

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

FINANCIAL STATEMENTS

MAY 31, 2021 AND 2020

**PEOPLE ATTEMPTING TO HELP (PATH)
FINANCIAL STATEMENTS
MAY 31, 2021 AND 2020**

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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, 2021 and 2020, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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, 2021 and 2020, 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 October 18, 2021, 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.

Henry + Peters, P.C.

Tyler, Texas
October 18, 2021

**PEOPLE ATTEMPTING TO HELP (PATH)
STATEMENTS OF FINANCIAL POSITION
MAY 31, 2021 AND 2020**

	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 812,222	\$ 420,103
Accounts receivable, net of allowance	23,121	2,269
Total current assets	835,343	422,372
Property and equipment, net	1,677,921	1,809,969
Other Long-Term Assets		
Beneficial interest receivable	1,772,344	1,451,603
Investments	2,707,002	2,201,299
Total other long-term assets	4,479,346	3,652,902
Total assets	\$ 6,992,610	\$ 5,885,243
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 13,611	\$ 33,865
Compensated absences payable	17,135	21,261
Security deposits	17,148	15,708
Current portion of capital lease obligation	8,026	3,938
Other payables	17,214	50
Total current liabilities	73,134	74,822
Capital lease obligation, net of current portion	2,180	14,294
Paycheck Protection Program Loan	157,100	150,600
Total liabilities	232,414	239,716
Net assets		
Without donor restrictions	4,088,347	3,134,572
With donor restrictions	2,671,849	2,510,955
Total net assets	6,760,196	5,645,527
Total liabilities and net assets	\$ 6,992,610	\$ 5,885,243

See accompanying notes to financial statements

**PEOPLE ATTEMPTING TO HELP (PATH)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Contributions	\$ 1,025,195	\$ 212,361	\$ 1,237,556
Donated goods and services	1,073,610	-	1,073,610
Grants	-	49,205	49,205
Interest and dividends	111,812	2,290	114,102
Special events and fundraisers	218,098	-	218,098
Rental income	256,760	-	256,760
Paycheck Protection Plan loan forgiveness	150,600	-	150,600
Other income	110,601	-	110,601
Net change in beneficial interest receivable	299,261	-	299,261
Net realized and unrealized gain on investments	419,774	-	419,774
Net gain on sale of property and equipment	1,829	-	1,829
Net assets released from restrictions:			
Expiration of time restrictions	40,913	(40,913)	-
Satisfaction of program restrictions	62,049	(62,049)	-
Total revenues, gains and other support	<u>3,770,502</u>	<u>160,894</u>	<u>3,931,396</u>
EXPENSES			
Program	2,258,908	-	2,258,908
Management and general	366,893	-	366,893
Fundraising	190,926	-	190,926
Direct donor benefits	-	-	-
Total expenses	<u>2,816,727</u>	<u>-</u>	<u>2,816,727</u>
CHANGE IN NET ASSETS	953,775	160,894	1,114,669
NET ASSETS			
Beginning of period	3,134,572	2,510,955	5,645,527
End of period	<u>\$ 4,088,347</u>	<u>\$ 2,671,849</u>	<u>\$ 6,760,196</u>

**PEOPLE ATTEMPTING TO HELP (PATH)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Contributions	\$ 666,934	\$ 1,661,109	\$ 2,328,043
Donated goods and services	1,030,566	-	1,030,566
Grants	-	51,252	51,252
Interest and dividends	83,228	2,799	86,027
Special events and fundraisers	273,190	-	273,190
Rental income	240,647	-	240,647
Other income	3,160	-	3,160
Net change in beneficial interest receivable	28,416	-	28,416
Net realized and unrealized loss on investments	(20,530)	-	(20,530)
Gain on sale of fixed assets	5	-	5
Net assets released from restrictions:			
Expiration of time restrictions	79,240	(79,240)	-
Satisfaction of program restrictions	468,421	(468,421)	-
Total revenues, gains and other support	<u>2,853,277</u>	<u>1,167,499</u>	<u>4,020,776</u>
EXPENSES			
Program	2,245,984	-	2,245,984
Management and general	354,224	-	354,224
Fundraising	99,699	-	99,699
Direct donor benefits	59,504	-	59,504
Total expenses	<u>2,759,411</u>	<u>-</u>	<u>2,759,411</u>
CHANGE IN NET ASSETS	93,866	1,167,499	1,261,365
NET ASSETS			
Beginning of period	3,040,706	1,343,456	4,384,162
End of period	<u>\$ 3,134,572</u>	<u>\$ 2,510,955</u>	<u>\$ 5,645,527</u>

**PEOPLE ATTEMPTING TO HELP (PATH)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MAY 31, 2021**

	Total	Program Services		Supporting Services		
		PATH Community Homes	Assistance	Management and general	Fundraising	Direct Donor Benefit
EXPENSES						
Program assistance distributions	\$ 1,510,205	\$ -	\$ 1,510,205	\$ -	\$ -	\$ -
Volunteer Program	1,784	-	1,784	-	-	-
Rx Assistance	1,350	-	1,350	-	-	-
Property Management - PCH	40,887	40,887	-	-	-	-
Bad debt expense	4,248	4,248	-	-	-	-
Transitional Housing	3,577	3,577	-	-	-	-
Special Events	30,276	-	-	-	30,276	-
Development	26,001	-	-	-	26,001	-
Personnel	781,711	290,120	278,547	82,942	130,102	-
Miscellaneous	67,995	-	-	67,995	-	-
Accounting and legal fees	20,594	-	-	20,594	-	-
Office Equipment	32,092	-	-	32,092	-	-
Occupancy	129,697	-	-	129,697	-	-
Repairs and maintenance	15,743	-	-	15,743	-	-
Depreciation	150,567	93,108	35,082	17,830	4,547	-
Total expenses	<u>\$ 2,816,727</u>	<u>\$ 431,940</u>	<u>\$ 1,826,968</u>	<u>\$ 366,893</u>	<u>\$ 190,926</u>	<u>\$ -</u>

**PEOPLE ATTEMPTING TO HELP (PATH)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MAY 31, 2020**

	Total	Program Services		Supporting Services		
		PATH Community Homes	Assistance	Management and general	Fundraising	Direct Donor Benefit
EXPENSES						
Program assistance distributions	\$ 1,424,228	\$ -	\$ 1,424,228	\$ -	\$ -	\$ -
Volunteer Program	2,305	-	2,305	-	-	-
Kid Reach	392	-	392	-	-	-
Rx Assistance	1,350	-	1,350	-	-	-
Property management - PCH	36,333	36,333	-	-	-	-
Bad debt expense	8,174	8,174	-	-	-	-
Transitional Housing	4,677	4,677	-	-	-	-
Special events	59,504	-	-	-	-	59,504
Development	20,162	-	-	20,162	-	-
Personnel	824,104	272,321	275,154	179,340	97,289	-
Miscellaneous	28,406	-	-	28,406	-	-
Professional services	20,239	-	-	20,239	-	-
Office equipment	9,629	-	-	9,629	-	-
Occupancy	63,087	-	-	63,087	-	-
Repairs and maintenance	106,015	91,275	-	14,740	-	-
Depreciation	150,806	96,802	32,973	18,621	2,410	-
Total expenses	<u>\$ 2,759,411</u>	<u>\$ 509,582</u>	<u>\$ 1,736,402</u>	<u>\$ 354,224</u>	<u>\$ 99,699</u>	<u>\$ 59,504</u>

**PEOPLE ATTEMPTING TO HELP (PATH)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MAY 31, 2021 AND 2020**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 1,114,669	\$ 1,261,365
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Bad debt expense	4,248	8,174
Depreciation	150,567	150,806
Paycheck Protection Program loan forgiveness	(150,600)	-
Net gain on sales of property and equipment	(1,829)	(5)
Net realized and unrealized (gains) losses on investment securities	(419,062)	5,833
Increase in beneficial interest receivable	(327,383)	(65,576)
(Increase) decrease in accounts receivable	(25,100)	(7,222)
(Decrease) increase in accounts payable	(20,254)	21,317
(Decrease) increase in compensated absences payable	(4,126)	6,135
Increase (decrease) in other liabilities	18,604	(19,088)
Total adjustments	(774,935)	100,374
Net cash provided by operating activities	339,734	1,361,739
CASH FLOWS FROM INVESTING ACTIVITIES		
Distributions from beneficial interest receivable	6,642	37,880
Proceeds from sales of investment securities	2,039,441	686,043
Purchases of investment securities	(2,126,082)	(2,171,500)
Proceeds from sales and disposals of property and equipment	9,406	-
Property and equipment purchases	(26,096)	(52,349)
Net cash used by investing activities	(96,689)	(1,499,926)
CASH FLOWS FROM FINANCING ACTIVITIES		
Paycheck Protection Program loan proceeds	157,100	150,600
Proceeds from capital lease obligation	-	18,232
Repayment of capital lease obligation	(8,026)	-
Net cash provided by financing activities	149,074	168,832
Net increase in cash and cash equivalents	392,119	30,645
CASH AND CASH EQUIVALENTS		
Beginning of period	420,103	389,458
End of period	\$ 812,222	\$ 420,103
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES		
Donated goods and services	\$ 1,073,610	\$ 1,030,566

See accompanying notes to financial statements

**PEOPLE ATTEMPTING TO HELP (PATH)
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021 AND 2020**

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 years ended May 31, 2021 and 2020, there were no interest or penalties recorded or included in its financial statements.

PATH's Form 990, Return of Organization Exempt from Income Tax is subject to examination by the IRS, generally for three years after it is 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, 2021 AND 2020**

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. 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. There was no allowance for uncollectable rent receivable for the years ended May 31, 2021 and 2020. Bad debt expense was \$4,248 and \$8,174 for the years ended May 31, 2021 and 2020, respectively.

CONTRIBUTIONS

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 6.

Investments are exposed to various risks such as significant world events, interest rates, 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 the 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, 2021 AND 2020**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

GRANTS

Income from grants is recognized in the period during which contract provisions are satisfied and the grant proceeds are considered to be earned. Such proceeds are recorded as restricted support.

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 years ended May 31, 2021 and 2020 that they assisted clients in obtaining \$73,463 and \$139,116 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. Rental income is recognized when due and payable under the terms of the lease agreements. The future minimum rentals in the aggregate for the leases in existence as of year-end are estimated to be \$84,400 and \$650 for the fiscal years ending 2022 and 2023, respectively.

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 the 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. Depreciation and related repairs and maintenance costs are allocated based on estimated space utilized for the related activities and equipment used for those related activities, respectively.

PATH Community Homes (PCH)

The PATH Community Homes 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 (THP) serves as an additional program under the PCH program and 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.

**PEOPLE ATTEMPTING TO HELP (PATH)
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021 AND 2020**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

FUNCTIONAL ALLOCATION OF EXPENSES - CONTINUED

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, rent, mortgage, and utility assistance, and a Kid Reach/Mentoring program.

Special Events

The Organization hosts an annual dinner each year as a part of a "PATH Week" fundraising event to support the operations of the Organization. Event revenue consists of ticket sales and meal tickets. Due to the ongoing COVID-19 pandemic, no such direct benefit events consisting of meals or tickets were held during the year ended May 31, 2021.

Fundraising

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

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

ASU 2020-05, *Revenue from Contracts with Customers* (Topic 606) and *Leases* (Topic 842) defers the effective date of 2016-02, *Leases* (Topic 842), for non-public entities to annual reporting periods beginning after December 15, 2021. ASU 2016-02 significantly changes accounting for leases by requiring that lessees recognize a right-of-use asset and a related lease liability representing the obligation to make lease payments, for virtually all lease transactions. Additional disclosures about an entity's lease transactions will also be required. ASU 2016-02 defines a lease as "a contract, or part of a contract, that conveys the right to control the use of identified property, plant or equipment (an identified asset) for a period of time in exchange for consideration." Lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented in the financial statements using a modified retrospective approach. The Organization is reviewing the provisions of ASU 2016-02 to determine the impact on its financial statements and related disclosures.

RECLASSIFICATIONS

Certain amounts in the 2020 financial statements have been reclassified to conform to the current-year presentation. These reclassifications had no impact on total net assets. During 2021, certain assets, totaling \$229,614, included in the beneficial interest receivable were determined to be board-designated. As such, these amounts have been reclassified from net assets with donor restrictions to net assets without donor restrictions as of May 31, 2020.

NOTE 2 – ADOPTION OF NEW ACCOUNTING STANDARDS

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.

**PEOPLE ATTEMPTING TO HELP (PATH)
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021 AND 2020**

NOTE 2 – ADOPTION OF NEW ACCOUNTING STANDARDS - CONTINUED

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 adopted this standard as of June 1, 2020 with no financial impact.

In May 2020, 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 adopted this standard as of June 1, 2020 with no financial impact.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2021	2020
Furniture and fixtures	\$ 75,358	\$ 75,358
Automobiles	25,385	25,385
Buildings and improvements		
Land	5,000	5,000
Other	1,100,991	1,094,549
Rental Property		
Office:		
Land	32,200	32,200
Other	316,255	316,255
Houses:		
Land	109,467	117,044
Other	2,535,042	2,515,387
	<u>\$ 4,199,698</u>	<u>\$ 4,181,178</u>
Less: accumulated depreciation	(2,521,777)	(2,371,209)
Net property and equipment	<u>\$ 1,677,921</u>	<u>\$ 1,809,969</u>

NOTE 4 - INVESTMENTS

Investments, stated at fair value, at May 31, 2021 include:

	Cost	Unrealized Gains	Fair Value
Mutual Funds	\$ 2,146,736	\$ 174,402	\$ 2,321,138
Cash	385,864	-	385,864
Total	<u>\$ 2,532,600</u>	<u>\$ 174,402</u>	<u>\$ 2,707,002</u>

**PEOPLE ATTEMPTING TO HELP (PATH)
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021 AND 2020**

NOTE 4 – INVESTMENTS - CONTINUED

Investments, stated at fair value, at May 31, 2020 include:

	Cost	Unrealized Gains	Fair Value
Mutual Funds	\$ 2,081,678	\$ 97,770	\$ 2,179,448
Cash	21,851	-	21,851
Total	<u>\$ 2,103,529</u>	<u>\$ 97,770</u>	<u>\$ 2,201,299</u>

Investment income from investments is comprised of the following for the years ended May 31:

	2021	2020
Interest and dividends	\$ 85,805	\$ 48,867
Realized and unrealized gains (losses)	440,681	(5,833)
Investment fees and expenses	(20,783)	(14,697)
Total investment income	<u>\$ 505,703</u>	<u>\$ 28,337</u>

The investments held by the Organization are primarily board-designated endowment funds, or are funds restricted for permanent endowment by the donor (See Notes 9 and 10).

	2020	2019
Investments with Donor Restrictions		
Ormelas Endowment	\$ 1,531,934	\$ 1,500,000
Board Designated Funds		
Faith in our Future ("FIOF")	1,175,068	701,299
Total Investments	<u>\$ 2,707,002</u>	<u>\$ 2,201,299</u>

NOTE 5 – PAYCHECK PROTECTION PROGRAM LOAN

On March 27, 2020, President Trump signed into law the “Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer social security payments, net operating loss carryback opportunities, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions and technical corrections to tax depreciation methods for qualified improvement property. Additionally, the CARES Act appropriated funds for loans under the U.S. Small Business Administration (SBA) Paycheck Protection Program.

The loans are potentially forgivable if certain conditions are met. The Organization elected to apply for and received a Paycheck Protection Program loan, totaling \$150,600 for the year ended May 31, 2020. For the year ended May 31, 2021, the Organization received full forgiveness for \$150,600 and received an additional \$157,100 loan from the SBA. The Organization expects to meet the requirements for forgiveness. There is no guarantee that the Organization will receive forgiveness for loan proceeds received and has recorded a long-term payable in accordance with the CARES Act terms.

NOTE 6 - CAPITAL LEASES

The Company leases various computer office equipment under capital lease. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the assets. The assets are amortized over their estimated productive lives. Amortization of assets under capital lease is included in depreciation expense for the years ended May 31, 2021 and 2020.

**PEOPLE ATTEMPTING TO HELP (PATH)
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021 AND 2020**

NOTE 6 - CAPITAL LEASES - CONTINUED

Following is a summary of the property held under capital lease, included in property and equipment in the accompanying financial statements:

	2021	2020
Office equipment	\$ 22,584	\$ 22,584
Less accumulated amortization	(7,068)	(2,604)
	\$ 15,516	\$ 19,980

Future minimum lease payments under capital leases as of May 31, 2021 are presented as follows:

2022	\$	8,026
2023		2,180
	\$	10,206

NOTE 7 - 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. Beneficial interest activity was as follows for 2021 and 2020:

	Path					Total
	Endowment Fund	Kid Reach Fund	Baker Endowment	RMA Fund	Building Fund	
Beginning balance June 1, 2020	\$ 134,272	\$ 3,846	\$ 568,381	\$ 144,856	\$ 600,248	\$ 1,451,603
Distributions	-	-	-	-	(6,642)	(6,642)
Realized gains/losses	7,905	226	24,850	15,172	35,095	83,248
Unrealized gains/losses	20,873	598	112,408	12,635	92,593	239,107
Investment interest	2,621	75	9,995	3,785	11,645	28,121
Other expenses	(1,787)	(51)	(10,604)	(2,719)	(7,932)	(23,093)
Balance May 31, 2021	\$ 163,884	\$ 4,694	\$ 705,030	\$ 173,729	\$ 725,007	\$ 1,772,344

	Path					Total
	Endowment Fund	Kid Reach Fund	Baker Endowment	RMA Fund	Building Fund	
Beginning balance June 1, 2019	\$ 126,761	\$ 3,631	\$ 582,057	\$ 144,734	\$ 566,724	\$ 1,423,907
Distributions	-	-	(31,907)	(5,973)	-	(37,880)
Realized gains/losses	2,081	97	(23,924)	1,985	9,242	(10,519)
Unrealized gains/losses	3,808	72	36,532	1,860	17,030	59,302
Investment interest	3,203	91	14,748	4,798	14,320	37,160
Other expenses	(1,581)	(45)	(9,125)	(2,548)	(7,068)	(20,367)
Balance May 31, 2020	\$ 134,272	\$ 3,846	\$ 568,381	\$ 144,856	\$ 600,248	\$ 1,451,603

**PEOPLE ATTEMPTING TO HELP (PATH)
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021 AND 2020**

NOTE 8 - 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, 2021 and 2020:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
<u>2021</u>				
Beneficial interest	\$ 1,772,344	\$ -	\$ -	\$ 1,772,344
Money Market	385,864	385,864	-	-
Mutual funds	2,321,138	2,321,138	-	-
Total	<u>\$ 4,479,346</u>	<u>\$ 2,707,002</u>	<u>\$ -</u>	<u>\$ 1,772,344</u>

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
<u>2020</u>				
Beneficial interest	\$ 1,451,603	\$ -	\$ -	\$ 1,451,603
Money Market	21,851	21,851	-	-
Mutual funds	2,179,448	2,179,448	-	-
Total	<u>\$ 3,652,902</u>	<u>\$ 2,201,299</u>	<u>\$ -</u>	<u>\$ 1,451,603</u>

**PEOPLE ATTEMPTING TO HELP (PATH)
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021 AND 2020**

NOTE 9 - RESTRICTIONS ON NET ASSETS

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

	2021	2020
PATH Community Homes	\$ 199,245	\$ 95,126
Assistance	72,058	43,537
Ornelas Endowment	1,500,000	1,500,000
Beneficial Interests*	900,546	872,292
	<u>\$ 2,671,849</u>	<u>\$ 2,510,955</u>

*Restricted balances differ from total balances due to the terms of the related endowment, as described in Note 10.

NOTE 10 - ENDOWMENT FUNDS

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.

Building Fund

During 2013, PATH created a board-designated account for capital improvements. These funds are being held and invested by East Texas Communities Foundation in a moderate portfolio. There is no restriction on withdrawing funds. Should the beneficial interest be terminated by PATH, all funds in the account default to PATH. As such, these funds, while held in beneficial interest, are not considered to be restricted.

PATH Endowment

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 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 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, with 5% of the value of the fund available for a on-time annual withdrawal, while the remainder is to remain restricted.

Ornelas Family Endowment

This fund was initially created by a gift from the Ornelas Family with a \$1,500,000 gift 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 of the fund.
- The annual net income from the fund shall be used for the purposes of feeding the poor.

The funds have been invested, and earnings will be distributed in accordance with the donor distribution policy.

**PEOPLE ATTEMPTING TO HELP (PATH)
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021 AND 2020**

NOTE 10 - ENDOWMENT FUNDS - CONTINUED

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 years ending May 31, 2021 and 2020, PATH received distributions of -\$0- and \$31,907, respectively, from the endowment. The endowment is currently at a fair market value of \$705,029. Per the spending policy of the Fund, 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 a subsequent year; however, no additional distributions may be made from the Fund. As a result of the prior year deficit from the original gift of \$600,000, only \$105,029 is considered unrestricted at May 31, 2021, which is the current balance less the originally restricted amount.

Retail Merchants of America (RMA) 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.

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. No fund is currently underwater.

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.

**PEOPLE ATTEMPTING TO HELP (PATH)
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021 AND 2020**

NOTE 10 - ENDOWMENT FUNDS - CONTINUED

INVESTMENT RETURN OBJECTIVES, RISK PARAMETERS AND STRATEGIES - CONTINUED

Endowment assets are invested in a well-diversified asset mix of equity and debt securities that are 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 11 - IN KIND GIFTS

In addition to monetary contributions, PATH also receives a variety of nonmonetary contributions. The amount of in-kind contributions PATH received is summarized below by category for the years ended May 31, 2021 and 2020. The food donated includes 316,408 and 294,774 pounds from East Texas Food Bank for May 31, 2021 and 2020, respectively.

	<u>2021</u>	<u>2020</u>
Food	\$ 927,507	\$ 824,283
Fans	912	2,400
Blankets	6,116	9,073
Coats for kids	22,200	26,724
Dental	21,000	24,400
Miscellaneous	95,875	143,686
	<u>\$ 1,073,610</u>	<u>\$ 1,030,566</u>

NOTE 12 - 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 \$16,818 in 2021 and \$15,666 in 2020.

**PEOPLE ATTEMPTING TO HELP (PATH)
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021 AND 2020**

NOTE 13 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of May 31, 2021 and 2020, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the stated date. Financial assets available to meet cash needs for general expenditure within one year as of May 31, 2021 and 2020 are as follows:

	2021	2020
Financial assets at year-end	\$ 5,314,689	\$ 4,075,274
Less those unavailable for general expenditure within one year due to:		
Donor-restricted for PCH	72,058	95,126
Donor-restricted for Assistance Programs	199,245	43,537
Donor-restricted investments	1,500,000	1,755,407
Donor-restricted beneficial interests	900,546	846,499
	2,671,849	2,740,569
Financial assets available to meet cash needs for general expenditure within one year	\$ 2,642,840	\$ 1,334,705

NOTE 14 - 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. 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 15 - 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 16 - 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, 2021 AND 2020**

NOTE 16 - COMMITMENTS AND CONTINGENCIES - CONTINUED

Between 2009 and 2017, PATH entered into deferred forgivable loans with the City of Tyler in connection with the 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, 2021, and 2020, the estimated outstanding contingent liability is \$689,040 and \$745,145, respectively. 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.

In early 2020, the World Health Organization declared the novel strain of coronavirus (“COVID-19”) a global pandemic and recommended containment and mitigation measures worldwide. As a result of the COVID-19 virus pandemic, there has been disruption in businesses and markets world-wide. Current economic and financial market conditions related to the COVID-19 virus pandemic could adversely affect the Organization’s results of operations in future periods. While the long-term effects are unknown, Management believes that it has the resources to handle its current obligations.

NOTE 17 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through October 18, 2021, the date on which 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 statements of financial position as of May 31, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated October 18, 2021.

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, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item 2021-1, that we consider to be a significant deficiency.

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 questioned costs. PATH's response was not 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Henry + Peters, P.C.

Tyler, Texas
October 18, 2021

**PEOPLE ATTEMPTING TO HELP (PATH)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MAY 31, 2021**

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?	No
• Significant deficiency(s) identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

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

2021-1

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:

- Contribution revenue was not properly reconciled between the subsidiary detail and the general ledger.

Cause:

The organization had a lack of formal reconciliation controls in process during the year.

Effect or Potential Effect:

The effect was not material to the financial statements. The potential effect on the financial statements should contributions not be properly reconciled on an accrual basis could be material.

Recommendation:

We recommend that management ensure proper reconciliation of contributions each month to ensure totals are accurately reflected in the financial statements of the Organization.

Management’s Response and Corrective Action Plan:

Management’s response and corrective action plan are included at the end of this report after the summary schedule of prior audit findings and status.

**PEOPLE ATTEMPTING TO HELP (PATH)
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED MAY 31, 2021**

<u>Finding</u>	<u>Condition</u>	<u>Status</u>
2020-1	The FY20 audit identified that investment activity had only been recorded through March 31, 2020, leaving two months of activity unaccounted for as of year-end.	The Organization implemented processes during FY21 which properly accounted for investments throughout the year, resulting in properly stated year end amounts.

**PEOPLE ATTEMPTING TO HELP (PATH)
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED MAY 31, 2021**

This corrective action plan is the responsibility of Andrea Wilson, Executive Director, and Diane Kavanaugh, Finance Director

Finding 2021-1:

Contribution revenue was not properly reconciled between the subsidiary detail and the general ledger.

Action Taken/Who:

Contribution revenue activity has previously been recorded in Quickbooks separately from Donor-perfect. This has historically resulted in minimal differences between accounting functions. In the current year, the difference was above an acceptable threshold due to contribution activity at the end of the year. Recognizing the potential for a future material misstatement to the financial statements based on inherent human error, management will ensure contributions are reconciled on an accrual basis across both contribution accounting functions during the year.