

THE PATHWAY HOME, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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, Inc.
Napa, California

We have audited the accompanying financial statements of THE PATHWAY HOME (a nonprofit corporation) which comprise the statements of financial position as of December 31, 2016 and 2015 and the related statements of activities, functional expenses, 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.

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, 2016 and 2015, 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
June 12, 2017

THE PATHWAY HOME, INC.

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 496,102	\$ 407,062
Property and equipment, net	32,653	43,703
Deposits	4,950	-
Total Assets	<u>\$ 533,705</u>	<u>\$ 450,765</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 2,546	\$ 2,227
Accrued expenses	14,075	3,947
Total Liabilities	<u>16,621</u>	<u>6,174</u>
Net Assets		
Unrestricted	507,865	434,783
Temporarily Restricted	9,219	9,808
Total Net Assets	<u>517,084</u>	<u>444,591</u>
	<u>\$ 533,705</u>	<u>\$ 450,765</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, 2016

	Unrestricted	Temporarily Restricted	Total
Revenue And Support			
Contributions	\$ 463,422	\$ -	\$ 463,422
Special events			
Event revenue	94,721	-	94,721
Less direct event expenses	(25,665)	-	(25,665)
Net events	69,056	-	69,056
In kind revenue	233,376	-	233,376
Interest income	437	-	437
Net assets released from restrictions	589	(589)	-
Total Revenue And Support	766,880	(589)	766,291
Expenses			
Program expenses	532,263	-	532,263
Management and general	87,750	-	87,750
Fundraising	73,785	-	73,785
Total Expenses	693,798	-	693,798
Change In Net Assets	73,082	(589)	72,493
Net assets, beginning of the year	434,783	9,808	444,591
Net Assets, End Of The Year	\$ 507,865	\$ 9,219	\$ 517,084

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 FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2016

	Program	Management and General	Fundraising	Total
Salaries and wages	\$ 157,266	\$ 36,092	\$ 46,932	\$ 240,290
Employee benefits	10,025	2,865	1,432	14,322
Payroll taxes	13,407	3,830	1,916	19,153
Workers compensation	19,965	5,715	2,857	28,537
	<u>200,663</u>	<u>48,502</u>	<u>53,137</u>	<u>302,302</u>
Bank and credit card fees	-	-	2,279	2,279
Depreciation	11,050	-	-	11,050
Equipment rental	2,804	765	383	3,952
Insurance	18,568	-	2,063	20,631
Licenses and accreditation fees	1,268	-	-	1,268
Occupancy	224,472	19,774	7,869	252,115
Outside services	48,537	-	1,140	49,677
Postage and printing	675	761	2,347	3,783
Professional fees	-	9,500	-	9,500
Supplies and other	15,038	5,931	1,667	22,636
Telephone	1,574	787	786	3,147
Travel	4,903	1,185	1,842	7,930
Vehicle maintenance	804	-	-	804
Web site	1,907	545	272	2,724
	<u>\$ 532,263</u>	<u>\$ 87,750</u>	<u>\$ 73,785</u>	<u>\$ 693,798</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, 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	231,459	11,915	3,577	246,951
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	2,538	2,101	3,303	7,942
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.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Cash Flows From Operating Activities		
Change in Net Assets	\$ 72,493	\$ 189,729
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	11,050	9,033
Loss on disposal of asset	-	2,329
(Increase) decrease in deposits	(4,950)	1,000
Increase (decrease) in		
Accounts payable and accrued expenses	10,447	(13,580)
Net Cash Provided By Operating Activities	89,040	188,511
 Cash Flows From Investing Activities		
Purchase of fixed assets	-	(30,216)
Net Cash Used By Investing Activities	-	(30,216)
 Net Increase In Cash And Cash Equivalents	 89,040	 158,295
 Cash and cash equivalents, beginning of the year	 407,062	 248,767
Cash And Cash Equivalents, End Of Year	\$ 496,102	\$ 407,062
 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, 2016

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 a subsidized residential program for veterans dedicated to wellness and fostering service opportunities in the local community. The program is housed at The Pathway Home building on the grounds of the Veterans Home of California – Yountville and is open to student veterans who are enrolled at Napa Valley College and neighboring colleges, universities, and training programs.

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

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, 2016 and 2015.

Use of Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles 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. The Organization maintains a bank account at one financial institution. 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

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 consisted of the following as of December 31, 2016 and 2015:

	2016	2015
Computers	\$4,436	\$4,436
Furniture and fixtures	10,111	10,111
Vehicles	<u>38,366</u>	<u>38,366</u>
	52,913	52,913
Accumulated depreciation	<u>(20,260)</u>	<u>(9,210)</u>
	<u>\$32,653</u>	<u>\$43,703</u>

Depreciation expense for the years ended December 31, 2016 and 2015 was \$11,050 and \$9,033 respectively.

3. Temporarily Restricted Net Assets

The Organization held a total of \$9,219 and \$9,808 of temporarily restricted net assets as of December 31, 2016 and 2015 respectively. These amounts were restricted for the care of service dogs connected with its programs.

Total amounts of \$589 and \$17,445 of temporarily restricted net assets were released from restrictions by incurring expenses satisfying the purposes specified by donors during the years ended December 31, 2016 and 2015, respectively.

THE PATHWAY HOME, INC.

NOTES TO FINANCIAL STATEMENTS

4. In Kind Contributions

The organization received a total of \$233,376 of in-kind use of facilities during each of the years ended December 31, 2016 and 2015. See Note 5 for further discussion.

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 of approximately 35,000 square feet and residential space for up to 34 clients 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. Management has estimated the fair market value of the in-kind contribution of use of the facilities including utilities at \$233,376 for each of the years ended December 31, 2016 and 2015 as discussed in Note 4. These amounts are included in in-kind revenue and in occupancy expense and do not affect the change in net assets. Either party may terminate the lease with 30 days' notice to the other party.

During the first half of 2015, the facility was used for residential treatment, but for the 18-month period from approximately July 2015 through December 2016 there were no residential clients. During 2016, the organization provided approximately 300 outpatient services to veterans including therapy and other services. As of May 2017, the Organization plans to limit its residential program for the future to a maximum of 14 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 either of the years ended December 31, 2016 and 2015.

7. Reclassifications

Certain reclassifications have been made in the 2015 financial statements to conform to the classifications used in the 2016 financial statements. The reclassifications had no effect on the overall net assets.

8. Subsequent Events

Subsequent events were evaluated through June 12, 2017. There were no subsequent events as of this date and the financial statements were available to be issued as of this date.