

PATHWAYS TO INDEPENDENCE

FINANCIAL STATEMENTS

JUNE 30, 2009 and 2008

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, 2009 and 2008, 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, 2009 and 2008, 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 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

Smith Patrick LLC, CPA's
Certified Public Accountants

October 23, 2009

**PATHWAYS TO INDEPENDENCE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2009 AND 2008**

	2009	2008
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 75,992.48	\$ 55,325.01
Accounts receivable	-	5,934.68
Certificates of deposit	41,225.38	40,192.88
Total Current Assets	117,217.86	101,452.57
Property and Equipment:		
Furniture and fixtures	15,195.95	15,195.95
Less accumulated depreciation	(13,338.81)	(11,824.52)
Total Property and Equipment	1,857.14	3,371.43
Total Assets	\$ 119,075.00	\$ 104,824.00
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accrued wages	\$ 4,646.43	\$ 2,390.28
Accounts payable	408.85	215.28
Payroll taxes payable	2,891.83	1,776.35
Accrued vacation pay	1,187.00	903.00
Total Current Liabilities	9,134.11	5,284.91
Total Liabilities	9,134.11	5,284.91
Net Assets:		
Unrestricted	109,940.89	99,539.09
Total Net Assets	109,940.89	99,539.09
Total Liabilities and Net Assets	\$ 119,075.00	\$ 104,824.00

See notes to financial statements.

**PATHWAYS TO INDEPENDENCE
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
Unrestricted Net Assets:		
Unrestricted Support and Revenue:		
Grants:		
Productive Living Board for St. Louis County		
Citizens with Developmental Disabilities	\$ 95,220.89	\$ 95,789.81
Contributions	51,962.41	60,978.61
Special events (net of expenses of \$1,668.75)	11,681.97	-
Memberships	5,137.00	4,318.00
Investment income	1,217.63	513.53
Participant fees	2,099.46	1,124.32
Miscellaneous	1,139.00	1,876.01
Total Unrestricted Support and Revenue	<u>168,458.36</u>	<u>164,600.28</u>
Expenses:		
Programs	127,361.13	96,442.96
Supporting Services:		
Management and general	24,526.07	12,056.35
Fundraising	6,169.36	6,154.56
Total Expenses and Losses	<u>158,056.56</u>	<u>114,653.87</u>
Increase (Decrease) in Unrestricted Net Assets	10,401.80	49,946.41
Net Assets at Beginning of Year	<u>99,539.09</u>	<u>49,592.68</u>
Net Assets at End of Year	<u>\$ 109,940.89</u>	<u>\$ 99,539.09</u>

See notes to financial statements.

**PATHWAYS TO INDEPENDENCE
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

2009

2008

	2009		2008		TOTAL EXPENSE	PROGRAM SERVICES	SUPPORTING SERVICES		TOTAL EXPENSE	PROGRAM SERVICES	SUPPORTING SERVICES		TOTAL EXPENSE
	PROGRAM SERVICES	SUPPORTING SERVICES Management and General	Fundraising	TOTAL EXPENSE			Management and General	Fundraising			Management and General	Fundraising	
Salaries & wages	\$ 87,733.31	\$ 13,009.92	\$ 3,731.43	\$ 104,474.66	\$ 64,727.37	\$ 4,724.97	\$ 3,452.92	\$ 72,905.26	\$ 64,727.37	\$ 4,724.97	\$ 3,452.92	\$ 72,905.26	
Employee benefits	5,399.53	631.24	208.12	6,238.89	823.87	294.24	58.85	1,176.96	823.87	294.24	58.85	1,176.96	
Payroll taxes	6,592.01	939.77	266.23	7,798.01	5,362.15	152.66	261.70	5,776.51	5,362.15	152.66	261.70	5,776.51	
Office supplies & expense	2,147.63	93.37	93.37	2,334.37	1,491.64	394.02	43.00	1,928.66	1,491.64	394.02	43.00	1,928.66	
Networking/marketing	522.76	-	158.40	681.16	-	-	-	-	-	-	-	-	
Telephone	2,032.42	297.43	148.71	2,478.56	2,068.28	258.54	258.54	2,585.36	2,068.28	258.54	258.54	2,585.36	
Postage & shipping	1,255.80	-	618.53	1,874.33	870.42	150.49	484.00	1,504.91	870.42	150.49	484.00	1,504.91	
Occupancy	7,108.15	463.58	154.52	7,726.25	3,913.40	3,522.06	391.34	7,826.80	3,913.40	3,522.06	391.34	7,826.80	
Printing & publications	1,348.00	-	443.00	1,791.00	962.79	-	474.21	1,437.00	962.79	-	474.21	1,437.00	
Travel	2,568.47	-	135.18	2,703.65	441.59	-	250.00	691.59	441.59	-	250.00	691.59	
Depreciation	1,211.43	151.43	151.43	1,514.29	1,362.86	151.43	-	1,514.29	1,362.86	151.43	-	1,514.29	
Miscellaneous	334.83	48.75	13.91	397.49	750.45	-	-	750.45	750.45	-	-	750.45	
Insurance	-	5,396.00	-	5,396.00	6,129.06	707.94	-	6,837.00	6,129.06	707.94	-	6,837.00	
Program events	7,651.18	139.58	46.53	7,837.29	6,734.33	-	-	6,734.33	6,734.33	-	-	6,734.33	
Professional fees	-	3,355.00	-	3,355.00	-	1,700.00	-	1,700.00	-	1,700.00	-	1,700.00	
Training	845.16	-	-	845.16	479.38	-	480.00	959.38	479.38	-	480.00	959.38	
Web site fee	610.45	-	-	610.45	325.37	-	-	325.37	325.37	-	-	325.37	
	\$ 127,361.13	\$ 24,526.07	\$ 6,169.36	\$ 158,056.56	\$ 96,442.96	\$ 12,056.35	\$ 6,154.56	\$ 114,653.87	\$ 96,442.96	\$ 12,056.35	\$ 6,154.56	\$ 114,653.87	

See notes to financial statements.

**PATHWAYS TO INDEPENDENCE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 10,401.80	\$ 49,946.41
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	1,514.29	1,514.29
(Increase) decrease in operating assets:		
Accounts receivable	5,934.68	(2,726.36)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	3,849.20	(3,118.84)
Net Cash Provided (Used) by Operating Activities	<u>21,699.97</u>	<u>45,615.50</u>
Cash Flows From Investing Activities		
Purchase of certificates of deposit	-	(35,000.00)
Interest income on certificates of deposit	(1,032.50)	(192.88)
Net Cash Provided (Used) by Investing Activities	<u>(1,032.50)</u>	<u>(35,192.88)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	20,667.47	10,422.62
Cash and cash equivalents, Beginning of Year	<u>55,325.01</u>	<u>44,902.39</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 75,992.48</u></u>	<u><u>\$ 55,325.01</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, 2009 and 2008**

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 Organizations 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), accounting for 57% and 58% 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 Organization. The value of these contributed services is not reflected in these

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009 and 2008

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 \$1,512 in 2009 and \$1,177 in 2008 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 year ending June 30, 2010 is \$7,687.92.

NOTE 5: FAIR VALUES OF FINANCIAL INSTRUMENTS

The Organization's financial instruments, none of which are held for trading purposes, include cash, money market accounts and certificates of deposit. The organization estimates that the fair value of all financial instruments at June 30, 2009 and 2008 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.

**AUDITED UNIT COST REPORT FOR PLB FUNDED AGENCIES
PATHWAYS TO INDEPENDENCE
FOR THE FISCAL YEAR ENDING JUNE 30, 2009**

PLB Project #	<u>7018/10</u>
 Project Expenses	
Direct Expenses:	
1. Personnel Costs-Wages	\$ 87,733.31
2. Personnel Costs-Benefits	11,991.54
3. Consumable Project Equipment & Supplies	8,862.61
4. Office Equipment and Supplies	5,609.02
5. Facility Costs	7,108.15
6. Communication	2,032.42
7. Staff Training	845.16
8. Staff Travel	2,568.47
9. Vehicle Operating Costs	-
10. Professional Services/Fees	610.45
11. Client Assistance	-
12. Food Costs	-
13. Total Project Direct Expenses	<u>127,361.13</u>
 Indirect Expenses:	
14. Administrative Allocation (actual is \$24,526.07 - limited to 15% of 15)	<u>22,475.49</u>
15. Total Project Expenses	<u>\$ 149,836.62</u>
16. Total Units Provided	<u>3,003.81</u>
Cost Per Unit: Line 15 / Line 16	<u><u>\$ 49.88</u></u>

See notes to financial statements.