007. The mutual fund was sold during fye 6/30/07. Its cost was \$6,891 and it sold for \$5,979 resulting in a realized loss of \$912. Unrestricted investment return for the fiscal ended 6/30/07 consists of a recognized gain of \$905.

**PATHWAYS TO INDEPENDENCE
SCHEDULE OF UNIT COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

	PLB - Vocational Skills Training- Leisure & Learning Program	Management and General	Fundraising	Total Expenses
Salaries & wages	\$ 64,727.37	\$ 4,724.97	\$ 3,452.92	\$ 72,905.26
Employee benefits	823.87	294.24	58.85	1,176.96
Payroll taxes	5,362.15	152.66	261.70	5,776.51
Office supplies & expense	1,491.64	394.02	43.00	1,928.66
Telephone	2,068.28	258.54	258.54	2,585.36
Postage & shipping	870.42	150.49	484.00	1,504.91
Occupancy	3,913.40	3,522.06	391.34	7,826.80
Repairs & maintenance	-	-	-	-
Printing & publications	962.79	-	474.21	1,437.00
Travel	441.59	-	250.00	691.59
Depreciation	1,362.86	151.43	-	1,514.29
Miscellaneous	750.45	-	-	750.45
Insurance	6,129.06	707.94	-	6,837.00
Program events	6,734.33	-	-	6,734.33
Professional fees	-	1,700.00	-	1,700.00
Training	479.38	-	480.00	959.38
Web site fee	325.37	-	-	325.37
	<u>96,442.96</u>	<u>12,056.35</u>	<u>\$ 6,154.56</u>	<u>\$ 114,653.87</u>
Allocation of Management & General	<u>12,056.35</u>	<u>(12,056.35)</u>		
Total Expenses	<u>\$ 108,499.31</u>	<u>\$ -</u>		
Total units of service provided	<u>3,100</u>			
Unit Cost-Actual	<u>\$ 35.00</u>			
 Please note that during this fiscal year, the executive director position was vacant for 75% of the year. The estimated vacancy costs for this position is shown below to more accurately calculate future program costs.				
Total Expenses per above	108,499.31		6,154.56	114,653.87
Vacant personnel costs	30,280.50		3,364.50	33,645.00
	<u>\$ 138,779.81</u>		<u>\$ 9,519.06</u>	<u>\$ 148,298.87</u>
Recalculated Unit Cost	<u>\$ 44.77</u>			

See notes to financial statements.