

PATHWAYS TO INDEPENDENCE
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2013

PATHWAYS TO INDEPENDENCE

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Pathways to Independence

We have audited the accompanying financial statements of Pathways to Independence (a nonprofit organization), which is comprised of the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The financial statements of Pathways to Independence for the year ended June 30, 2012 were audited by the predecessor auditor. The predecessor auditor issued an unqualified opinion on those financial statements, which were dated October 8, 2013.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 8 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.


Fick, Eggemeyer, & Williamson CPA's
St. Louis, MO
October 24, 2013

PATHWAYS TO INDEPENDENCE
STATEMENT OF FINANCIAL POSITION
June 30, 2013 and 2012

ASSETS	2013	2012
Cash and cash equivalents	\$ 356,439	\$ 250,144
Accounts receivable	12,941	17,731
Other assets	4,119	2,150
Depreciable assets		
Less: accumulated depreciation - note 3	11,808	14,051
 Total assets	 <u>\$ 385,307</u>	 <u>\$ 284,076</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 622	\$ 1,415
Deferred revenue	20,000	-
Accrued vacation and payroll	12,926	7,799
 Total liabilities	 <u>33,548</u>	 <u>9,214</u>
NET ASSETS		
Unrestricted	351,759	274,862
Temporarily restricted	-	-
Permanently restricted	-	-
 Total net assets	 <u>351,759</u>	 <u>274,862</u>
 Total liabilities and net assets	 <u>\$ 385,307</u>	 <u>\$ 284,076</u>

See accompanying notes and independent auditor's report

PATHWAYS TO INDEPENDENCE
STATEMENT OF ACTIVITIES
For the fiscal years ended June 30, 2013 and 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2013 Total</u>	<u>2012 Total</u>
Support and revenue:					
Grants	\$ 126,073	\$ -	\$ -	\$ 126,073	\$ 115,162
Contributions	176,577	-	-	176,577	178,922
Special events	31,215	-	-	31,215	33,206
Investment income	859	-	-	859	1,010
Participant fees	8,535	-	-	8,535	15,221
Miscellaneous	9,819	-	-	9,819	8,419
Total support and revenue	353,078	-	-	353,078	351,940
Net assets released from restrictions	-	-	-	-	-
Total	353,078	-	-	353,078	351,940
Program services	189,951	-	-	189,951	160,740
Total program services	189,951	-	-	189,951	160,740
Support services:					
Management and general	55,585	-	-	55,585	37,176
Fundraising	30,645	-	-	30,645	31,653
Total support services	86,230	-	-	86,230	68,829
Total expenses	276,181	-	-	276,181	229,569
Change in net assets	76,897	-	-	76,897	122,371
Net assets, beginning of year	274,862	-	-	274,862	152,491
Net assets, end of year	\$ 351,759	\$ -	\$ -	\$ 351,759	\$ 274,862

See accompanying notes and independent auditor's report

PATHWAYS TO INDEPENDENCE
STATEMENT OF CASH FLOWS
For the fiscal years ended June 30, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 76,897	\$ 122,371
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	3,271	1,969
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	4,790	(8,143)
(Increase) decrease in other assets	(1,969)	-
Increase (decrease) in accounts payable	(793)	4,971
Increase (decrease) in deferred revenue	20,000	-
Increase (decrease) in accrued vacation and payroll withholding	5,127	-
Net cash provided by (used in) operating activities	107,323	121,168
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(1,028)	(13,015)
Net cash provided by (used in) investing activities	(1,028)	(13,015)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from cashing of certificates of deposit	-	10,160
Net cash provided by (used in) financing activities	-	10,160
Net increase (decrease) in cash and cash equivalents	106,295	118,313
Cash and cash equivalents - beginning of the year	250,144	131,831
Cash and cash equivalents - end of the year	\$ 356,439	\$ 250,144
Supplemental cash flow information:		
Cash paid during the year for interest	\$ -	\$ -

See accompanying notes and independent auditor's report

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS

June 30, 2013 and 2012

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Pathways to Independence (the Organization) is a non-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 financial statements of the Organization have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Promises to Give

Contributions and grants are recognized when the donor makes a promise to give to the organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions or grants are recognized. All other donor-restricted contributions and grants are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Fixed Assets and Depreciation

Fixed assets are recorded at cost or, in the case of donated property, at their estimated fair market value at the date of the donation. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets, which is currently five years for all assets. Expenditures for repairs and maintenance are charged to operating expense as incurred.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS

June 30, 2013 and 2012

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Receivables

The Organization utilizes the allowance method for uncollectible member and other receivables. As of June 30, 2013 and 2012, the Organization believes all receivables are collectible, and consequently, there is no allowance for doubtful accounts.

Income Taxes

The Organization is exempt from income taxes pursuant to section 501(c)(3) of the Internal Revenue Service Code. Therefore, no provision is made for taxes on income.

The Organization adopted the provisions of Accounting for Uncertainty in Income Taxes on July 1, 2009. The adoption of that guidance resulted in no change to the financial statements for prior periods. As of June 30, 2013, no amounts have been recognized for uncertain tax positions. The Organization's tax returns filed prior to fiscal 2011 are closed.

Basis of Presentation

The Organization's financial statement presentation complies with the recommendations of the Financial Accounting Standards Board. 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.

Unrestricted Net Assets - represent resources over which the Board of Directors has unlimited discretionary control to carry out the activities of the Organization in accordance with the Articles of Incorporation and By-Laws.

Temporarily Restricted Net Assets - represent resources whose use is limited by donor-imposed restrictions that will be met either by actions of the Organization or by the passage of time.

Permanently Restricted Net Assets - are subject to donor-imposed stipulations that the net assets be retained and invested permanently. The Organization presently has no permanently restricted net assets.

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS

June 30, 2013 and 2012

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates in Financial Statement

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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. Actual results could differ from those estimates.

Donated Services

No amounts have been recognized in the accompanying statement of activities for volunteer services because the criteria for recognition of such efforts under accounting standards have not been satisfied.

Note 2 - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Costs are allocated between fund-raising, administration or the appropriate program based on evaluations of the related benefits. Administrative expenses include those expenses which were not directly identifiable with any other specific functions but provide for the overall support and direction of the Organization.

Note 3 - FIXED ASSETS AND DEPRECIATION

A summary of fixed assets follows:

	June 30, 2013	June 30, 2012
Equipment	\$ 21,009	\$ 19,981
Less: accumulated depreciation	(9,201)	(5,930)
Total	\$ 11,808	\$ 14,051

Depreciation policies are disclosed in Note 1. Depreciation expense for the fiscal years ended June 30, 2013 and 2012, was \$3,271 and \$1,969, respectively.

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS

June 30, 2013 and 2012

Note 4 - RETIREMENT PLAN

The Organization participates in a SIMPLE IRA plan and matches up to 3% of full time employee deferrals. The Organization incurred expenses in relation to the plan in the amounts of \$2,789 and \$3,148 for the years ended June 30, 2013 and 2012, respectively.

Note 5 - LEASE OBLIGATIONS

The Organization leases office space in Clayton, Missouri. The lease term is June 1, 2010 through June 30, 2015 and the monthly rent is \$1,010.

Future minimum lease payments are as follows:

Year ending June 30,	
2014	\$ 12,120
2015	<u>12,120</u>
Total	<u>\$ 24,240</u>

Expenses associated with these leases totaled \$11,535 and \$11,112 in 2013 and 2012.

Note 6 - SUBSEQUENT EVENTS

Subsequent to fiscal year end, the Organization discontinued its relationship with a significant grantor whose grants accounted for approximately 31% of revenue in fiscal 2013 and 2012.

PATHWAYS TO INDEPENDENCE
SUPPLEMENTAL SCHEDULE OF FUNCTIONAL EXPENSES
For the fiscal years ended June 30, 2013 and 2012

	<u>Program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>2013 Total</u>	<u>2012 Total</u>
Salaries and wages	\$ 129,951	\$ 22,228	\$ 18,809	\$ 170,988	\$ 142,785
Employee benefits	8,595	1,510	1,509	11,614	14,260
Payroll taxes	9,941	1,700	1,439	13,080	10,749
Office supplies & expense	4,250	1,932	258	6,440	3,414
Networking/marketing	1,047	-	-	1,047	1,243
Telephone	2,502	366	183	3,051	3,510
Postage & shipping	596	-	294	890	2,326
Occupancy	11,075	231	231	11,537	11,112
Printing & publications	2,126	-	436	2,562	2,809
Travel	4,194	-	446	4,640	1,913
Depreciation	883	2,290	98	3,271	1,969
Fundraising	-	-	6,566	6,566	5,108
Miscellaneous	-	15	-	15	243
Insurance	3,779	6,694	324	10,797	9,452
Program events	5,204	578	-	5,782	9,693
Professional fees	-	7,554	-	7,554	4,118
Training	2,297	-	-	2,297	824
Vehicle operations	2,796	-	-	2,796	2,472
Website fee	715	105	52	872	1,569
Board projects	-	10,382	-	10,382	-
	<u>\$ 189,951</u>	<u>\$ 55,585</u>	<u>\$ 30,645</u>	<u>\$ 276,181</u>	<u>\$ 229,569</u>

See accompanying notes and independent auditor's report

**Audited Unit Cost Report for PLB Funded Agencies
Pathways to Independence
For the Fiscal Year Ending 6/30/2013**

PLB Project #	<u>7018/10</u>
Project Expenses	
Direct Expenses:	
1. Personnel Costs - Wages (Schedule A Total)	\$ 95,540
2. Personnel Costs - Benefits (Schedule B Total)	14,164
3. Consumable Project Equipment and Supplies	1,888
4. Office Equipment and Supplies	3,580
5. Facility Costs (Schedule C Total)	7,935
6. Communication	5,579
7. Staff Training	1,942
8. Staff Travel (Schedule D Total)	2,935
9. Vehicle Operating Costs	3,710
10. Professional Services / Fees	-
11. Client Assistance	-
12. Food Costs	<u>3,669</u>
13. Total Project Direct Expenses	140,942
Indirect Expenses:	
14. Administrative Allocation	<u>24,608</u>
15. Total Project Expenses	<u>165,550</u>
16. Total Units Provided	6,013
Cost Per Unit: Line 15 / Line 16	<u><u>\$ 28</u></u>

**Audited Unit Cost Report for PLB Funded Agencies
Pathways to Independence
For the Fiscal Year Ending 6/30/2013**

PLB Project #	<u>7018/11</u>
Project Expenses	
Direct Expenses:	
1. Personnel Costs - Wages (Schedule A Total)	\$ 29,749
2. Personnel Costs - Benefits (Schedule B Total)	4,564
3. Consumable Project Equipment and Supplies	-
4. Office Equipment and Supplies	174
5. Facility Costs (Schedule C Total)	2,621
6. Communication	273
7. Staff Training	96
8. Staff Travel (Schedule D Total)	1,310
9. Vehicle Operating Costs	-
10. Professional Services / Fees	-
11. Client Assistance	-
12. Food Costs	<u>254</u>
13. Total Project Direct Expenses	39,041
Indirect Expenses:	
14. Administrative Allocation	<u>6,811</u>
15. Total Project Expenses	<u>45,852</u>
16. Total Units Provided	298
Cost Per Unit: Line 15 / Line 16	<u><u>\$ 154</u></u>

**Audited Unit Cost Report for PLB Funded Agencies
Pathways to Independence
For the Fiscal Year Ending 6/30/2013**

Developmental Disabilities Resource Board

Project Expenses

Direct Expenses:

1. Personnel Costs - Wages	\$	6,427
2. Personnel Costs - Benefits		810
3. Consumable Project Equipment and Supplies		441
4. Office Equipment and Supplies		146
5. Facility Costs		720
6. Communication		228
7. Staff Training		79
8. Staff Travel		136
9. Vehicle Operating Costs		154
10. Professional Services / Fees		-
11. Client Assistance		-
12. Food Costs		769
		769
13. Total Project Direct Expenses		9,910

Indirect Expenses:

14. Administrative Allocation		1,748
		1,748
15. Total Project Expenses		11,658
		11,658
16. Total Units Provided		245
Cost Per Unit: Line 15 / Line 16	\$	48
		48

**Audited Unit Cost Report for PLB Funded Agencies
Pathways to Independence
For the Fiscal Year Ending 6/30/2013**

Developmental Disabilities Resources

Project Expenses

Direct Expenses:

1. Personnel Costs - Wages	\$	6,582
2. Personnel Costs - Benefits		960
3. Consumable Project Equipment and Supplies		190
4. Office Equipment and Supplies		278
5. Facility Costs		590
6. Communication		434
7. Staff Training		151
8. Staff Travel		359
9. Vehicle Operating Costs		238
10. Professional Services / Fees		-
11. Client Assistance		-
12. Food Costs		<u>252</u>
 13. Total Project Direct Expenses		 10,034

Indirect Expenses:

14. Administrative Allocation		<u>1,770</u>
15. Total Project Expenses		<u>11,804</u>
 16. Total Units Provided		 467
 Cost Per Unit: Line 15 / Line 16	 \$	 <u>25</u>