

PEOPLE ATTEMPTING TO HELP
FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2010 AND 2009

PEOPLE ATTEMPTING TO HELP

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SQUYRES, JOHNSON, SQUYRES

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
People Attempting to Help
Tyler, Texas

We have audited the accompanying statements of financial position of People Attempting to Help (PATH) (a Nonprofit Corporation) as of December 31, 2010 and 2009, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of People Attempting to Help as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2011, on our consideration of People Attempting to Help's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants, agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Squyres, Johnson, Squyres & Co; LLP
Certified Public Accountants

Tyler, Texas
December 12, 2011

PEOPLE ATTEMPTING TO HELP
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<u>Assets</u>		
<u>Current assets</u>		
Cash and cash equivalents	\$ 675,233	\$ 470,107
Certificates of deposit	169,000	189,269
Investments	9,067	10,120
Prepaid Expenses	14,934	225
Beneficial interest in assets held by East Texas Communities Foundation	39,086	35,820
Unconditional promises to give Restricted to Faith in Our Future	44,042	-
Contributions receivable	50,423	3,572
Rent receivable	24,695	32,225
Other receivables	-	841
	<hr/>	<hr/>
Total Current Assets	1,026,480	742,179
<u>Noncurrent Assets</u>		
Unconditional promises to give Restricted to Faith in Our Future	30,974	-
Property and equipment, net	3,320,715	3,446,197
	<hr/>	<hr/>
Total Noncurrent Assets	3,351,689	3,446,197
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 4,378,169</u>	<u>\$ 4,188,376</u>
<u>Liabilities and Net Assets</u>		
<u>Current Liabilities</u>		
Accounts payable	\$ 51,498	\$ 61,649
Obligation under capital lease	5,562	4,937
Security deposits	10,005	9,743
	<hr/>	<hr/>
Total Current Liabilities	67,065	76,329
<u>Noncurrent Liabilities</u>		
Obligation under capital lease; net of Current portion	15,225	20,787
	<hr/>	<hr/>
TOTAL LIABILITIES	82,290	97,116
<u>Net assets</u>		
Unrestricted	3,814,613	3,879,169
Temporarily restricted	378,373	109,198
Permanently restricted	102,893	102,893
	<hr/>	<hr/>
Total Net Assets	4,295,879	4,091,260
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,378,169</u>	<u>\$ 4,188,376</u>

PEOPLE ATTEMPTING TO HELP
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010				2009			
	Permanently Restricted	Temporarily Restricted	Unrestricted	Total	Permanently Restricted	Temporarily Restricted	Unrestricted	Total
Changes in net assets								
Revenues								
Contributions	\$ -	\$ 443,380	\$ 1,009,837	\$ 1,453,217	\$ -	\$ 379,203	\$ 801,700	\$ 1,180,903
In-Kind Material Contributions			1,201,076	1,201,076			2,638,296	2,638,296
Rent income			197,672	197,672			235,608	235,608
Grant revenue, federal, state and private			36,013	36,013			65,500	65,500
Contract Revenue			15,000	15,000			27,503	27,503
Investment income			5,926	5,926			8,402	8,402
Gain/(Loss) on sale of assets			(1,957)	(1,957)			3,713	3,713
Other			11,382	11,382			18,981	18,981
Net assets released from restriction		(174,205)	174,205	-		(450,099)	450,099	-
Total Revenues	-	269,175	2,649,154	2,918,329	-	(70,896)	4,249,802	4,178,906
Expenses								
Program expenses			2,316,123	2,316,123			2,715,009	2,715,009
Management and general			286,154	286,154			168,882	168,882
Fund-raising expenses			111,433	111,433			98,975	98,975
Total Expenses	-	-	2,713,710	2,713,710	-	-	2,982,866	2,982,866
Increase/(decrease) in Net Assets	-	269,175	(64,556)	204,619	-	(70,896)	1,266,936	1,196,040
Net Assets at Beginning of Year	102,893	109,198	3,879,169	4,091,260	102,893	180,094	2,612,233	2,895,220
Net Assets at End of Year	\$ 102,893	\$ 378,373	\$ 3,814,613	\$ 4,295,879	\$ 102,893	\$ 109,198	\$ 3,879,169	\$ 4,091,260

See accompanying notes to the financial statements

PEOPLE ATTEMPTING TO HELP
STATEMENTS OF FUNCTIONAL EXPENSES

DECEMBER 31, 2010 AND 2009

	2010				2009			
	Management and General	Program	Fund Raising	Total	Management and General	Program	Fund Raising	Total
Personnel:								
Salaries	\$ 117,150	\$ 311,137	\$ 34,439	\$ 462,726	\$ 80,627	\$ 355,374	\$ 32,148	\$ 468,149
Payroll taxes	9,664	29,754	3,020	42,438	5,844	34,047	2,917	42,808
Health & disability insurance	10,019	55,954	6,876	72,849	6,812	65,031	5,875	77,718
Staff mileage	4,568	1,952		6,520	2,306	2,933		5,239
Contract labor	915	500	980	2,395	1,265	3,686	4,114	9,065
Staff training		100	240	340	3,275	957		4,232
Retirement	1,557	5,169	689	7,415	573	6,309	1,125	8,007
Other				-		414		414
	<u>143,873</u>	<u>404,566</u>	<u>46,244</u>	<u>594,683</u>	<u>100,702</u>	<u>468,751</u>	<u>46,179</u>	<u>615,632</u>
Office expense:								
Auto expenses		4,418		4,418		3,024	29	3,053
Office supplies & printing	8,181	5,438	7,428	21,047	7,991	3,507	2,802	14,300
Postage	2,597	3,337	4,071	10,005	2,225	5,768	3,523	11,516
Insurance	2,687	10,731	334	13,752	3,355	30,843	1,357	35,555
Volunteer Program		2,081		2,081		4,808		4,808
Miscellaneous	2,542	1,046	50	3,638	12,210	7,210	830	20,250
Special Awards	380			380	89	121		210
Accounting & legal	4,730	10,794	802	16,326	4,915	16,028	819	21,762
	<u>21,117</u>	<u>37,845</u>	<u>12,685</u>	<u>71,647</u>	<u>30,785</u>	<u>71,309</u>	<u>9,360</u>	<u>111,454</u>
Facility expense:								
Depreciation	72,132	3,915		76,047	13,581	56,281	2,391	72,253
Utilities	26,025	10,236	295	36,556	10,341	26,511	820	37,672
Telephone		11,046	762	11,808		13,357	498	13,855
Repair & maintenance	8,713	1,807	820	11,340	5,649	3,081	298	9,028
Janitorial	123	1,259	60	1,442	1,735	3,519	151	5,405
Small equipment & lease		10,452	1,528	11,980		7,186	1,934	9,120
Interest	2,447	370		2,817		2,651		2,651
	<u>109,440</u>	<u>39,085</u>	<u>3,465</u>	<u>151,990</u>	<u>31,306</u>	<u>112,586</u>	<u>6,092</u>	<u>149,984</u>

See accompanying notes to the financial statements

PEOPLE ATTEMPTING TO HELP
STATEMENTS OF FUNCTIONAL EXPENSES
DECEMBER 31, 2010 AND 2009

	2010				2009			
	Management and General	Program	Fund Raising	Total	Management and General	Program	Fund Raising	Total
Educational/public relations:								
Advertising & printing	\$ 3,712	\$ 9,692	\$ 26,572	\$ 39,976	\$ 3,959	\$ 21,772	\$ 6,954	\$ 32,685
Dues and subscriptions	372		1,250	1,622	586		1,000	1,586
Meetings	4,052	617	329	4,998	1,336			1,336
Website management	3,588	123	169	3,880	208	358	381	947
	<u>11,724</u>	<u>10,432</u>	<u>28,320</u>	<u>50,476</u>	<u>6,089</u>	<u>22,130</u>	<u>8,335</u>	<u>36,554</u>
Emergency assistance:								
Food		1,093,735		1,093,735		1,158,211		1,158,211
Housing		27,659		27,659		61,598		61,598
Utilities		110,815		110,815		145,920		145,920
Prescriptions		29,185		29,185		31,874		31,874
Transportation		1,872		1,872		2,451		2,451
Blankets		8,920		8,920		9,854		9,854
Eyeglasses		5,183		5,183		6,209		6,209
Miscellaneous		92,782		92,782		51,411		51,411
Fans		8,910		8,910		17,360		17,360
	<u>-</u>	<u>1,379,061</u>	<u>-</u>	<u>1,379,061</u>	<u>-</u>	<u>1,484,888</u>	<u>-</u>	<u>1,484,888</u>
Other programs:								
Brown Bag		8,510		8,510		33,514		33,514
Other		6,825		6,825		2,821		2,821
School Supply Train		99,041		99,041		186,729		186,729
Christmas in the Neighborhood				-		2,000		2,000
Coats for Kids		49,328		49,328		49,678		49,678
Kid Reach		2,555		2,555		10,545		10,545
Tyler Community Homes (TCH)		278,875		278,875		268,940		268,940
	<u>-</u>	<u>445,134</u>	<u>-</u>	<u>445,134</u>	<u>-</u>	<u>554,227</u>	<u>-</u>	<u>554,227</u>

See accompanying notes to the financial statements

PEOPLE ATTEMPTING TO HELP
STATEMENTS OF FUNCTIONAL EXPENSES
DECEMBER 31, 2010 AND 2009

	2010				2009			
	Management and General	Program	Fund Raising	Total	Management and General	Program	Fund Raising	Total
Fundraising:								
Path Week	\$ -	\$ -	\$ 7,563	\$ 7,563	\$ -	\$ 1,118	\$ 7,793	\$ 8,911
Holiday cards			761	761			145	145
No-Go Gala			4,224	4,224			2,433	2,433
Flicks for Funds			8,171	8,171			18,638	18,638
	-	-	20,719	20,719	-	1,118	29,009	30,127
	<u>\$ 286,154</u>	<u>\$ 2,316,123</u>	<u>\$ 111,433</u>	<u>\$ 2,713,710</u>	<u>\$ 168,882</u>	<u>\$ 2,715,009</u>	<u>\$ 98,975</u>	<u>\$ 2,982,866</u>

See accompanying notes to the financial statements

PEOPLE ATTEMPTING TO HELP
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Cash Flows From Operating Activities		
Increase/(Decrease) in net assets	\$ 204,619	\$ 1,196,040
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	177,208	146,484
Non cash stock donation	(9,066)	(10,120)
Non cash building donation	-	(1,284,154)
(Gain)/Loss on disposal of assets	954	(4,574)
(Increase)/Decrease in:		
Accounts and grants receivable	(113,497)	24,894
Prepaid Expenses	(14,709)	283
Beneficial interest in assets held at ETCF	(3,266)	(5,952)
Increase/(Decrease) in:		
Accounts payable	(10,151)	31,662
Security deposits	262	6,933
	<u>232,354</u>	<u>101,496</u>
Net cash provided by (used by) operating activities		
Cash Flows From Investing Activities		
Purchase of fixed assets	(51,725)	(19,368)
Maturity of certificates of deposit	98,000	60,000
Certificates of deposit purchased	(77,731)	(42,485)
Sales of investments	9,165	5,181
	<u>(22,291)</u>	<u>3,328</u>
Net cash provided by (used by) investing activities		
Cash Flows From Financing Activities		
Obligation under capital lease payments	(4,937)	(4,878)
	<u>(4,937)</u>	<u>(4,878)</u>
Net cash provided by (used by) financing activities		
Net Increase/(Decrease) in Cash and Cash Equivalents	205,126	99,946
Cash and Cash Equivalents at Beginning of Year	470,107	370,161
Cash and Cash Equivalents at End of Year	<u>\$ 675,233</u>	<u>\$ 470,107</u>
Supplemental Data:		
Noncash investing and financing activities:		
Stock donations	\$ 9,066	\$ 10,120
Building donations	-	1,284,154
Equipment purchased with capital lease	-	29,059
Total noncash investing and financing activities	<u>\$ 9,066</u>	<u>\$ 1,323,333</u>
Interest Paid	<u>\$ 2,816</u>	<u>\$ 2,651</u>

PEOPLE ATTEMPTING TO HELP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE A—NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

People Attempting to Help (PATH) is a Texas nonprofit corporation chartered in 1985. Its purpose is to serve through well-equipped volunteers, the economically disadvantaged people in Smith County with both emergency assistance and programs to empower and encourage them to become productive citizens.

Financial Statement Presentation

PATH has presented its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles for not-for-profit organizations. Under this guidance, 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. In addition, PATH is required to present a statement of cash flows.

Income Taxes

PATH is a not-for-profit organization that is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation, whereby only unrelated business income, as defined by Section 509(a)(1) of the code is subject to federal income tax. PATH currently has no unrelated business income.

Under FIN 48, an organization must recognize the tax benefit associated with tax taken for tax return purposes when it is more than likely that not that position will be sustained. The implementation of FIN 48 had no impact on PATH's financial statements. PATH does not believe there are any material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits. No interest or penalties were accrued as of January 1, 2009 as a result of the adoption of FIN 48. For the year ended December 31, 2010 there were no interest or penalties recorded or included in its financial statements.

PATH's Forms 990, Return of Organization Exempt from Income Tax, for the years ended 2008, 2009, and 2010 are subject to examination by the IRS, generally for three years after they were filed.

PEOPLE ATTEMPTING TO HELP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE A—NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, PATH considers all highly liquid investments available for current use with an initial maturity of less than three months to be cash equivalents.

Accounts Receivable and Allowances for Doubtful Accounts

Accounts receivable are recorded at the amount PATH expects to collect on balances outstanding at year end. Management regularly assesses the collectability of the Organization's accounts receivable taking into account factors such as write-off history, the financial stability of PATH's customers, and any known troubled accounts. If management deems it necessary, an allowance for doubtful accounts is recognized to reduce the carrying value of accounts receivable to reflect management's best estimate of the amounts expected to be collected.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are measured at fair market value in the statement of financial position. Investment income or loss (including gains and losses, interest, and dividends) is included in the statement of activities as increases or decreases in unrestricted net assets, unless the income or loss is restricted by donor or law.

PEOPLE ATTEMPTING TO HELP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE A—NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Property and Equipment

The Organization capitalized property and equipment over \$1,000. Lesser amounts are expensed. Property and equipment acquired by PATH are recorded at cost if purchased or at estimated value at the date of gift if donated. Donations are reported as unrestricted contributions unless the donor has restricted the donated asset a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over the estimated useful lives ranging from five to thirty-one and one-half years.

Promises to Give

Contributions 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 are recognized. All other donor-restricted contributions 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.

Contributions

Under generally accepted accounting principles for not-for-profit organizations, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

PEOPLE ATTEMPTING TO HELP
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

NOTE A—NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, that is, when a stipulate time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donated Property

The value at acquisition of real property contributed to PATH is reflected in the financial statements. PATH receives many non-cash contributions during the year. They consist of food, clothing, toys, household supplies, etc. PATH does not have a reasonable method of estimating all non-cash contributions, therefore, only the portion of the non-cash contributions which can be reasonably estimated are recorded on the books.

Contributed Services

PATH generally pays for services requiring specific expertise; however, services by dentists were donated and are reflected as a noncash contribution in the financial statements. Many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services and have not been reflected in the financial statements. The Organization receives more than 28,900 volunteer hours per year.

Revenue

Revenue consists mainly of contributions, rental income, and various federal and state grants.

Functional Allocation of Expenses

The costs of providing the various programs, fund-raising and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and fund-raising activities benefited.

PEOPLE ATTEMPTING TO HELP
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

NOTE B—RESTRICTIONS ON NET ASSETS

Temporarily Restricted Net Assets

Temporarily restricted net assets consist of contributions designated by the donor for a specific purpose. Once the funds are used for the designated purpose, they are no longer considered restricted funds. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Temporarily restricted net assets for 2010 and 2009 are as follows:

	2010	2009
C.A.R.E Fund	\$ -	\$ 1,646
Faith in Our Future	266,653	-
Donor Wall	13,198	-
School Supply Train	2,196	7,523
Coats for Kids	16,224	14,364
Energy Assistance	49,075	47,413
Fans	10,228	5,133
Christmas in the Neighborhood	-	16,556
Disaster Relief	16,121	16,121
Diapers	4,678	442
Total	\$ 378,373	\$ 109,198
Net Assets released from donor restrictions by incurring expenses satisfying the restricted purpose totaled	\$ 174,205	\$ 450,099

In 2010, PATH began a new campaign, Faith in Our Future, with the goal to raise \$1,000,000 in donations to be accessed by PATH when unexpected economic downturns occur. A 2/3 majority of the total number of Board of Directors is needed for approval to use these funds, and only 20% of the balance can be withdrawn in one calendar year. Efforts will be made to replenish the fund of the amount distributed in the same calendar year.

PEOPLE ATTEMPTING TO HELP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE B—RESTRICTIONS ON NET ASSETS (Continued)

Endowment Funds

Permanently restricted net assets consist of two endowment funds. The first fund created by a gift from Gertrude Buckley Windsor and named the “Gertrude Buckley Windsor Capital Fund,” consists of the following:

	<u>2010</u>	<u>2009</u>
Money Market Fund	\$ 42,893	\$ 19,893
Certificates of Deposit	60,000	83,000
Total Restricted Cash and Cash Equivalents	<u>\$ 102,893</u>	<u>\$ 102,893</u>

The terms of this gift include:

- Gains from the investments shall be added to the principal of the fund and losses from the investments shall be deducted from the principal of the fund.
- All net income shall be contributed to the program of PATH at least annually.
- In the event that PATH ceases to exist, the investments of the Gertrude Buckley Windsor Capital Fund shall be transferred to The Salvation Army, Tyler, Texas.
- The annual net income from the fund shall be used for the purposes for which PATH was founded.

The second fund, simply called the “Endowment Fund” was started by PATH in 2002, with a contribution campaign to raise \$1 million. Only the amount needed to cover the cost of maintenance will be withdrawn from the income each year. The principal will be housed at the East Texas Communities Foundation, where it will continue to grow. As of December 31, 2010 and 2009, \$1,600 had been contributed to this fund and is permanently restricted.

PEOPLE ATTEMPTING TO HELP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE C—PROMISES TO GIVE

Unconditional promises to give consist of following:

	2010	2009
Restricted to Faith in Our Future Campaign	\$ 75,016	\$ -
Amounts due in:		
Less than one year	\$ 44,042	\$ -
One to five years	30,974	-
	\$ 75,016	\$ -

Unconditional promises to give due in more than one year are recognized at fair value, using present value techniques, when the donor makes an unconditional promise to give to PATH. Although donor receipts of promises to give may vary from amount pledged, the difference is expected to be insignificant. Accordingly, no provision is made for uncollectible amounts.

NOTE D—INVESTMENTS

Investments held for trading purposes, stated at fair value, at December 31, 2010 and 2009 include:

	2010			2009		
	COST	UNREALIZED GAINS(LOSSES)	FAIR VALUE	COST	UNREALIZED GAINS(LOSSES)	FAIR VALUE
Stock	\$ 9,066	\$ -	\$ 9,066	\$ 10,120	\$ -	\$ 10,120
TOTAL	\$ 9,066	\$ -	\$ 9,066	\$ 10,120	\$ -	\$ 10,120

PEOPLE ATTEMPTING TO HELP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE D—INVESTMENTS (Continued)

Investment income from cash equivalents, certificates of deposit, and investments is comprised of the following for the year ended December 31, 2010 and 2009:

	2010	2009
	UNRESTRICTED	UNRESTRICTED
Dividends and interest	\$ 5,926	\$ 8,402
Realized gain/(loss)	(1,957)	3,713
 TOTAL	 \$ 3,969	 \$ 12,115

NOTE E—PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2010	2009
Furniture and fixtures	\$ 170,182	\$ 253,121
Automobiles	36,371	25,321
Building and improvements:		
Land	5,000	5,000
Other	1,417,028	1,415,190
Rental Property:		
Office:		
Land	32,200	32,200
Other	416,416	416,415
Houses:		
Land	127,184	127,184
Other	2,541,312	2,507,886
	4,745,693	4,782,317
Less accumulated depreciation	(1,424,978)	(1,336,120)
	\$ 3,320,715	\$ 3,446,197

PEOPLE ATTEMPTING TO HELP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE E—PROPERTY AND EQUIPMENT (Continued)

Depreciation expense is \$177,208 and \$146,483 in 2010 and 2009, respectively. Non-depreciable assets include land at a carrying amount of \$164,384 in 2010 and 2009. Donor imposed restrictions regarding usage of assets apply to a portion of buildings listed above. See Note Q for restrictions and contingencies related to these assets.

NOTE F—ALLOWANCE FOR DOUBTFUL ACCOUNTS

Management's assessment is that the amount of uncollectible rent receivable at December 31, 2010 is not material; thus, no allowance for doubtful accounts has been recognized. As of December 31, 2009, \$36,415 was recognized as an allowance for doubtful accounts for rent receivable. Bad debt expense, which is netted against rent income in the financial statements, was \$38,594 for the year ended December 31, 2010, and \$36,415 for the year ended December 31, 2009.

NOTE G—FAIR VALUE MEASUREMENTS

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritized the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Organization has the ability to access.
- Level 2 inputs are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly.

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NOTE G—FAIR VALUE MEASUREMENTS (Continued)

- Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The unobservable inputs should be developed based on the best information available in the circumstances and may include the Organization's own data.)

Fair values of assets measured on a recurring basis at December 31, 2010 and 2009 are as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
<u>December 31, 2010</u>		
Stock	<u>\$ 9,066</u>	<u>\$ 9,066</u>
<u>December 31, 2009</u>		
Stock	<u>\$ 10,120</u>	<u>\$ 10,120</u>

Fair values for tier level 1 assets are determined by reference to quoted market prices and other relevant information generated by market transactions.

NOTE H—LEASING ARRANGEMENTS

PATH's rental activities include rental of houses to qualifying low income tenants using one year operating type leases. The future minimum rentals in the aggregate on the one-year leases in existence as of year-end are estimated to be \$253,894 for 2011.

PATH rents out the properties at 410 Chilton and 411 Front St. to other non-profit organizations. The leases are for one year and are monthly once the lease is up. A full year's rental for the properties is estimated at \$18,183.

The cost and carrying amount of property held for leasing by major classes of property is shown in Note E.

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NOTES TO FINANCIAL STATEMENTS

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NOTE I—OPERATING LEASE COMMITMENT

PATH has a non-cancelable operating lease for a copier, with a monthly payment of \$50 a month ending May 2014. A postage meter is leased for \$115 a month, ending November 2012. Lease expense is \$7,101 and \$8,924 for 2010 and 2009, respectively.

Minimum future rental payments under non-cancelable operating leases having remaining terms in excess of 1 year as of December 31, 2010 for the term of the leases and in aggregate are:

	<u>Postage Meter</u>	<u>Skillern's Copier</u>	<u>Total</u>
2011	\$ 1,380	\$ 599	\$ 1,979
2012	1,265	599	1,864
2013	-	599	599
2014	-	250	250
2015	-	-	-
	<u>\$ 2,645</u>	<u>\$ 2,047</u>	<u>\$ 4,692</u>

NOTE J—CAPITAL LEASE COMMITMENT

PATH is the lessee of two Xerox copiers under capital lease expiring in 2014. The assets and liabilities under capital lease are recorded at the fair value of the assets. The assets are amortized over the term of the leases, which are 5 years. Amortization of the assets under capital lease are included in depreciation expense for 2010 in the amount of \$5,812.

Property held under capital lease is comprised of the following at December 31, 2010:

	<u>2010</u>
Xerox copier #1	\$ 3,760
Xerox copier #2	25,299
Less: Accumulated amortization	<u>(5,812)</u>
	<u>\$ 23,247</u>

**PEOPLE ATTEMPTING TO HELP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

NOTE J—CAPITAL LEASE COMMITMENT (Continued)

Minimum future lease payments under capital leases as of December 31, 2010 for each of the next five years and in aggregate are:

Year Ended December 31, 2010	Amount
2011	\$ 7,753
2012	7,753
2013	7,753
2014	1,939
2015	<u>-</u>
Total minimum lease payments	25,198
Less: Amount representing interest	<u>(4,411)</u>
Present value of net minimum lease payment	<u><u>\$ 20,787</u></u>

NOTE K—EMPLOYEE BENEFIT PLAN

PATH has a simple retirement plan covering all employees who have earned \$5,000 in a payroll year. Under the plan, PATH contributes two percent of each eligible employee's salary. Plan expenses incurred by PATH during 2010 were \$ 7,415 and \$8,007 in 2009.

**NOTE L—BENEFICIAL INTEREST IN ASSETS HELD BY THE EAST TEXAS
COMMUNITIES FOUNDATION**

PATH complies with the requirement in FASB ASC 958 that an asset be reported for amounts transferred to a recipient organization where the resource provider is named as the beneficiary.

Others may also contribute to the fund. The contributions made directly to the fund are reported as contribution income. The net change in value of the assets held is included in miscellaneous income.

PEOPLE ATTEMPTING TO HELP
NOTES TO FINANCIAL STATEMENTS

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**NOTE L—BENEFICIAL INTEREST IN ASSETS HELD BY THE EAST TEXAS
COMMUNITIES FOUNDATION (Continued)**

The contributions made by PATH are considered an irrevocable transfer to ETCF. However, PATH has named itself or its successor as the beneficiary. Distributions shall be made to PATH once per year as requested by PATH, of amounts up to 5% of the value of the fund. Distributions above this amount can be made if requested by a 2/3 vote of the total directors of PATH and approved by a 2/3 vote of the total directors of ETCF. The total beneficial interest in ETCF at December 31, 2010 and December 31, 2009 was \$39,086 and \$35,820. This amount includes the "Endowment Fund" of \$1,600, which is permanently restricted.

NOTE M—PRESCRIPTION PROGRAM

PATH provides a service to low-income individuals in need of long-term maintenance drugs by assisting them in the application process with the pharmaceutical companies. The medications are readily available at no cost to eligible applicants. However, the forms and the application process can be so complicated that without the help of PATH, many patients in need would not be able to complete the steps necessary to obtain the free medications. The value of this service to clients cannot easily be determined; therefore it is not reflected in the financial statements. PATH has estimated during the year ended December 31, 2010, they assisted clients in obtaining \$3.4 million (**unaudited**) in prescription drugs.

NOTE N—AFFILIATED ORGANIZATION

In December of 2003, a new entity was created to support the housing programs of Tyler Community Homes. The purpose of this Texas non-profit corporation (named TCH Community Housing Development Organization) is to own and oversee any construction of new homes funded by HUD (CHDO) funds. As of 2008, this organization started operating as a separate entity with its own governing board and is no longer an affiliate of PATH. Funding was awarded through the City of Tyler Neighborhood Services office to build ten homes on PATH property. All ten homes were completed during 2009, and at the end of the construction process, the homes were donated to PATH.

PEOPLE ATTEMPTING TO HELP
NOTES TO FINANCIAL STATEMENTS
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NOTE O—IN KIND GIFTS

Throughout the year, PATH not only receives monetary contributions, they also receive nonmonetary contributions. The amount of in-kind contributions that PATH received is summarized below by category for the years ended December 31, 2010 and 2009. The food donated includes 571,608 pounds in 2010 and 713,140 pounds in 2009 from East Texas Food Bank.

	<u>2010</u>	<u>2009</u>
Food	\$ 978,549	\$ 1,088,994
Fans	8,680	7,360
School Supplies	63,963	155,583
Blankets	8,920	9,854
Coats for Kids	40,280	38,160
Dental	35,400	28,400
Miscellaneous	65,284	23,632
Buildings	-	1,286,313
	<u>\$ 1,201,076</u>	<u>\$ 2,638,296</u>

NOTE P—CONCENTRATIONS OF CREDIT AND MARKET RISK

Financial instruments that potentially expose PATH to concentrations of credit and market risk consist primarily of cash equivalents, rent receivables, accounts receivable and investments. At year-end and throughout the year the Organization's cash balances were deposited in several banks. PATH has not experienced any losses on its cash equivalents. The rent receivables and accounts receivable are monitored on an on-going basis and do not represent a significant credit risk.

NOTE Q—COMMITMENTS AND CONTINGENCIES

Grants and bequests require the fulfillment of certain conditions as set forth in the grant instrument. Failure to fulfill the conditions could result in the return of the funds to grantors. Although a possibility, the Board deems the contingency remote, since the organization intends to comply with the conditions set forth in the grants.

PEOPLE ATTEMPTING TO HELP
NOTES TO FINANCIAL STATEMENTS
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NOTE Q—COMMITMENTS AND CONTINGENCIES (Continued)

PATH has participated in federally assisted grant programs. These programs are subject to financial and compliance audits by the grantor or their representatives, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

During 2009, PATH entered into deferred forgivable loans with the City of Tyler for the donation of 10 homes to be used in the TCH program. For each month of compliance with the terms of the agreement, one month's payment will be forgiven by the City of Tyler. The terms include standards for repair and condition of homes, rent payments based on HUD rates, and payment of all taxes and assessments. The homes are to be leased and occupied by low income families for a total of 240 months. At the end on this time period, one additional month of residency will cause the total loan to be forgiven. If the property is sold or transferred to another owner, the note shall become immediately due and payable. In the event that the terms are not met, the total loan amount less one payment for each month of compliance will be due and payable in full after the borrower is notified that the loan must be repaid. As of December 31, 2010 the estimated outstanding contingent liability is \$808,757.

NOTE R—EVALUATION OF SUBSEQUENT EVENTS

Subsequent events were evaluated through December 12, 2011, which is the date the financial statements were available to be issued.

NOTE S – RECLASSIFICATIONS

Certain amounts in the prior year have been reclassified in order to be consistent with the current year's presentation.