

THE PATHWAY HOME, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-2
 <u>Financial Statements</u>	
Statements of Financial Position	3
Statements of Activities.....	4-5
Statements of Functional Expenses	6-7
Statements of Cash Flows.....	8
Notes to Financial Statements	9-12



Independent Auditor's Report

Board of Directors
The Pathway Home
Napa, California

We have audited the accompanying financial statements of THE PATHWAY HOME (a nonprofit corporation) which comprise the statement of financial position as of December 31, 2015 and 2014 and the related statements of activities, functional expenses, 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.

Auditor's 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 of 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 an evaluation of 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.

Independent Auditor's Report – continued

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of THE PATHWAY HOME as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Jones & Pery, Inc.

Napa, California
May 10, 2016

THE PATHWAY HOME, INC.

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and cash equivalents	\$ 407,062	\$ 248,767
Property and equipment, net	43,703	24,849
Prepaid expenses	-	1,000
Total Assets	<u>\$ 450,765</u>	<u>\$ 274,616</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 2,227	\$ 3,533
Accrued expenses	<u>3,947</u>	<u>16,221</u>
Total Liabilities	<u>6,174</u>	<u>19,754</u>
Net Assets		
Unrestricted	434,783	227,609
Temporarily Restricted	<u>9,808</u>	<u>27,253</u>
Total Net Assets	<u>444,591</u>	<u>254,862</u>
	<u>\$ 450,765</u>	<u>\$ 274,616</u>

The accompanying notes are an integral part of these financial statements.

THE PATHWAY HOME, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2015

	Unrestricted	Temporarily Restricted	Total
Revenue And Support			
Contributions	\$ 833,607	\$ -	\$ 833,607
Program revenue	4,213	-	4,213
Special events			
Event revenue	75,294	-	75,294
Less direct event expenses	(25,726)	-	(25,726)
Net events	49,568	-	49,568
In kind revenue	233,376	-	233,376
Interest income	288	-	288
Loss on disposal of asset	(2,329)	-	(2,329)
Net assets released from restrictions	17,445	(17,445)	-
Total Revenue And Support	1,136,168	(17,445)	1,118,723
Expenses			
Program expenses	776,698	-	776,698
Management and general	79,913	-	79,913
Fundraising	72,383	-	72,383
Total Expenses	928,994	-	928,994
Change In Net Assets	207,174	(17,445)	189,729
Net assets, beginning of the year	227,609	27,253	254,862
Net Assets, End Of The Year	\$ 434,783	\$ 9,808	\$ 444,591

The accompanying notes are an integral part of these financial statements.

THE PATHWAY HOME, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue And Support			
Contributions	\$ 910,606	\$ 26,696	\$ 937,302
Program revenue	13,704	-	13,704
Special events			
Event revenue	286,847	-	286,847
Less direct event expenses	(55,647)	-	(55,647)
Net events	231,200	-	231,200
In kind revenue	244,036	-	244,036
Interest income	104	-	104
Net assets released from restrictions	2,542	(2,542)	-
Total Revenue And Support	1,402,192	24,154	1,426,346
Expenses			
Program expenses	1,222,549	-	1,222,549
Management and general	93,293	-	93,293
Fundraising	70,934	-	70,934
Total Expenses	1,386,776	-	1,386,776
Change In Net Assets	15,416	24,154	39,570
Net assets, beginning of the year	212,193	3,099	215,292
Net Assets, End Of The Year	\$ 227,609	\$ 27,253	\$ 254,862

The accompanying notes are an integral part of these financial statements.

THE PATHWAY HOME, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 385,814	\$ 37,750	\$ 46,500	\$ 470,064
Employee benefits	12,749	1,247	1,536	15,532
Payroll taxes	32,501	3,180	3,917	39,598
Workers compensation	50,088	4,901	6,037	61,026
	<u>481,152</u>	<u>47,078</u>	<u>57,990</u>	<u>586,220</u>
Bank and credit card fees	-	-	2,351	2,351
Depreciation	9,033	-	-	9,033
Equipment rental	2,468	705	353	3,526
Insurance	15,256	4,359	2,179	21,794
Licenses and accreditation fees	2,904	-	-	2,904
Occupancy	219,571	11,915	3,577	235,063
Outside services	8,700	4,342	-	13,042
Postage and printing	598	299	2,073	2,970
Professional fees	138	8,000	-	8,138
Program expenses - meals, laundry	2,284	-	-	2,284
Program expenses - other	2,805	-	-	2,805
Supplies and other	14,426	2,101	3,303	19,830
Telephone	9,199	574	287	10,060
Travel	4,171	-	-	4,171
Vehicle maintenance	2,103	-	-	2,103
Web site	1,890	540	270	2,700
	<u>\$ 776,698</u>	<u>\$ 79,913</u>	<u>\$ 72,383</u>	<u>\$ 928,994</u>

The accompanying notes are an integral part of these financial statements.

THE PATHWAY HOME, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2014

	Program	Management and General	Fundraising	Total
Salaries and wages	\$ 750,661	\$ 33,000	\$ 49,500	\$ 833,161
Employee benefits	24,258	1,066	1,600	26,924
Payroll taxes	61,100	2,686	4,029	67,815
Workers compensation	69,326	3,048	4,572	76,946
	<u>905,345</u>	<u>39,800</u>	<u>59,701</u>	<u>1,004,846</u>
Bank and credit card fees	-	311	3,277	3,588
Depreciation	1,596	3,498	-	5,094
Equipment rental	11,830	-	-	11,830
Insurance	-	22,892	-	22,892
Licenses and accreditation fees	2,434	340	-	2,774
Occupancy	226,684	10,860	2,315	239,859
Outside services	7,462	5,405	-	12,867
Postage and printing	2,841	815	815	4,471
Professional fees	-	1,455	-	1,455
Program expenses - meals, laundry	8,731	-	3,680	12,411
Program expenses - other	23,174	-	-	23,174
Supplies and other	4,017	4,407	770	9,194
Telephone	10,542	905	376	11,823
Travel	10,464	-	-	10,464
Vehicle maintenance	7,429	-	-	7,429
Web site	-	2,605	-	2,605
	<u>\$ 1,222,549</u>	<u>\$ 93,293</u>	<u>\$ 70,934</u>	<u>\$ 1,386,776</u>

The accompanying notes are an integral part of these financial statements.

THE PATHWAY HOME, INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
Cash Flows From Operating Activities		
Change in Net Assets	\$ 189,729	\$ 39,570
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	9,033	5,094
Loss on disposal of asset	2,329	-
(Increase) decrease in operating assets		
Contributions receivable	-	30,000
Prepaid expenses	1,000	(1,000)
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	(13,580)	8,402
Net Cash Provided By Operating Activities	188,511	82,066
Cash Flows From Investing Activities		
Purchase of fixed assets	(30,216)	-
Net Cash Used By Investing Activities	(30,216)	-
Cash Flows From Financing Activities		
Payments on note payable	-	(35,709)
Net Cash Used By Financing Activities	-	(35,709)
Net Increase In Cash And Cash Equivalents	158,295	46,357
Cash and cash equivalents, beginning of the year	248,767	202,410
Cash And Cash Equivalents, End Of Year	\$ 407,062	\$ 248,767
Supplemental Disclosures Of Cash Flow Information		
Cash paid during the year for interest	\$ -	\$ -
Cash paid during the year for income taxes	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

THE PATHWAY HOME, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

1. Summary of Significant Accounting Policies

Purpose

The Pathway Home, Inc. (the "Organization") was organized as a nonprofit corporation under the laws of the State of California in 2012. From October 2007 until July of 2013, the Organization operated as a program of the Tides Center of San Francisco, California, which is a California nonprofit corporation. The mission of the Organization is to provide comprehensive treatment for our nation's military personnel who have served in Iraq and Afghanistan. The Organization assists those impacted by Post Traumatic Stress (PTS), Traumatic Brain Injury (TBI), and other post-combat mental health challenges to successfully reintegrate into their families and the community at large.

The Organization generates the majority of its funding through contributions and events.

Basis of Accounting

The Organization prepares its financial statements using the accrual basis of accounting in accordance with generally accepted accounting principles. Revenues are recognized in the period in which they are earned. Expenses are recognized in the period in which they are incurred. Generally accepted accounting principles require that the Organization present information about its financial position and activities in three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted net assets

Unrestricted net assets include unrestricted contributions and unrestricted income earned on funds.

Temporarily restricted net assets

Temporarily restricted net assets include resources restricted by donors for specific purposes. These restrictions may expire with time or may be satisfied by actions of the Organization according to the intention of the donor. Any temporarily restricted revenues whose restrictions are met in the same reporting period are shown as unrestricted support. When a donor-imposed restriction expires, that is, when the time restriction ends or the purpose restriction is accomplished, then temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

THE PATHWAY HOME, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

1. Summary of Significant Accounting Policies - continued

Permanently restricted net assets

Permanently restricted net assets represent contributions of cash and other assets restricted by donors with stipulations that the corpus of the donation may never be expended. The Organization held no permanently restricted net assets as of December 31, 2015 and 2014.

Use of Estimates

The preparation of financial statements in conformity with Accounting Principles Generally Accepted in the United States of America (“GAAP”) 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 be different from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents includes all cash balances and highly liquid investments with original maturities of three months or less at acquisition and are not legally restricted. Periodically such investments may be in excess of federally insured limits.

Property and Equipment

Property and equipment are stated at cost, or if donated, at the estimated fair value on the date of the donation. Depreciation is computed using the straight-line method over useful lives ranging from five to seven years. The Organization capitalizes property and equipment with an initial cost of \$1,000 or more and an estimated useful life in excess of one year.

THE PATHWAY HOME, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

1. Summary of Significant Accounting Policies - continued

Income Taxes

The Organization is a tax-exempt organization under Section 501(c) (3) of the Internal Revenue Code. The Organization is also exempt from state income taxes under provisions of the California Revenue and Taxation code section 23701(d). Accordingly these financial statements contain no provision for federal or California income taxes. The Organization believes that it has appropriate support for all tax positions taken, and does not have any uncertain tax positions that are material to the financial statements. The Organization's tax returns are subject to review through three years after the date of filing for federal and four years after the date of filing for state.

2. Property and Equipment

Property and equipment consists of the following as of December 31, 2015:

Computers	\$4,436
Furniture and fixtures	10,111
Vehicles	<u>38,366</u>
	52,913
Accumulated depreciation	<u>(9,210)</u>
	<u>\$43,703</u>

Depreciation expense for the years ended December 31, 2015 and 2014 was \$9,033 and \$5,094 respectively.

3. Temporarily Restricted Net Assets

The Organization held a total of \$9,808 of temporarily restricted net assets as of December 31, 2015. This amount was restricted for the care of service dogs connected with its programs.

4. In Kind Contributions

The organization received a total of \$233,376 of in-kind use of facilities during the year ended December 31, 2015. See Note 5 for further discussion.

THE PATHWAY HOME, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

5. Lease with State of California

The Organization holds a lease with the State of California Department of Veterans Affairs which began in January 2013 and will terminate in December 2017. The lease provides that the Organization will receive the use of facilities at the Veterans Home of California, Yountville at a cost of \$1 per year provided that it continues to provide mental health services to veterans. The fair market value of the use of the facilities including utilities is estimated at \$233,376 per year and this amount has been recorded as in-kind revenue during the year ended December 31, 2015 as discussed in Note 4. Either party may terminate the lease with 30 days' notice to the other party. The facility can accommodate 20 to 34 residential veterans.

6. Employee Retirement Plan

The Organization offers a 401K retirement plan to its employees. Employees can generally defer up to \$18,000 of wages to this plan. The Organization made no contributions to the plan during the year ended December 31, 2015.

7. Related Party Transactions

The Organization held a non-interest bearing note payable to the former Executive Director as of December 31, 2013 in the amount of \$35,709 that was initiated during 2012. This note was repaid in full by the Organization during the year ended December 31, 2014.

8. Subsequent Events

Subsequent events were evaluated through May 10, 2016. There were no subsequent events as of this date and the financial statements were available to be issued as of this date.