

PATHWAYS TO INDEPENDENCE
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

PATHWAYS TO INDEPENDENCE

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Pathways to Independence

We have audited the accompanying financial statements of Pathways to Independence (a non-profit corporation), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and cash flows for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Pathways to Independence 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 25, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental statement of functional expenses on page 9 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 CPAs
Saint Louis, MO
October 20, 2016

PATHWAYS TO INDEPENDENCE
STATEMENT OF FINANCIAL POSITION
June 30, 2016 and 2015

ASSETS		
	2016	2015
Cash and cash equivalents	\$ 254,906	520,305
Investments - note 7	295,649	-
Accounts receivable	15,771	10,207
Other assets	5,030	4,352
Depreciable assets, net - note 3	32,226	8,838
 Total assets	 \$ 603,582	 543,702
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ -	\$ 207
Credit card payable	2,339	2,446
Deferred revenue	9,000	-
Accrued vacation and payroll	15,145	13,568
 Total liabilities	 26,484	 16,221
NET ASSETS		
Unrestricted	577,098	527,481
Temporarily restricted	-	-
Permanently restricted	-	-
 Total net assets	 577,098	 527,481
 Total liabilities and net assets	 \$ 603,582	 \$ 543,702

See accompanying notes and independent auditors' report

PATHWAYS TO INDEPENDENCE
STATEMENT OF ACTIVITIES
For the fiscal years ended June 30, 2016 and 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2016 Total</u>	<u>2015 Total</u>
Support and revenue:					
Grants	\$ 43,573	\$ 11,500	\$ -	\$ 55,073	38,605
Contributions	215,075	-	-	215,075	305,281
Special events	71,912	-	-	71,912	60,233
Participant fees	45,731	-	-	45,731	41,576
In kind contributions	25,726	-	-	25,726	-
Miscellaneous	522	-	-	522	456
Total support and revenue	402,539	11,500	-	414,039	446,151
Net assets released from restrictions	11,500	(11,500)	-	-	-
Total	414,039	-	-	414,039	446,151
Program services	260,176	-	-	260,176	221,063
Total program services	260,176	-	-	260,176	221,063
Support services:					
Management and general	60,048	-	-	60,048	58,202
Fundraising	41,504	-	-	41,504	27,981
Total support services	101,552	-	-	101,552	86,183
Total expenses	361,728	-	-	361,728	307,246
Change in net assets from operations	52,311	-	-	52,311	138,905
Investment activities:					
Investment income	3,052			3,052	1,225
Unrealized gain/(loss)	(5,746)			(5,746)	-
Total investment activity	(2,694)	-	-	(2,694)	1,225
Change in net assets	49,617	-	-	49,617	140,130
Net assets, beginning of year	527,481	-	-	527,481	387,351
Net assets, end of year	\$ 577,098	\$ -	\$ -	\$ 577,098	527,481

See accompanying notes and independent auditors' report

PATHWAYS TO INDEPENDENCE
STATEMENT OF CASH FLOWS
For the fiscal years ended June 30, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 49,617	\$ 140,130
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	9,856	4,085
Unrealized (gain) loss in investments	5,746	-
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(5,564)	1,087
(Increase) decrease in other assets	(678)	(164)
Increase (decrease) in accounts payable	(207)	(1,946)
Increase (decrease) in credit cards payable	(107)	-
Increase (decrease) in deferred revenue	9,000	(10,000)
Increase (decrease) in accrued vacation and payroll	1,577	1,663
Net cash provided by (used in) operating activities	69,240	134,855
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(301,394)	-
Non-cash contributions of fixed assets	(25,726)	-
Purchase of fixed assets	(7,519)	(4,592)
Net cash provided by (used in) investing activities	(334,639)	\$ (4,592)
CASH FLOWS FROM FINANCING ACTIVITIES		
NONE	-	-
Net cash provided by (used in) financing activities	-	-
Net increase (decrease) in cash and cash equivalents	(265,399)	130,263
Cash and cash equivalents - beginning of the year	520,305	390,042
Cash and cash equivalents - end of the year	\$ 254,906	\$ 520,305

See accompanying notes and independent auditors' report

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Pathways to Independence (the Organization) provides social interaction and community engagement training to individuals whose social competencies have been impacted by complex learning disabilities and associated developmental disorders.

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.

Receivables

The Organization utilizes the allowance method for uncollectible member and other receivables. As of June 30, 2016 and 2015, the Organization believes all receivables are collectible, and consequently, there is no allowance for doubtful accounts.

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2016, no amounts have been recognized for uncertain tax positions. The Organization's tax returns filed prior to fiscal 2014 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. The Organization currently has no temporarily restricted net assets.

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.

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.

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 fundraising, 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:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Furniture and equipment	\$ 25,722	\$ 21,973
Vehicles	29,495	-
Total depreciable assets	<u>55,217</u>	<u>21,973</u>
Less: accumulated depreciation	<u>(22,991)</u>	<u>(13,135)</u>
Total	<u>\$ 32,226</u>	<u>\$ 8,838</u>

Depreciation policies are disclosed in Note 1. Depreciation expense for the fiscal years ended June 30, 2016 and 2015, was \$9,856 and \$4,085, respectively.

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 \$5,716 and \$4,213 for the years ended June 30, 2016 and 2015, respectively.

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

Note 5 - LEASE OBLIGATIONS

The Organization leases two office spaces in Clayton, Missouri, Suites 102 and 103. The lease term for Suite 102 is August 2016 through July 2020. Monthly rents are \$1,231 through July 2018 and \$1,281 through July 2020. The lease term for Suite 103 is July 2016 through July 2020. Monthly rents are \$1,148 through July 2018 and \$1,194 through July 2020.

Future minimum lease payments are as follows:

Year ending June 30	
2017	\$ 28,502
2018	28,548
2019	29,604
2020	29,700
2021 & Beyond	<u>2,475</u>
Total	<u>\$ 118,829</u>

Expenses associated with these leases totaled \$26,989 and \$14,078 in 2016 and 2015, respectively.

Note 6 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 22, 2016, the date which the financial statements were available to be issued. Nothing reportable was noted.

NOTE 7 - FAIR VALUE MEASUREMENTS

Fair Value Measurements

Financial Accounting Standards Board Statement, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy under this statement are described as follows:

Level 1- Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE 7 - FAIR VALUE MEASUREMENTS (continued)

Level 2- Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3- Inputs to the valuation methodology are unobservable and significant to the fair value measurement

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes during 2016 to the methodologies used.

Mutual funds: Valued at the net asset value of shares held by the Organization at year end.

Common stock and bonds: Valued at the closing price reported on the active market on which the individual securities are traded.

Certificates of deposit: Valued at cost which approximates fair value.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table presents the Organization's fair value hierarchy for those assets measured at fair value on a recurring basis as of June 30, 2016 :

	Level 1	Level 2	Level 3	Total
Corporate Stocks	\$ 6,799	\$ -	\$ -	\$ 6,799
Mutual Funds	158,731	-	-	158,731
Bonds	29,607	-	-	29,607
Certificates of Deposit	-	100,512	-	100,512
Total	<u>\$ 195,137</u>	<u>\$ 100,511</u>	<u>\$ -</u>	<u>\$ 295,649</u>

The organization held no investments as of June 30, 2015.

PATHWAYS TO INDEPENDENCE
SUPPLEMENTAL SCHEDULE OF FUNCTIONAL EXPENSES
For the fiscal years ended June 30, 2016 and 2015

	Program services	Management and general	Fundraising	Total	2015
Salaries and wages	\$ 164,676	\$ 21,409	\$ 26,326	\$ 212,411	\$ 188,795
Employee benefits	16,708	2,508	3,084	22,300	19,606
Payroll taxes	12,498	1,625	1,998	16,121	14,443
Office supplies & expense	4,365	2,005	266	6,636	5,617
Networking/marketing	2,286	-	-	2,286	2,510
Telephone	3,450	505	252	4,207	3,986
Postage & shipping	2,344	-	1,154	3,498	1,770
Occupancy	26,029	503	457	26,989	15,089
Printing & publications	30	-	443	473	2,880
Travel	7,383	-	389	7,772	6,359
Depreciation	-	9,856	-	9,856	4,085
Fundraising	-	-	7,135	7,135	-
Miscellaneous	-	528	-	528	8,217
Insurance	6,430	6,248	980	13,658	14,065
Program events	16,468	532	-	17,000	11,616
Professional fees	-	5,683	-	5,683	4,841
Training	2,120	-	-	2,120	1,603
Investment expense	1,819	-	-	1,819	594
Website fee	-	-	-	-	905
Board projects	-	1,236	-	1,236	265
	<u>\$ 266,606</u>	<u>\$ 52,638</u>	<u>\$ 42,484</u>	<u>\$ 361,728</u>	<u>\$ 307,246</u>

See accompanying notes and independent auditors' report

**Audited Unit Cost Report
Pathways to Independence
For the Fiscal Years Ending June 30, 2016 and 2015**

Developmental Disabilities Resources (St. Louis City)

Project Expenses

Direct Expenses:

	<u>2016</u>	<u>2015</u>
1. Personnel Costs - Wages	\$ 13,508	\$ 11,192
2. Personnel Costs - Benefits	2,071	1,597
3. Consumable Project Equipment and Supplies	357	302
4. Office Equipment and Supplies	342	404
5. Facility Costs	1,703	785
6. Communication	673	642
7. Staff Training	157	104
8. Staff Travel	636	341
9. Vehicle Operating Costs	1,475	1,163
10. Professional Services / Fees	-	-
11. Client Assistance	-	-
12. Food Costs	<u>279</u>	<u>253</u>
13. Total Project Direct Expenses	21,201	16,783

Indirect Expenses:

14. Administrative Allocation	<u>3,582</u>	<u>2,543</u>
15. Total Project Expenses	<u>24,783</u>	<u>19,326</u>

16. Total Units Provided	625	464
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Cost Per Unit: Line 15 / Line 16	<u>\$ 40</u>	<u>\$ 42</u>
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**Audited Unit Cost Report
Pathways to Independence
For the Fiscal Year Ending June 30, 2016 and 2015**

Developmental Disabilities Resource Board (St. Charles County)

Project Expenses

Direct Expenses:

	<u>2016</u>	<u>2015</u>
1. Personnel Costs - Wages	\$ 17,227	\$ 16,090
2. Personnel Costs - Benefits	3,264	2,749
3. Consumable Project Equipment and Supplies	1,421	1,072
4. Office Equipment and Supplies	499	695
5. Facility Costs	2,906	1,494
6. Communication	982	1,104
7. Staff Training	230	180
8. Staff Travel	708	490
9. Vehicle Operating Costs	970	840
10. Professional Services / Fees	-	-
11. Client Assistance	-	-
12. Food Costs	<u>429</u>	<u>418</u>
 13. Total Project Direct Expenses	 <u>28,636</u>	 <u>25,132</u>

Indirect Expenses:

14. Administrative Allocation	<u>5,019</u>	<u>4,331</u>
 15. Total Project Expenses	 <u>33,655</u>	 <u>29,463</u>
 16. Total Units Provided	 913	 799
 Cost Per Unit: Line 15 / Line 16	 <u>\$ 37</u>	 <u>\$ 37</u>