

PATHWAYS TO INDEPENDENCE
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2015

PATHWAYS TO INDEPENDENCE

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Fick, Eggemeyer & Williamson

Certified Public Accountants, PC



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Pathways to Independence

We have audited the accompanying financial statements of Pathways to Independence (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2015 and 2014, 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.

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, 2015 and 2014, 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.

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 and the Audited Unit Cost Reports on pages 9 and 10 are presented for purposes of additional analysis and are 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

Fick, Eggemeyer, & Williamson, CPA's
St. Louis, Missouri
August 25, 2015

PATHWAYS TO INDEPENDENCE
STATEMENT OF FINANCIAL POSITION
June 30, 2015 and 2014

ASSETS	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	\$ 520,305	\$ 390,042
Accounts receivable	10,207	11,294
Other assets	4,352	4,188
Depreciable assets net of accumulated depreciation - note 3	<u>8,838</u>	<u>8,331</u>
Total assets	<u>\$ 543,702</u>	<u>\$ 413,855</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 2,653	\$ 4,599
Deferred revenue	-	10,000
Accrued vacation and payroll	<u>13,568</u>	<u>11,905</u>
Total liabilities	<u>16,221</u>	<u>26,504</u>
NET ASSETS		
Unrestricted	527,481	387,351
Temporarily restricted	-	-
Permanently restricted	<u>-</u>	<u>-</u>
Total net assets	<u>527,481</u>	<u>387,351</u>
Total liabilities and net assets	<u>\$ 543,702</u>	<u>\$ 413,855</u>

See accompanying notes and independent auditors' report

PATHWAYS TO INDEPENDENCE
STATEMENT OF ACTIVITIES
For the fiscal years ended June 30, 2015 and 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2015 Total</u>	<u>2014 Total</u>
Support and revenue:					
Grants	\$ 38,605	\$ -	\$ -	\$ 38,605	\$ 40,720
Contributions	305,281	-	-	305,281	201,986
Special events	60,233	-	-	60,233	27,147
Investment income	1,225	-	-	1,225	1,037
Participant fees	41,576	-	-	41,576	44,667
Miscellaneous	456	-	-	456	3,742
Total support and revenue	447,376	-	-	447,376	319,299
Net assets released from restrictions	-	-	-	-	-
Total	447,376	-	-	447,376	319,299
Program services	221,063	-	-	221,063	204,596
Total program services	221,063	-	-	221,063	204,596
Support services:					
Management and general	58,202	-	-	58,202	47,346
Fundraising	27,981	-	-	27,981	31,765
Total support services	86,183	-	-	86,183	79,111
Total expenses	307,246	-	-	307,246	283,707
Change in net assets	140,130	-	-	140,130	35,592
Net assets, beginning of year	387,351	-	-	387,351	351,759
Net assets, end of year	\$ 527,481	\$ -	\$ -	\$ 527,481	\$ 387,351

See accompanying notes and independent auditors' report

PATHWAYS TO INDEPENDENCE
STATEMENT OF CASH FLOWS
For the fiscal years ended June 30, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 140,130	\$ 35,592
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	4,085	3,477
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	1,087	1,647
(Increase) decrease in other assets	(164)	(69)
Increase (decrease) in accounts payable	(1,946)	3,977
Increase (decrease) in deferred revenue	(10,000)	(10,000)
Increase (decrease) in accrued vacation and payroll	1,663	(1,021)
Net cash provided by (used in) operating activities	134,855	33,603
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(4,592)	-
Net cash provided by (used in) investing activities	(4,592)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
NONE	-	-
Net cash provided by (used in) financing activities	-	-
Net increase (decrease) in cash and cash equivalents	130,263	33,603
Cash and cash equivalents - beginning of the year	390,042	356,439
Cash and cash equivalents - end of the year	\$ 520,305	\$ 390,042
Supplemental cash flow information:		
Cash paid during the year for interest	\$ -	\$ -

See accompanying notes and independent auditors' report

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

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.

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

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, 2015 and 2014, 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, 2015, no amounts have been recognized for uncertain tax positions. The Organization's tax returns filed prior to fiscal 2013 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, 2015 and 2014

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, 2015	June 30, 2014
Equipment	\$ 21,973	\$ 17,381
Less: accumulated depreciation	<u>(13,135)</u>	<u>(9,050)</u>
Total	<u>\$ 8,838</u>	<u>\$ 8,331</u>

Depreciation policies are disclosed in Note 1. Depreciation expense for the fiscal years ended June 30, 2015 and 2014, was \$4,085 and \$3,477, respectively.

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

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 \$4,213 and \$4,773 for the years ended June 30, 2015 and 2014, respectively.

Note 5 - LEASE OBLIGATIONS

The Organization leases two office spaces in Clayton, Missouri, Suite 102 and 103. The lease term for Suite 102 is August 1, 2015 through July 31, 2020. Monthly rents are \$1,231.25 through July 31, 2018 and \$1,280.50 from August 1, 2018 through July 31, 2020. The lease term for Suite 103 is July 1, 2015 through July 31, 2020. Monthly rents are \$1,102.00 through July 31, 2016, \$1,148.00 through July 31, 2018, and \$1,194.00 through July 31, 2020.

Future minimum lease payments are as follows:

Year ending June 30,	
2016	\$ 26,768.85
2017	28,506.20
2018	28,552.20
2019	29,598.85
2020 and thereafter	<u>32,168.50</u>
Total	<u>\$ 175,594.60</u>

Expenses associated with these leases totaled \$14,078 and \$11,887 in 2015 and 2014, respectively.

Note 6 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 25, 2015, the date which the financial statements were available to be issued.

PATHWAYS TO INDEPENDENCE
SUPPLEMENTAL SCHEDULE OF FUNCTIONAL EXPENSES
For the fiscal years ended June 30, 2015 and 2014

	Program services	Management and general	Fundraising	2015 Total	2014 Total
Salaries and wages	\$ 143,484	\$ 24,543	\$ 20,768	\$ 188,795	\$ 171,702
Employee benefits	14,508	2,549	2,549	19,606	10,381
Payroll taxes	10,977	1,878	1,588	14,443	13,135
Office supplies & expense	3,707	1,685	225	5,617	10,445
Networking/marketing	2,510	-	-	2,510	4,190
Telephone	3,268	478	240	3,986	3,403
Postage & shipping	1,186	-	584	1,770	2,301
Occupancy	14,485	302	302	15,089	11,887
Printing & publications	2,390	-	490	2,880	4,841
Travel	5,723	-	636	6,359	3,623
Depreciation	1,103	2,859	123	4,085	3,477
Fundraising	-	-	8,199	8,199	6,729
Miscellaneous	-	18	-	18	122
Insurance	4,923	8,720	422	14,065	13,028
Program events	10,454	1,162	-	11,616	11,844
Professional fees	-	4,841	-	4,841	6,225
Training	1,603	-	-	1,603	758
Bad Debt Expense	-	594	-	594	4,679
Website fee	742	109	54	905	901
Board projects	-	265	-	265	36
	<u>\$ 221,063</u>	<u>\$ 50,003</u>	<u>\$ 36,180</u>	<u>\$ 307,246</u>	<u>\$ 283,707</u>

See accompanying notes and independent auditors' report

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

Developmental Disabilities Resources

Project Expenses

Direct Expenses:

1. Personnel Costs - Wages	11,192
2. Personnel Costs - Benefits	1,597
3. Consumable Project Equipment and Supplies	302
4. Office Equipment and Supplies	404
5. Facility Costs	785
6. Communication	642
7. Staff Training	104
8. Staff Travel	341
9. Vehicle Operating Costs	1,163
10. Professional Services / Fees	-
11. Client Assistance	-
12. Food Costs	253
 13. Total Project Direct Expenses	 16,783

Indirect Expenses:

14. Administrative Allocation	2,543
15. Total Project Expenses	<u>19,326</u>
 16. Total Units Provided	 464
 Cost Per Unit: Line 15 / Line 16	 <u><u>\$ 42</u></u>

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

Developmental Disabilities Resource Board

Project Expenses

Direct Expenses:

1. Personnel Costs - Wages	\$	16,090
2. Personnel Costs - Benefits		2,749
3. Consumable Project Equipment and Supplies		1,072
4. Office Equipment and Supplies		695
5. Facility Costs		1,494
6. Communication		1,104
7. Staff Training		180
8. Staff Travel		490
9. Vehicle Operating Costs		840
10. Professional Services / Fees		-
11. Client Assistance		-
12. Food Costs		418
		<hr/>
13. Total Project Direct Expenses		25,132
		<hr/>

Indirect Expenses:

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