

PATHWAYS TO INDEPENDENCE
AUDITED FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

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 nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the fiscal 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 auditors' 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, 2020, and the changes in its net assets and its cash flows for the fiscal 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 Pathways to Independence's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 3, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Fick, Eggemeyer & Williamson

Fick, Eggemeyer & Williamson, CPAs

Saint Louis, Missouri

October 27, 2020

PATHWAYS TO INDEPENDENCE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

ASSETS

	2020	2019
CURRENT ASSETS		
Cash and cash equivalents	\$ 334,886	\$ 283,743
Investments	703,512	717,768
Accounts receivable, net of allowance	17,408	10,081
Due from related party	1,352	-
Other assets	8,786	6,391
Total current assets	1,065,944	1,017,983
NONCURRENT ASSETS		
Property and equipment, net	1,194	7,152
Total noncurrent assets	1,194	7,152
Total assets	\$ 1,067,138	\$ 1,025,135

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 65	\$ 65
Credit card payable	7,433	5,854
Accrued expenses	502	5,402
Accrued vacation	14,370	12,737
Accrued payroll	13,013	12,127
Deferred revenue	20,550	19,550
Note payable	61,500	-
Total current liabilities	117,433	55,735
NONCURRENT LIABILITIES		
None	-	-
Total noncurrent liabilities	-	-
Total liabilities	117,433	55,735
NET ASSETS		
Without donor restriction	949,705	929,400
With donor restriction	-	40,000
Total net assets	949,705	969,400
Total liabilities and net assets	\$ 1,067,138	\$ 1,025,135

See accompanying notes and independent auditors' report

PATHWAYS TO INDEPENDENCE
STATEMENTS OF ACTIVITIES
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

	Without Donor restriction	With Donor restriction	2020 Total	2019 Totals
SUPPORT AND REVENUE				
Grants	\$ -	\$ 205,917	\$ 205,917	\$ 170,208
Contributions	219,583	-	219,583	273,888
Special events	38,275	-	38,275	78,532
Participant fees	53,259	-	53,259	55,133
Miscellaneous	352	-	352	425
Total support and revenue	311,469	205,917	517,386	578,186
Net assets released from restriction				
Satisfaction of restrictions	245,917	(245,917)	-	-
Total	557,386	(40,000)	517,386	578,186
EXPENSES				
Program	420,995	-	420,995	384,331
Total program expenses	420,995	-	420,995	384,331
Support expenses				
General and administration	49,251	-	49,251	52,625
Fundraising	57,649	-	57,649	50,984
Total support expenses	106,900	-	106,900	103,609
Total expenses	527,895	-	527,895	487,940
Change in net assets from operations	29,491	(40,000)	(10,509)	90,246
INVESTMENT ACTIVITIES				
Dividend and interest income	18,912	-	18,912	17,362
Realized gain/(loss)	(4,897)	-	(4,897)	(5,197)
Unrealized gain/(loss)	(14,767)	-	(14,767)	16,753
Investment expenses	(8,434)	-	(8,434)	(6,879)
Total investment activities	(9,186)	-	(9,186)	22,039
Changes in net assets	20,305	(40,000)	(19,695)	112,285
Net assets - beginning of year	929,400	40,000	969,400	857,115
Net assets - end of year	\$ 949,705	\$ -	\$ 949,705	\$ 969,400

See accompanying notes and independent auditors' report

PATHWAYS TO INDEPENDENCE
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

	<u>Program</u>	<u>General and Administration</u>	<u>Fundraising</u>	<u>2020 Total</u>	<u>2019 Total</u>
Salaries and wages	\$ 228,443	\$ 38,408	\$ 42,575	\$ 309,426	\$ 275,162
Employee benefits	36,269	1,599	1,703	39,571	40,813
Payroll taxes	16,805	2,825	3,132	22,762	20,507
Office supplies	6,991	145	145	7,281	21,028
Networking/marketing	3,636	76	76	3,788	3,378
Telephone	2,324	48	48	2,420	2,552
Postage and shipping	2,661	55	55	2,771	2,643
Occupancy	36,144	753	753	37,650	35,805
Travel	8,681	56	56	8,793	9,665
Depreciation	6,525	136	136	6,797	6,678
Fundraising	-	-	7,871	7,871	6,960
Miscellaneous	141	3	3	147	464
Insurance	13,118	374	185	13,677	13,350
Program events	12,027	-	-	12,027	18,253
Professional fees	7,367	3,953	154	11,474	23,456
Training	383	8	8	399	2,196
Website fee	35,952	749	749	37,450	1,062
Bad debt	3,528	-	-	3,528	3,680
Board projects	-	63	-	63	288
Total	<u>\$ 420,995</u>	<u>\$ 49,251</u>	<u>\$ 57,649</u>	<u>\$ 527,895</u>	<u>\$ 487,940</u>

See accompanying notes and independent auditors' report

PATHWAYS TO INDEPENDENCE
STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (19,695)	\$ 112,285
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	6,797	6,678
Realized (gain)/loss	4,897	5,197
Unrealized (gain)/loss	14,767	(16,753)
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable, net of allowance	(7,327)	6,542
(Increase) decrease in due from related party	(1,352)	-
(Increase) decrease in other assets	(2,395)	(2,038)
Increase (decrease) in accounts payable	-	5,402
Increase (decrease) in credit card payable	1,579	2,813
Increase (decrease) in accrued expenses	(4,900)	-
Increase (decrease) in accrued vacation	1,633	5,881
Increase (decrease) in accrued payroll	886	1,351
Increase (decrease) in deferred revenue	1,000	4,500
	(4,110)	131,858
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(9,102)	(181,998)
Proceeds from sales of investments	3,694	70,061
Purchase of property and equipment	(839)	-
	(6,247)	(111,937)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan proceeds	61,500	-
	61,500	-
Net increase (decrease) in cash and cash equivalents	51,143	19,921
Cash and cash equivalents - beginning of year	283,743	263,822
Cash and cash equivalents - end of year	\$ 334,886	\$ 283,743

See accompanying notes and independent auditors' report

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

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. The Organization's programs are supported primarily by contributions and grants.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organization's program services and support services. Nonoperating activities are limited to resources that generate a return on investment and other activities considered to be of a more unusual or nonrecurring nature.

Comparative Financial Statements

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the fiscal year ended June 30, 2019, from which the summarized information was derived.

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

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

Use of Estimates in the Financial Statements

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 and 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.

Property and Equipment

The Organization capitalizes all expenditures in excess of \$500 for property and equipment at cost. Contributed property and equipment are recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded with donor restriction. In the absence of such stipulations, contributions of property and equipment are recorded without donor restrictions. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis. Estimated useful lives of 5-7 years have been used, depending on the type of asset. Routine repairs and maintenance are expensed as incurred. Depreciation expense for the fiscal years ended June 30, 2020 and 2019 was \$6,797 and \$6,678, respectively.

Income Taxes

The Organization is exempt from income taxes pursuant to section 501(c)(3) of the Internal Revenue Service Code and therefore has made no provision for federal income taxes in the accompanying financial statements.

The Organization adopted the provisions of *Accounting for Uncertainty in Income Taxes* on July 1, 2009. The adoption of this guidance resulted in no change to the financial statements for prior periods. As of June 30, 2020, no amounts have been recognized for uncertain tax positions. Any returns that the Organization would have prepared for fiscal years 2016 and prior are now closed.

Receivables

The Organization utilizes the allowance method for uncollectible member fees and other receivables. As of June 30, 2020 and 2019, the Organization had an allowance for doubtful accounts balance of \$3,600 and \$0, respectively.

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.

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor-restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

NOTE 2 - NOTE PAYABLE

In April 2020, the Organization received loan proceeds in the amount of \$61,500 under the Paycheck Protection Program (“PPP”). The PPP is administered by the Small Business Administration. The loan and accrued interest are forgivable after eight to twenty-four weeks as long as the Organization uses the loan proceeds for eligible purposes, such as payroll, benefits, rent, and utilities. The amount of loan forgiveness may be reduced if the Organization reduces payroll during the eight to twenty-four week period. The unforgiven portion of the PPP loan is payable over a two-year period at an interest rate of 1%, with a deferral of payments for the first six months. The loan may be prepaid by the Organization at any time prior to maturity with no prepayment penalties. The Organization intends to use the proceeds for purposes consistent with the PPP. The Organization currently believes that its use of the loan proceeds will meet the conditions for forgiveness. As of June 30, 2020, the Organization had not yet requested loan forgiveness. The loan balance as of June 30, 2020 and June 30, 2019 was \$61,500 and \$0, respectively.

NOTE 3 - LEASE OBLIGATIONS

The Organization leased two office spaces in Clayton, Missouri, Suites 102 and 103. The lease term for Suite 102 was August 2016 through July 2020. Monthly rents were \$1,231 through July 2018 and then \$1,281 through July 2020. The lease term for Suite 103 was July 2016 through July 2020. Monthly rents were \$1,148 through July 2018 and then \$1,194 through July 2020. The Organization was also obligated to pay certain common area maintenance charges billed by the landlord.

Expenses associated with these leases totaled \$37,650 and \$35,805 in fiscal years 2020 and 2019, respectively.

PATHWAYS TO INDEPENDENCE
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 3 - LEASE OBLIGATIONS (continued)

On April 17, 2020, the Organization entered into a lease agreement jointly with two other non-profit organizations for the use of office space in Creve Coeur, Missouri. The lease term is August 1, 2020 to November 30, 2030. Monthly rent payments range from \$8,143 to \$10,117. The Organization's portion of the lease is 35%. In the event of nonpayment by the other organizations, Pathways to Independence is required to make payments to cover the shortfall. Monthly rent payments for the Organization range from \$2,850 to \$3,541 during the lease term.

Future minimum lease payments are as follows:

Fiscal year ending June 30,	Organization obligation	Total lease obligation
2021	\$ 22,425	\$ 59,475
2022	34,502	98,577
2023	35,022	100,063
2024	35,841	102,403
2025 and thereafter	254,512	727,177
Total	<u>\$ 382,302</u>	<u>\$ 1,087,695</u>

NOTE 4 - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between fundraising, administration, or the appropriate program based on evaluations of the related benefits. Such allocations are determined by management on an equitable basis. Expenditures have been allocated based on time and effort or specific identification, when available.

NOTE 5 - ACCRUED VACATION PAY

Employees of the Organization are entitled to paid vacation, depending on the length of service and job classification. Unused vacation accrued during each year of employment may be carried forward into future years, but each employee is capped at a maximum accrual of 20 days. Vacation pay is payable upon termination if the employee gives proper notice and is in good standing with the Organization upon leaving. The accrued vacation pay balances as of June 30, 2020 and June 30, 2019 were \$14,370 and \$12,737, respectively.

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 6 - RETIREMENT PLAN

The Organization participates in a SIMPLE IRA plan and matches up to 3% for all employees meeting the plan eligibility requirements. The Organization incurred expenses in relation to the plan in the amounts of \$7,750 and \$7,203 for the fiscal years ended June 30, 2020 and 2019, respectively.

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.

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 2020 to the methodologies used.

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

Common stock and Exchange-traded funds: Valued at the closing price reported on the active market on which the securities are traded.

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.

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 7 - FAIR VALUE MEASUREMENTS (continued)

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, 2020 and 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>2020</u>
Mutual funds	\$ 284,994	\$ -	\$ -	\$ 284,994
Exchange-traded funds	418,518	-	-	418,518
Total	<u>\$ 703,512</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 703,512</u>

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>2019</u>
Common stock	\$ 3,450	\$ -	\$ -	\$ 3,450
Mutual funds	296,210	-	-	296,210
Exchange-traded funds	418,108	-	-	418,108
Total	<u>\$ 717,768</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 717,768</u>

NOTE 8 - AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at June 30, 2020:

Financial assets at fiscal year-end	
Cash and cash equivalents	\$ 334,886
Investments	703,512
Accounts receivable, net of allowance	18,760
Total financial assets at fiscal year-end	<u>1,057,158</u>
Less amounts not available for general expenditures within one year:	
Net assets with period restrictions in excess of one year	-
Net assets with purpose restrictions	-
Total amounts not available to meet general expenditures within one year	<u>-</u>
Financial assets available to meet general expenditures within one year	<u>\$ 1,057,158</u>

PATHWAYS TO INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30, 2020 and 2019 are restricted as follows:

	2020		2019	
	Purpose	Periods	Purpose	Periods
Employee Engagement & Retention	\$ -	\$ -	\$ 15,000	\$ -
Website Redesign	-	-	25,000	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,000</u>	<u>\$ -</u>

NOTE 10 - PROPERTY AND EQUIPMENT

The following components comprise property and equipment as of June 30, 2020 and 2019:

	2020	2019
Furniture and equipment	\$ 9,846	\$ 14,808
Vehicles	29,495	29,495
Total depreciable assets	39,341	44,303
Accumulated depreciation	(38,147)	(37,151)
Property and equipment, net	<u>\$ 1,194</u>	<u>\$ 7,152</u>

NOTE 11 - RELATED PARTIES AND SUBSIDIARY ORGANIZATION

On April 29, 2020, the Organization, along with two other non-profit organizations, formed a new subsidiary LLC known as IDD Collaborative LLC. Pathways to Independence owns 33.33% of the LLC, and the purpose of the new entity is to share lease and other operating costs. The two other members are Options for Justice for Persons with Developmental Disabilities and LifeBridge Partnership.

NOTE 12 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 27, 2020, the date the financial statements were available to be issued, and noted no reportable events.