

PATHWAYS TO INDEPENDENCE
FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

SMITH PATRICK LLC

Certified Public Accountants

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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, 2011 and 2010, 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 audits 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 provides 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, 2011 and 2010, and the changes in its net assets and its cash flows for the year 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 8 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, CPA's

Smith Patrick LLC, Certified Public Accountants
St Louis, Missouri
October 27, 2011

PATHWAYS TO INDEPENDENCE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2011 AND 2010

	2011	2010
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$ 131,830.63	\$ 120,991.91
Accounts receivable	9,587.69	530.00
Grants receivable	-	695.00
Certificates of deposit	10,160.21	15,889.11
Total Current Assets	151,578.53	138,106.02
Fixed Assets:		
Property and equipment	18,534.45	15,195.95
Accumulated depreciation	(15,529.80)	(14,495.95)
Total Fixed Assets	3,004.65	700.00
Other Assets:		
Deposits	2,150.17	-
Total Assets	\$ 156,733.35	\$ 138,806.02
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accrued wages	\$ 3,178.48	\$ 4,801.21
Payroll taxes payable	-	1,805.11
Accrued vacation pay	1,064.30	1,716.17
Total Current Liabilities	4,242.78	8,322.49
Total Liabilities	4,242.78	8,322.49
Net Assets:		
Unrestricted	152,490.57	130,483.53
Total Net Assets	152,490.57	130,483.53
Total Liabilities and Net Assets	\$ 156,733.35	\$ 138,806.02

See accompanying notes and independent auditor's report

PATHWAYS TO INDEPENDENCE
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011 AND 2010

	2011	2010
Revenues and Support (unrestricted)		
Grants:		
Productive Living Board for St. Louis County		
Citizens with Developmental Disabilities	\$ 102,356.98	\$ 101,831.89
St Louis Office for		
Developmental Disability Resources	4,755.00	695.00
Contributions	59,925.80	65,467.05
Special events	20,401.81	20,802.60
Memberships	3,995.00	5,637.50
Investment income	903.40	1,193.08
Participant fees	7,927.23	4,165.54
Miscellaneous	7,448.85	5,108.98
Total Unrestricted Support and Revenue	207,714.07	204,901.64
Expenses:		
Programs	148,259.61	147,298.31
Supporting Services:		
Management and general	28,183.43	30,143.43
Fundraising	9,263.99	6,917.26
Total Expenses	185,707.03	184,359.00
Increase (Decrease) in Unrestricted Net Assets	22,007.04	20,542.64
Net Assets at Beginning of Year	130,483.53	109,940.89
Net Assets at End of Year	\$ 152,490.57	\$ 130,483.53

See accompanying notes and independent auditor's report

PATHWAYS TO INDEPENDENCE
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2011 AND 2010

	2011			2010				
	<u>PROGRAM SERVICES</u>	<u>SUPPORTING SERVICES</u>		<u>TOTAL EXPENSES</u>	<u>PROGRAM SERVICES</u>	<u>SUPPORTING SERVICES</u>		<u>TOTAL EXPENSE</u>
		Management and General	Fundraising			Management and General	Fundraising	
Salaries & wages	\$ 95,610.97	\$ 13,827.06	\$ 7,982.66	\$ 117,420.69	\$ 95,147.68	\$ 17,041.62	\$ 4,877.68	\$ 117,066.98
Employee benefits	9,973.30	1,343.30	90.87	11,407.47	9,120.35	1,259.73	436.43	10,816.51
Payroll taxes	7,843.66	1,056.46	71.47	8,971.59	7,239.12	1,291.65	371.69	8,902.46
Office supplies & expense	2,592.38	112.70	112.70	2,817.78	4,949.87	215.22	215.22	5,380.31
Networking/marketing	117.02	-	-	117.02	505.18	-	-	505.18
Telephone	1,967.63	287.95	143.97	2,399.55	1,776.42	259.96	129.98	2,166.36
Postage & shipping	590.92	-	291.05	881.97	566.30	-	278.92	845.22
Occupancy	10,661.07	695.29	231.76	11,588.12	7,142.54	465.82	155.28	7,763.64
Printing & publications	2,589.49	-	-	2,589.49	1,502.64	-	-	1,502.64
Travel	1,597.64	-	84.09	1,681.73	2,183.13	-	114.90	2,298.03
Depreciation	827.07	103.39	103.39	1,033.85	925.72	115.71	115.71	1,157.14
Miscellaneous	222.97	259.97	152.03	634.97	303.75	208.35	152.18	664.28
Insurance	-	6,181.50	-	6,181.50	-	6,117.00	-	6,117.00
Program events	8,783.69	-	-	8,783.69	7,642.35	207.82	69.27	7,919.44
Professional fees	-	4,315.81	-	4,315.81	-	2,960.55	-	2,960.55
Training	1,035.42	-	-	1,035.42	507.00	-	-	507.00
Vehicle Operations	3,162.98	-	-	3,162.98	4,602.86	-	-	4,602.86
Web site fee	683.40	-	-	683.40	3,183.40	-	-	3,183.40
	\$ 148,259.61	\$ 28,183.43	\$ 9,263.99	\$ 185,707.03	\$ 147,298.31	\$ 30,143.43	\$ 6,917.26	\$ 184,359.00

See accompanying notes and independent auditor's report

PATHWAYS TO INDEPENDENCE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 22,007.04	\$ 20,542.64
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	1,033.85	1,157.14
(Increase) decrease in operating assets:		
Accounts receivable	(8,362.69)	(1,225.00)
Deposits	(2,150.17)	-
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(4,079.71)	(812.00)
Net Cash Provided (Used)	<u>(4,079.71)</u>	<u>(812.00)</u>
by Operating Activities	<u>8,448.32</u>	<u>19,662.78</u>
 Cash Flows From Investing Activities		
Purchase of fixed assets	(3,338.50)	-
Net Cash Provided (Used)	<u>(3,338.50)</u>	<u>-</u>
by Investing Activities	<u>(3,338.50)</u>	<u>-</u>
 Cash Flows From Financing Activities		
Proceeds from cashing of certificates of deposit	5,895.18	25,909.33
Interest income on certificates of deposit	(166.28)	(572.68)
Net Cash Provided (Used)	<u>5,728.90</u>	<u>25,336.65</u>
by Financing Activities	<u>5,728.90</u>	<u>25,336.65</u>
 Net Increase (Decrease)		
in Cash and Cash Equivalents	10,838.72	44,999.43
 Cash and cash equivalents, Beginning of Year	<u>120,991.91</u>	<u>75,992.48</u>
 Cash and Cash Equivalents, End of Year	<u>\$ 131,830.63</u>	<u>\$ 120,991.91</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

See accompanying notes and independent auditor's report

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1—SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Pathways to Independence (the Organization) is a not-for-profit organization created to assist adults with learning disabilities living in the St Louis area, 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

As required by the Not-for-Profit Entities Topic of the FASB Accounting Standards Codification, 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's policy for planned major maintenance activities is direct expense.

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). Grants from PLB were 49% and 50% of total public support for the years ended June 30, 2011 and 2010, respectively. The grants from this organization are on a reimbursement type basis and therefore the restriction has been met when the grant revenue is recognized. These are shown as unrestricted support.

Receivables

Receivables consist of grant income from PLB, DD Resources and small payments due from program participants. Management feels all receivables at year-end are collectable; therefore no allowance has been made for uncollectable receivables.

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 programs of the Organization. The value of these contributed services is not reflected in these statements as they do not meet the requirements for recognition according to the Not-for-Profit Entities Topic of the FASB Accounting Standards Codification.

PATHWAYS TO INDEPENDENCE
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2011

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.

Subsequent Events

The Organization has evaluated subsequent events for potential recognition or disclosure through October 27, 2011, which is the date the financial statements were (available to be) issued.

NOTE 2—PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2011 and 2010:

	<u>Estimated Useful Life</u>	<u>Current Year Depreciation</u>	<u>Accumulated Depreciation</u>
Furniture & equipment	5 years	<u>\$ 1,033.85</u>	<u>\$ 15,529.80</u>

NOTE 3—RETIREMENT EXPENSE

The Organization participates in a SIMPLE IRA plan and matches up to 3% of full time employees' deferral. This expense is shown as part of employee benefits on the Statement of Functional expenses. The Organization paid \$3,078.38 and \$2,723.67 as its matching portion for the years ended June 30, 2011 and 2010, respectively.

NOTE 4—COMMITMENTS

The Organization entered into a lease for office space to maintain their operations. The following is a schedule of future minimum lease payments required that have initial or remaining non-cancelable lease terms as of June 30, 2011. Future minimum commitments under this agreement are as follows:

<i>Year Ended</i> <u>June 30,</u>	
2012	11,020.00
2013	12,122.00
2014	12,122.00
2015	<u>13,224.00</u>
	<u>\$ 48,488.00</u>

Lease expense totaled \$11,588.12 and \$7,564.32 for the years ended June 30, 2011 and 2010, respectively.

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 5–FAIR VALUE MEASUREMENTS

The following methods and assumptions were used to determine the fair value of each class of financial instruments:

Cash – fair value approximates carrying value due to the initial maturities of the instruments being three months or less.

Certificates of deposit – fair value approximates carrying value due to short term nature of the instrument.

The fair value measurements and levels within the fair value hierarchy of those measurements for the financial instruments reported at fair value on a recurring basis at June 30, 2011 are the same as the carrying amounts, all of which are level one. There were not transfers between levels in the year ended June 30, 2011.

AUDITED UNIT COST REPORT FOR PLB FUNDED AGENCIES
 PATHWAYS TO INDEPENDENCE
 FOR THE FISCAL YEAR ENDING JUNE 30, 2011

PLB Project #	<u>7018/10</u>
Project Expenses	
Direct Expenses:	
1. Personnel Costs-Wages	\$ 84,761.90
2. Personnel Costs-Benefits	13,089.14
3. Consumable Project Equipment & Supplies	4,533.84
4. Office Equipment and Supplies	3,109.15
5. Facility Costs	8,606.25
6. Communication	4,780.44
7. Staff Training	909.93
8. Staff Travel	983.97
9. Vehicle Operating Costs	1,053.00
10. Professional Services/Fees	-
11. Client Assistance	-
12. Food Costs	2,869.85
13. Total Project Direct Expenses	<u>124,697.47</u>
Indirect Expenses:	
14. Administrative Allocation (actual is \$26,790.95 - limited to 15% of 15)	<u>22,005.44</u>
15. Total Project Expenses	<u>\$ 146,702.91</u>
16. Total Units Provided	<u>5,830</u>
Cost Per Unit: Line 15 / Line 16	<u><u>\$ 25.16</u></u>