

**PEOPLE ATTEMPTING TO HELP (PATH)  
TYLER, TEXAS**

**FINANCIAL STATEMENTS**

**MAY 31, 2019**

**PEOPLE ATTEMPTING TO HELP (PATH)  
FINANCIAL STATEMENTS  
MAY 31, 2019**

**TABLE OF CONTENTS**

	<u>Page(s)</u>
<b>Independent Auditor's Report</b>	3 - 4
<b>Financial Statements</b>	
Statement of Financial Position	5
Statement of Activities	6
Statement of Functional Expenses	7
Statement of Cash Flows	8
<b>Notes to Financial Statements</b>	9 – 20
<b>Report on Internal Control over Financial Reporting and on Compliance And Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></b>	21 - 24

## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
People Attempting to Help (PATH)  
Tyler, Texas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of People Attempting to Help (PATH) (a nonprofit organization), which comprise the statements of financial position as of May 31, 2019, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of People Attempting to Help (PATH) as of May 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 2020, on our consideration of PATH's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of PATH's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering PATH's internal control over financial reporting and compliance.

**Other Matters**

Beginning net assets were restated to recognize temporarily restricted contributions into prior period income and expense. These contributions were previously recorded as deferred income in the statement of financial position for the year ended May 31, 2018. The restatement resulted in an increase to fund balance at May 31, 2018 of \$100,130.

*Hung & Peters P.C.*

Tyler, Texas  
January 3, 2020

**PEOPLE ATTEMPTING TO HELP (PATH)  
STATEMENT OF FINANCIAL POSITION  
MAY 31, 2019**

	2019
<b>ASSETS</b>	
Current Assets	
Cash and cash equivalents	\$ 39,428
Cash - with donor restrictions - short term	248,113
Accounts receivable, net of allowance	3,221
Total current assets	290,762
Property and equipment, net	1,908,421
Other long-term assets	
Cash designated for long-term purposes	101,917
Beneficial interest	601,680
Investments	1,543,902
Total other long-term assets	2,247,499
Total assets	\$ 4,446,682
<b>LIABILITIES AND NET ASSETS</b>	
Liabilities	
Accounts payable	\$ 12,548
Compensated absences payable	15,126
Security deposits	17,874
Other payables	16,972
Total liabilities	62,520
Net assets	
Without donor restrictions	1,893,346
Restatement	1,390,316
With donor restrictions	1,100,500
Total net assets	4,384,162
Total liabilities and net assets	\$ 4,446,682

**PEOPLE ATTEMPTING TO HELP (PATH)  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MAY 31, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES, GAINS AND OTHER SUPPORT</b>			
Contributions	\$ 323,293	\$ 433,768	\$ 757,061
Donated goods and services	1,164,077	-	1,164,077
Grants	15,010	49,039	64,049
Interest and dividends	77,932	-	77,932
Special events and fundraisers	255,530	-	255,530
Rental income	234,717	-	234,717
Other income	456	-	456
Net realized and unrealized gain on beneficial interest	2,360	-	2,360
Net realized and unrealized loss on investments	(35,676)	-	(35,676)
Gain on sale of fixed assets	74,096	-	74,096
Net assets released from restrictions:			
Expiration of time restrictions	68,500	(68,500)	-
Satisfaction of program restrictions	266,288	(266,288)	-
Total revenues, gains and other support	<u>2,446,583</u>	<u>148,019</u>	<u>2,594,602</u>
<b>EXPENSES</b>			
Program	2,254,953	-	2,254,953
Management and general	381,671	-	381,671
Fundraising	145,712	-	145,712
Security deposits	<u>2,782,336</u>	<u>-</u>	<u>2,782,336</u>
<b>CHANGE IN NET ASSETS</b>	(335,753)	148,019	(187,734)
<b>NET ASSETS</b>			
Beginning of period	3,619,380	852,386	4,471,766
Restatement	35	100,095	100,130
End of period	<u>\$ 3,283,662</u>	<u>\$ 1,100,500</u>	<u>\$ 4,384,162</u>

**PEOPLE ATTEMPTING TO HELP (PATH)  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED MAY 31, 2019**

	Total	Program Services		Supporting Services	
		Tyler Community Home Program	Assistance	Management and general	Fundraising
<b>EXPENSES</b>					
Program assistance distributions	\$ 1,480,096	\$ -	\$ 1,480,096	\$ -	\$ -
Volunteer Program	2,276	-	2,276	-	-
Kid Reach	1,185	-	1,185	-	-
Rx Assistance	1,250	-	1,250	-	-
Property management - PCH	60,734	60,734	-	-	-
Transitional Housing	8,401	8,401	-	-	-
Special events	41,344	-	-	-	41,344
Development	21,566	-	-	21,566	-
Personnel	779,302	186,638	296,577	193,687	102,400
Miscellaneous	32,844	-	-	32,844	-
Accounting and legal fees	14,263	-	-	14,263	-
Office equipment	7,922	-	-	7,922	-
Occupancy	50,905	-	-	50,905	-
Repairs and maintenance	105,470	91,515	-	13,955	-
Investment expense	31,321	-	-	31,321	-
Depreciation	143,457	99,352	26,929	15,208	1,968
Total expenses	<u>\$ 2,782,336</u>	<u>\$ 446,640</u>	<u>\$ 1,808,313</u>	<u>\$ 381,671</u>	<u>\$ 145,712</u>

**PEOPLE ATTEMPTING TO HELP (PATH)  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED MAY 31, 2019**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ (187,734)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	143,457
Net gain on sales of property and equipment	(74,096)
Net realized/unrealized losses on investment securities	32,862
Decrease in accounts receivable	2,312
Decrease in prepaid expenses	12,041
Increase in accounts payable	3,661
Increase in compensated absences payable	15,126
Increase in other liabilities	15,675
Total adjustments	<u>151,038</u>
Net cash used in operating activities	<u>(36,696)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Distributions from beneficial interest	81,483
Net investment income from beneficial interest	(10,350)
Proceeds from sales of investment securities	111,923
Purchases of investment securities	(138,442)
Proceeds from sales and disposals of property and equipment	98,046
Property and equipment purchases	(6,444)
Net cash provided by investing activities	<u>136,216</u>
 Net increase in cash and cash equivalents	 99,520
 <b>CASH AND CASH EQUIVALENTS</b>	
Beginning of period	<u>289,938</u>
End of period	<u>\$ 389,458</u>
 <b>SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES</b>	
Donated goods and services	\$ 1,164,077



**PEOPLE ATTEMPTING TO HELP (PATH)  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**NATURE OF ACTIVITIES**

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

**BASIS OF FINANCIAL STATEMENT PRESENTATION**

PATH has presented its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U. S. GAAP) for not-for-profit organizations.

The Organization follows Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Not-for-profit Entities* (Topic 958) in preparing the financial statements. Under ASU 2016-14, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Descriptions of the two net asset categories and the types of transactions affecting each category follow:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that may or will be met by action of the Organization that expire with the passage of time or require them to be maintained permanently by the Organization. Generally, donors of these assets permit the Organization to use all or part of the income earned on any related investment for general or specific purposes.

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor restricted contributions (i.e. when the donor-stipulated purposes have been fulfilled and/or when the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

**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.

PATH has adopted the provisions of the FASB standard on *Accounting for Uncertainty in Income Taxes* (ASC 740-10-25). The Organization does not believe there are any material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits. For the year ended May 31, 2019, there was no interest or penalties recorded or included in its financial statements.

PATH's Form 990, Return of Organization Exempt from Income Tax, for the years ended 2017, 2018, and 2019 are subject to examination by the IRS, generally for three years after they were filed.

**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.

**PEOPLE ATTEMPTING TO HELP (PATH)  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS**

Accounts receivable are recorded at the amount PATH expects to collect on the 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, and 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. The allowance for uncollected rent receivable was \$-0- at May 31, 2019. Bad debt expense, which is netted against rent income in the financial statements, was \$1,938 for the year ended May 31, 2019.

**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 net assets without restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified as net assets without donor restrictions.

**INVESTMENTS**

The Organization accounts for investments in accordance with FASB standard for investments held by not-for-profit organizations (ASC 958-320 and subsections). This standard requires that investments in equity securities with readily determinable fair values and all investments in debt securities be measured at fair value in the Statement of Financial Position. Fair value of marketable equity and debt securities is based on quoted market prices. The realized and unrealized gain or loss on investments is reflected in the change in net assets. Additionally, certain investments are being held at East Texas Communities Foundation (ETCF) for the benefit of PATH. The assets have been reported at current fair value in the accompanying financial statements. For more information about these beneficial interests, refer to Note 5.

Investments are exposed to various risks such as significant world events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the Statement of Financial Position.

**PROPERTY AND EQUIPMENT**

The Organization capitalizes property and equipment over \$1,500. Lesser amounts are expensed. Property and equipment acquired by PATH are recorded at cost if purchased or at estimated fair market value at the date of the gift if donated. Donations are reported as unrestricted contributions unless the donor has restricted the donated asset for 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. Property and equipment are depreciated using straight-line method over their estimated useful lives ranging from three to thirty-nine years.

The following summarizes the classes and estimated useful lives of property and equipment:

	<u>Estimated Useful Lives</u>
Buildings	27.5 - 31.5 years
Building improvements	15 - 39 years
Furniture and fixtures	5 - 10 years
Computer equipment	3 - 5 years
Equipment	5 - 10 years
Automobiles	5 years

**PEOPLE ATTEMPTING TO HELP (PATH)  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**REVENUE**

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

**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 help of PATH, many patients in need would not be able to complete the steps necessary to obtain 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 May 31, 2019 that they assisted clients in obtaining \$277,583 in prescription drugs, respectively.

**LEASING ARRANGEMENTS**

PATH's rental activities are comprised of housing rentals to qualifying low income tenants using month-to-month, six months and one year operating type leases. The future minimum rentals in the aggregate for the leases in existence as of year-end are estimated to be \$104,000 and \$22,000 for the fiscal years ending 2020 and 2021, respectively.

**CONTRIBUTIONS**

Under generally accepted accounting principles for not-for-profit organizations, 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 restrictions.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions 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 net assets with donor restrictions. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets are reclassified to net assets without donor restriction 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. Food is valued at cost based price per pound per the Feeding America website. Fans, blankets and other items are valued at cost.

**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 22,000 volunteer hours per year.

**FUNCTIONAL ALLOCATION OF EXPENSES**

The Organization allocates expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program or support service are allocated according to their natural expenditure classification. Personnel costs are allocated based on an analysis of actual time and depreciation is allocated based on estimated space utilized for the related activities. Other expenses that are common to several functions are allocated as deemed appropriate.

**PEOPLE ATTEMPTING TO HELP (PATH)  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**FUNCTIONAL ALLOCATION OF EXPENSES - CONTINUED**

The Organization's principal program and support services include:

Tyler Community Homes (TCH)

The Tyler Community House program provides decent, safe, affordable rental housing for low to moderate-income families and individuals throughout the Tyler area. The Organization owns 52 rental homes that are only available to applicants whose income is less than 80% of median income. The Transitional Housing Program provides case management for a period of 24 months to those desiring more in-depth guidance and support as they work toward enhancing the quality of their lives.

PATH participated with the City of Tyler under the US Department of Housing and Urban Development's ("HUD") HOME Program. Between 2009 and 2017, fourteen of the above mentioned homes were built with proceeds received under this program. The homes are to be leased and occupied by low income families for a total of 240 months. 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. PATH is monitored annually for compliance with the HOME Program requirements.

Assistance

The Organization offers several assistance programs to residents of East Texas. Assistance programs include, but are not limited to: eyeglasses, diaper assistance, a food pantry, basic dental care, prescription assistance, vision, rent, mortgage, and utility assistance, and a Kid Reach/Mentoring program.

Fundraising

The Organization employs staff to generate public awareness of collection efforts of PATH for annual campaign contributions.

**RECLASSIFICATION**

Certain reclassifications have been made to the prior year's financial balances to conform to the current year's presentation. These reclassifications had no impact on total net assets.

**RESTATEMENT OF NET ASSETS**

Prior year net assets were restated to properly reflect the accounting and administration of donor restricted revenue, carried by the Organization as deferred income, resulting in \$100,130 of additional net assets, as of May 31, 2018.

**RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS**

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement* (Topic 820): *Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. The update applies to all entities that are required under existing U.S. GAAP to make disclosures about recurring or nonrecurring fair value measurements. The following disclosure requirements are modified with this update: (1) in lieu of a rollforward for Level 3 fair value measurements, a nonpublic entity is required to disclose transfers into and out of Level 3 of the fair value hierarchy and purchases and issues of Level 3 assets and liabilities; (2) for investments in certain entities that calculate net asset value, an entity is required to disclose the timing of liquidation of an investee's assets and the date when restrictions from redemption might lapse *only* if the investee has communicated the timing to the entity or announced the timing publicly; and (3) the amendments clarify that the measurement uncertainty disclosure is to communicate information about the uncertainty in measurement as of the reporting date. In addition, the amendments eliminate "at a minimum" from the phrase "an entity shall disclose at a minimum" to promote the appropriate exercise of discretion by entities when considering fair value measurement disclosures and to clarify that materiality is an appropriate consideration of entities and their auditors when evaluating disclosure requirements. The ASU is effective for annual periods beginning after December 15, 2019. Early adoption is permitted. The Organization's management is in the process of evaluating the impact of this accounting guidance and currently plans to implement this standard beginning June 1, 2020.

**PEOPLE ATTEMPTING TO HELP (PATH)  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS - CONTINUED**

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This update is to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and (2) determining whether a contribution is conditional. The update is to help characterize grants and similar contracts with resource providers (i.e. foundation, a government agency, or other, but not the general public) as either exchange transactions or contributions and in determining whether a contribution is conditional when applying revenue recognition guidance. The ASU is effective for annual periods beginning after December 15, 2019. Early adoption is permitted. The Organization's management is in the process of evaluating the impact of this accounting guidance and currently plans to implement this standard beginning June 1, 2020.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This update requires lessees to recognize assets and liabilities for leases with lease terms of more than 12 months and disclose key information about leasing arrangements. Consistent with current GAAP, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as finance or operating lease. The update is effective for reporting periods beginning after December 15, 2020 for non-public entities with early adoption permitted. The Organization's management is in the process of evaluating the impact of this accounting guidance and currently plans to implement this standard beginning on June 1, 2021.

In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers*. This ASU defers the effective date of ASU 2014-09, *Revenue from Contracts with Customers*, for non-public entities to annual reporting periods after December 15, 2018 with early implementation permitted for annual reporting periods after December 15, 2016. ASU 2014-09 supersedes the revenue recognition requirements in ASC Topic 605, *Revenue Recognition*, and establishes a new five step process for revenue recognition. The Organization's management is currently evaluating the impact of this accounting guidance and does not expect any significant impact on the financial statements.

**NOTE 2 - PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

Furniture and fixtures	\$ 110,748
Automobiles	17,550
Buildings and improvements	
Land	5,000
Other	1,108,849
Rental Property	
Office:	
Land	32,200
Other	316,255
Houses:	
Land	117,044
Other	2,514,798
	<u>\$ 4,222,444</u>
Less: accumulated depreciation	<u>(2,314,023)</u>
Net property and equipment	<u>\$ 1,908,421</u>

**PEOPLE ATTEMPTING TO HELP (PATH)  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2019**

**NOTE 3 - INVESTMENTS**

Investments, stated at fair value, at May 31, 2019 include (cost information for investments held at ETCF is not available):

	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Fair Value</u>
Mutual Funds	\$ 641,834	\$ 32,638	\$ 674,472
Cash	47,203	-	47,203
Investments at East Texas Communities Foundation	-	-	822,227
Total	<u>\$ 689,037</u>	<u>\$ 32,638</u>	<u>\$ 1,543,902</u>

Investment income from investments is comprised of the following for the year ended May 31, 2019:

Interest and dividends	\$ 58,056
Realized and unrealized losses	(35,676)
Investment fees and expenses	(22,280)
Total investment income	<u>\$ 100</u>

The investments held by the company are primarily board-designated endowment funds, or are funds restricted for permanent endowment by the donor (See Notes 6 and 7).

Investments with Donor Restrictions	
Endowment Fund*	\$ 110,769
RMA Fund*	144,734
Board Designated Funds	
Building Fund*	566,724
Faith in our Future ("FIOF")	721,675
Total Investments	<u>\$ 1,543,902</u>

\*Balances invested at ETCF

Investments at ETCF primarily consist of contributions made by PATH, which are considered an irrevocable transfer to ETCF; however, PATH has named itself or its successor as the beneficiary.

**NOTE 4 - BENEFICIAL INTEREST IN ASSETS HELD BY THE EAST TEXAS COMMUNITIES FOUNDATION**

PATH complies with the requirement in the FASB ASC 958 that an asset be reported for amounts transferred to a recipient organization where the resource provider is named as the beneficiary. Beneficial interest activity was as follows for 2019:

	<u>Endowment Fund</u>	<u>Kid Reach Fund</u>	<u>Baker Endowment</u>	<u>Total</u>
Beneficial interest at May 31, 2018	\$ 15,558	\$ 3,532	\$ 653,722	\$ 672,812
Distribution from ETCF for beneficial interest	-	-	(81,483)	(81,483)
Increase/(decrease) in beneficial interest				
Realized gains/losses	71	16	(3,022)	(2,935)
Unrealized gains/losses	184	42	5,070	5,296
Investment interest	366	83	16,583	17,032
Other expenses	(187)	(42)	(8,813)	(9,042)
Subtotal	<u>434</u>	<u>99</u>	<u>9,818</u>	<u>10,351</u>
Beneficial interest at May 31, 2019	<u>\$ 15,992</u>	<u>\$ 3,631</u>	<u>\$ 582,057</u>	<u>\$ 601,680</u>

**PEOPLE ATTEMPTING TO HELP (PATH)  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2019**

**NOTE 5 - FAIR VALUE MEASUREMENT**

ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. ASC 820 defines fair value as 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. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value.

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table sets forth by level, within the fair value hierarchy, the Organization's investment assets at fair value as of May 31, 2019:

<u>2019</u>	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Beneficial Interest in assets held by others	\$ 601,680	\$ -	\$ -	\$ 601,680
Investments held at ETCF	822,227	-	-	822,227
Cash	47,203	47,203	-	-
Mutual funds	674,472	674,472	-	-
Total	<u>\$ 2,145,582</u>	<u>\$ 721,675</u>	<u>\$ -</u>	<u>\$ 1,423,907</u>

**PEOPLE ATTEMPTING TO HELP (PATH)  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2019**

**NOTE 6 - RESTRICTIONS ON NET ASSETS**

Restricted net assets were comprised of the following at May 31, 2019:

Tyler Community Homes	\$	145,493
Assistance		43,060
Fundraising		59,561
Beneficial interests in ETCF endowments, income unrestricted as to use		609,493
Other endowments		242,893
		242,893
	<b>\$</b>	<b>1,100,500</b>

Net assets were released from donor restrictions by incurring expenditures satisfying the restricted purposes or by occurrences of other events specified by donors during the year ended May 31, 2019:

Purpose restrictions accomplished:

PATH Week	\$	68,500
Assistance		243,022
Tyler Community Homes		23,266
		23,266
	<b>\$</b>	<b>334,788</b>

**NOTE 7 - ENDOWMENT FUNDS**

**BOARD DESIGNATED ENDOWMENTS**

*Faith in Our Future*

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.

In 2011, an estate bequeathed to PATH a sum of \$500,000. PATH's board of directors designated one-half to the Faith in Our Future Campaign. The other one-half was designated for facilities.

*Building Fund*

During 2013, PATH created a building fund account for the funds designated for capital improvements. These funds are being held and invested by East Texas Communities Foundation in a moderate portfolio.

Designated funds, carried in investments, were \$1,288,399 at May 31, 2019.

**ENDOWMENT FUNDS**

*Endowment Fund*

This fund was initially created by a gift from Gertrude Buckley Windsor and is administered under the following terms:

- Gains from the investments shall be added to the principal of the fund and losses from the investments shall be deducted from the principal 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 Endowment Fund shall be transferred to the Salvation Army in Tyler, Texas.
- The annual net income from the fund shall be used for the purposes for which PATH was founded.



**PEOPLE ATTEMPTING TO HELP (PATH)  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2019**

**NOTE 7 - ENDOWMENT FUNDS - CONTINUED**

**ENDOWMENT FUNDS - CONTINUED**

The funds have been invested in a moderate portfolio by ETCF, and earnings will be distributed in accordance with the fund distribution policy.

*C.C. and Brenda Baker Endowment Fund*

This fund was established in 2012 naming PATH as beneficiary. Under terms of the agreement, the donor stipulated that the original \$600,000 gift be held and invested by East Texas Communities Foundation indefinitely and income from the fund is to be distributed to PATH annually for its unrestricted use. The funds have been invested in a moderate portfolio by ETCF. During the year ending May 31, 2019, PATH received a \$81,483 distribution from the endowment. The Organization may withdraw once per calendar year from the Fund an amount of investment income earned during the prior calendar year, net of administrative and investment expenses incurred by the Fund. Any portion not withdrawn in one year may be withdrawn in the subsequent year; however, no additional distributions may be made from the Fund.

*Retail Merchants of America Endowment*

During 2018, PATH received \$140,000 from Retail Merchants of America, a non-profit entity. The income is available for unrestricted use in accordance with the fund distribution policy.

*Endowment Policies and Guidelines*

The Organization's endowments consist of various funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The investment in beneficial interest represents investments held by East Texas Communities Foundation and consists primarily of mutual funds, equity investments, and fixed income investments. These assets have been reported in the accompanying financial statements in accordance with ASC 958-605-50, subsections 4-6, *Transfer of Assets to a Not-for-Profit Entity or Charitable Trust that Raises or Holds Contributions for Others* at current fair market value as determined by ETCF. These funds are managed according to the holding Organization's guidelines.

The Organization is subject to the Uniform Prudent Management of Institutional Funds Act ("TX UPMIFA"). In accordance with the TX UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

**INTERPRETATION OF RELEVANT LAW**

The Board of Directors of the Organization has interpreted the TX UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Organization would consider the fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment that are required to be maintained in perpetuity made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The Organization has interpreted TX UPMIFA to permit spending from underwater funds in accordance with prudent measures required under the law. The fund is not currently underwater.

**PEOPLE ATTEMPTING TO HELP (PATH)  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2019**

**NOTE 7 - ENDOWMENT FUNDS - CONTINUED**

**INVESTMENT RETURN OBJECTIVES, RISK PARAMETERS AND STRATEGIES**

The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make annual distributions, while growing the funds if possible.

Actual returns in any given year may vary from the amount expected. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

**SPENDING POLICY**

PATH follows the respective spending policies by fund, as noted in the individual board designated and donor-restricted endowment agreements.

**NOTE 8 - 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 year ended May 31, 2019. The food donated includes 208,470 pounds from East Texas Food Bank.

Food	\$ 945,804
Fans	3,432
Blankets	14,136
Coats for kids	5,800
Dental	36,400
Miscellaneous	158,505
	<u>\$ 1,164,077</u>

**NOTE 9 - 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 3% of each participating eligible employee's salary. Employees are immediately 100% vested in both employee and employer contributions. The Plan allows for nonelective employer contributions under which PATH may contribute up to 2% of employee eligible compensation regardless of whether the employee contributes to the Plan. Plan contribution expense incurred by PATH totaled \$14,170 in 2019.

**PEOPLE ATTEMPTING TO HELP (PATH)  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2019**

**NOTE 10 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Financial assets available to meet cash needs for general expenditure within one year as of May 31, 2019 are as follows:

Financial assets at year-end	\$ 2,535,040
Less those unavailable for general expenditure within one year due to:	
Donor-restricted for TCH	145,493
Donor-restricted for Assistance Programs	43,060
Donor-restricted for Fundraising activities	59,561
Donor-restricted investments	242,893
Donor-restricted beneficial interests	609,493
	1,100,500
Financial assets available to meet cash needs for general expenditure within one year	\$ 1,434,540

PATH has additional board designated endowment funds with restrictions on use governed by the board of directors, totaling \$1,288,399; however, their use can be adjusted through board action.

**NOTE 11 - 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 nonprofit 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. During 2017, four additional homes were completed and donated to PATH.

**NOTE 12 - CONCENTRATIONS OF CREDIT AND MARKET RISK**

Financial instruments that potentially expose PATH to concentrations of credit and market risk consist primarily of cash and cash equivalents, rent receivable, 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 receivable and accounts receivable are monitored on an ongoing basis and management believes they do not represent a significant credit risk.

**NOTE 13 - 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.

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.

**PEOPLE ATTEMPTING TO HELP (PATH)**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2019**

**NOTE 13 - COMMITMENTS AND CONTINGENCIES - CONTINUED**

Between 2009 and 2017, PATH entered into deferred forgivable loans with the City of Tyler in connection with the US Department of Housing and Urban Development's ("HUD") HOME Program. The loans represent the initial construction cost of the homes, and are amortized for each month of compliance with the terms of the agreement, which 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 of 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 May 31, 2019 the estimated outstanding contingent liability is \$805,922. Management has elected not to record the contingent liability in the financials as management believes it is unlikely that PATH would be out of compliance with the City of Tyler agreement and HUD program and therefore would not owe the remaining balance of the deferred forgivable loans.

**NOTE 14 - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through January 3, 2020, the date that the financial statements were available to be issued.



## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors  
People Attempting to Help (PATH)  
Tyler, Texas

We have audited, in accordance with the 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, the financial statements of People Attempting to Help (PATH) (a nonprofit organization), which comprise the statement of financial position as of May 31, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 3, 2020.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered PATH's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of PATH's internal control. Accordingly, we do not express an opinion on the effectiveness of PATH's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore; material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Responses, that we consider to be a material weakness (2019-1).

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether PATH's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



**PATH's Response to Findings**

PATH's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. PATH's response has not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Henry & Peters P.C.

Tyler, Texas  
January 3, 2020

**PEOPLE ATTEMPTING TO HELP (PATH)  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED MAY 31, 2019**

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditor’s report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes
• Significant deficiency(s) identified that are not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	No

**Section II – Findings Required to be Reported by *Government Auditing Standards***

2019-1

*Criteria:*

Internal controls over financial reporting should be designed to ensure proper reporting in compliance with Accounting Principles Generally Accepted in the United States of America (U.S. GAAP).

*Condition:*

During the audit, we noted the following condition:

- Restricted contributions received during the year were improperly recorded as deferred revenue and were not recognized as income to the organization during the current year.

*Cause:*

The organization had a lack of understanding regarding U.S. GAAP for financial reporting.

*Effect or Potential Effect:*

The effect was a material adjustment to the financial statements.

*Recommendation:*

We recommend that management record restricted contributions as revenue and net assets with donor restrictions in the year received in accordance with U.S. GAAP.

*Management’s Response:*

We have implemented procedures to ensure restricted contributions are properly recognized as revenue and net assets with donor restrictions in the year they are received.

**PEOPLE ATTEMPTING TO HELP (PATH)  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED MAY 31, 2019**

There are no prior audit findings to report on.