

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

FINANCIAL STATEMENTS

MAY 31, 2023 AND 2022

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FINANCIAL STATEMENTS
MAY 31, 2023 AND 2022**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

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, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of PATH as of May 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of PATH and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about PATH's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 PATH's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about PATH's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2023, 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
September 7, 2023

**PEOPLE ATTEMPTING TO HELP (PATH)
STATEMENTS OF FINANCIAL POSITION
MAY 31, 2023 AND 2022**

	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 937,150	\$ 929,973
Accounts receivable, net of allowance	2,921	4,229
Employee Retention Credit receivable	204,215	-
Prepaid expenses	2,260	545
Total current assets	1,146,546	934,747
Property and equipment, net	1,564,862	1,601,372
Construction in progress	37,661	-
Other Long-Term Assets		
Beneficial interest receivable	1,536,723	1,625,564
Investments	2,754,648	2,732,567
Total other long-term assets	4,291,371	4,358,131
Total assets	\$ 7,040,440	\$ 6,894,250
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 3,005	\$ 35,662
Compensated absences payable	13,604	15,063
Security deposits	16,085	15,058
Deferred rental revenue	3,065	1,155
Current portion of finance lease obligation	-	2,180
Other payables	-	401
Total current liabilities	35,759	69,519
Net assets		
Without donor restrictions	4,412,549	4,115,011
With donor restrictions	2,592,132	2,709,720
Total net assets	7,004,681	6,824,731
Total liabilities and net assets	\$ 7,040,440	\$ 6,894,250

See accompanying notes to financial statements

**PEOPLE ATTEMPTING TO HELP (PATH)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Contributions of cash and financial assets	\$ 937,717	\$ 474,304	\$ 1,412,021
Contributions of non-financial assets	1,105,063	-	1,105,063
Grants	-	115,891	115,891
Interest and dividends	149,064	2,796	151,860
Special events and fundraisers	286,436	-	286,436
Rental income	230,768	-	230,768
Employee Retention Credit	204,215	-	204,215
Other income	91,423	-	91,423
Net change in beneficial interest receivable	(73,685)	-	(73,685)
Net realized and unrealized loss on investments	(111,157)	-	(111,157)
Net gain on sale of property and equipment	120,810	-	120,810
Net assets released from restrictions:			
Expiration of time restrictions	75,781	(75,781)	-
Satisfaction of program restrictions	634,798	(634,798)	-
Total revenues, gains and other support	<u>3,651,233</u>	<u>(117,588)</u>	<u>3,533,645</u>
EXPENSES			
Program	2,702,908	-	2,702,908
Management and general	397,503	-	397,503
Fundraising	253,284	-	253,284
Total expenses	<u>3,353,695</u>	<u>-</u>	<u>3,353,695</u>
CHANGE IN NET ASSETS	297,538	(117,588)	179,950
NET ASSETS			
Beginning of period	4,115,011	2,709,720	6,824,731
End of period	<u>\$ 4,412,549</u>	<u>\$ 2,592,132</u>	<u>\$ 7,004,681</u>

**PEOPLE ATTEMPTING TO HELP (PATH)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Contributions of cash and financial assets	\$ 640,252	\$ 400,844	\$ 1,041,096
Contributions of non-financial assets	908,296	-	908,296
Grants	-	180,321	180,321
Interest and dividends	174,778	2,633	177,411
Special events and fundraisers	218,190	-	218,190
Rental income	242,666	-	242,666
Paycheck Protection Program loan forgiveness	157,100	-	157,100
Other income	602,682	-	602,682
Net change in beneficial interest receivable	(194,481)	-	(194,481)
Net realized and unrealized loss on investments	(329,037)	-	(329,037)
Net loss on disposal of property and equipment	(865)	-	(865)
Net assets released from restrictions:			
Expiration of time restrictions	95,985	(95,985)	-
Satisfaction of program restrictions	449,942	(449,942)	-
Total revenues, gains and other support	<u>2,965,508</u>	<u>37,871</u>	<u>3,003,379</u>
EXPENSES			
Program	2,413,854	-	2,413,854
Management and general	318,379	-	318,379
Fundraising	206,611	-	206,611
Total expenses	<u>2,938,844</u>	<u>-</u>	<u>2,938,844</u>
CHANGE IN NET ASSETS	26,664	37,871	64,535
NET ASSETS			
Beginning of period	4,088,347	2,671,849	6,760,196
End of period	<u>\$ 4,115,011</u>	<u>\$ 2,709,720</u>	<u>\$ 6,824,731</u>

**PEOPLE ATTEMPTING TO HELP (PATH)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MAY 31, 2023**

	Total	Program Services		Supporting Services	
		PATH Community Homes	Assistance	Management and general	Fundraising
EXPENSES					
Program assistance distributions	\$ 1,871,273	\$ -	\$ 1,871,273	\$ -	\$ -
Volunteer program	5,216	-	5,216	-	-
Rx Assistance	1,400	-	1,400	-	-
Property management - PCH	162,733	162,733	-	-	-
Bad debt expense	6,963	6,963	-	-	-
Transitional housing	20,193	20,193	-	-	-
Special events	82,267	-	-	-	82,267
Development	38,769	-	-	-	38,769
Personnel	862,598	268,909	228,213	236,401	129,075
Miscellaneous	30,422	-	-	30,422	-
Accounting and legal fees	25,000	-	-	25,000	-
Office equipment	17,800	-	-	17,800	-
Occupancy	65,873	-	-	65,873	-
Repairs and maintenance	19,351	2,095	-	17,256	-
Depreciation	143,837	92,773	43,140	4,751	3,173
Total expenses	<u>\$ 3,353,695</u>	<u>\$ 553,666</u>	<u>\$ 2,149,242</u>	<u>\$ 397,503</u>	<u>\$ 253,284</u>

**PEOPLE ATTEMPTING TO HELP (PATH)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MAY 31, 2022**

	Total	Program Services		Supporting Services	
		PATH Community Homes	Assistance	Management and general	Fundraising
EXPENSES					
Program assistance distributions	\$ 1,446,149	\$ -	\$ 1,446,149	\$ -	\$ -
Volunteer program	4,713	-	4,713	-	-
Kid Reach	1,225	-	1,225	-	-
Rx Assistance	1,350	-	1,350	-	-
Property management - PCH	151,156	151,156	-	-	-
Bad debt expense	8,204	8,204	-	-	-
Transitional housing	21,887	21,887	-	-	-
Special events	42,019	-	-	-	42,019
Development	30,312	-	-	-	30,312
Personnel	929,747	299,254	349,603	149,172	131,718
Miscellaneous	29,030	-	-	29,030	-
Accounting and legal fees	22,000	-	-	22,000	-
Office equipment	22,164	-	-	22,164	-
Occupancy	61,039	-	-	61,039	-
Repairs and maintenance	25,700	-	-	25,700	-
Depreciation	142,149	105,664	24,649	9,274	2,562
Total expenses	<u>\$ 2,938,844</u>	<u>\$ 586,165</u>	<u>\$ 1,827,689</u>	<u>\$ 318,379</u>	<u>\$ 206,611</u>

**PEOPLE ATTEMPTING TO HELP (PATH)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MAY 31, 2023 AND 2022**

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 179,950	\$ 64,535
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Bad debt expense	6,963	8,204
Depreciation	143,837	142,149
Paycheck Protection Program loan forgiveness	-	(157,100)
Net (gain) loss on disposal of property and equipment	(120,810)	865
Net realized and unrealized losses on investment securities	12,788	199,327
Non-cash contributions received of capital improvement	-	(13,500)
Changes in operating assets and liabilities:		
Decrease in beneficial interest receivable	29,956	146,780
(Increase) decrease increase in accounts receivable	(5,655)	10,688
Increase in Employee Retention Credit receivable	(204,215)	-
Increase in prepaid expenses	(1,715)	(545)
(Decrease) increase in accounts payable	(32,657)	22,051
Decrease in compensated absences payable	(1,459)	(2,072)
Increase in deferred revenue	1,910	1,155
Increase (decrease) in other liabilities	626	(18,903)
Total adjustments	(170,431)	339,099
Net cash provided by operating activities	9,519	403,634
CASH FLOWS FROM INVESTING ACTIVITIES		
Distributions from beneficial interest receivable	58,885	-
Proceeds from sales of investment securities	75,052	482,170
Purchases of investment securities	(109,921)	(707,062)
Proceeds from sales of property and equipment	139,844	-
Property and equipment purchases	(164,022)	(52,965)
Net cash used by investing activities	(162)	(277,857)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of finance lease obligation	(2,180)	(8,026)
Net cash used by financing activities	(2,180)	(8,026)
Net increase in cash and cash equivalents	7,177	117,751
CASH AND CASH EQUIVALENTS		
Beginning of period	929,973	812,222
End of period	\$ 937,150	\$ 929,973
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES		
Donated goods and services	\$ 1,105,063	\$ 908,296

See accompanying notes to financial statements

**PEOPLE ATTEMPTING TO HELP (PATH)
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2023 AND 2022**

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* (Accounting Standard Codification (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, 2023 and 2022, 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 Internal Revenue Service, 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, 2023 AND 2022**

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. As of May 31, 2023 and 2022, an allowance for uncollectable accounts was not considered necessary to properly reflect the realizable value of receivables.

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.

BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

The Organization accounts for assets held by other entities on its behalf in accordance with ASC 958-605-50 subsections 4-6, *Transfers of Assets to a Not-for-Profit Entity or Charitable Trust that Raises or Holds Contributions for Other*, which specifies that such transfers are recognized as a beneficial interest receivable at the fair value of the assets. These assets are being held at East Texas Communities Foundation (ETCF) for the benefit of PATH. For more information about these beneficial interests, refer to Note 6.

INVESTMENTS

The Organization accounts for investments in accordance with the 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.

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.

**PEOPLE ATTEMPTING TO HELP (PATH)
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2023 AND 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED
PROPERTY AND EQUIPMENT - CONTINUED

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

GRANTS

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

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, 2023 and 2022 that they assisted clients in obtaining \$35,320 and \$99,292 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 \$99,019 for the fiscal year ending May 31, 2024.

DONATED ASSETS AND SERVICES

The value at acquisition of real property contributed to PATH is reflected in the financial statements. PATH receives many contributions of non-financial assets during the year. They consist of food, clothing, toys, household supplies, etc. which are utilized throughout the year. 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.

PATH generally pays for services requiring specific expertise; however, as further detailed in Note 2, 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.

**PEOPLE ATTEMPTING TO HELP (PATH)
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2023 AND 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

FUNCTIONAL ALLOCATION OF EXPENSES - CONTINUED

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 47 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.

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, 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.

Fundraising

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

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

As of June 1, 2022, the Organization adopted FASB Accounting Standard Update (ASU) 2016-02, *Leases* (Topic 842). ASU 2016-02 significantly changed 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. This adoption did not have a significant impact on the financial statements.

As of June 1, 2022, the Organization adopted ASU 2020-07, *Not-for-Profit Entities* (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. This update requires a not-for-profit organization to present contributed nonfinancial assets as separate line item in the statement of activities, apart from contributions of cash or other financial assets. This update also requires not-for-profits disclose (1) qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period, (2) the not-for-profit's policy about monetizing rather than utilizing contributed nonfinancial assets, (3) a description of any donor-imposed restrictions associated with the contributed nonfinancial assets, (4) the valuation techniques and inputs used to arrive at a fair value measurement, and (5) the principal market used to arrive at a fair value measurement if it is a market in which the recipient not-for-profit is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets. This adoption did not have a significant impact on the financial statements.

**PEOPLE ATTEMPTING TO HELP (PATH)
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2023 AND 2022**

NOTE 2 - CONTRIBUTED NON-FINANCIAL ASSETS

Contributed non-financial assets for the years ended May 31, 2023 and 2022, were comprised of the following:

	<u>2023</u>	<u>2022</u>
Food	\$ 994,893	\$ 767,935
Fans	4,444	5,436
Blankets	6,134	5,369
Coats for kids	17,520	26,640
Dental	23,800	21,200
Miscellaneous	58,272	81,716
	<u>\$ 1,105,063</u>	<u>\$ 908,296</u>

The food donated includes 164,924 and 121,351 pounds from East Texas Food Bank for May 31, 2023 and 2022, respectively.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at May 31:

	<u>2023</u>	<u>2022</u>
Furniture and fixtures	\$ 62,358	\$ 59,517
Automobiles	25,385	25,385
Buildings and improvements		
Land	5,000	5,000
Buildings	999,714	999,714
Improvements	169,838	115,138
Rental Property		
Office:		
Land	32,200	32,200
Buildings	316,255	316,255
Houses:		
Land	101,467	109,467
Buildings and improvements	2,424,422	2,571,699
	<u>\$ 4,136,639</u>	<u>\$ 4,234,375</u>
Less: accumulated depreciation	<u>(2,571,777)</u>	<u>(2,633,003)</u>
Net property and equipment	<u>\$ 1,564,862</u>	<u>\$ 1,601,372</u>

Depreciation expense for the years ended May 31, 2023 and 2022 was \$143,837 and \$142,149.

As of May 31, 2023, construction in progress was \$37,661 as a commitment to build a playground.

NOTE 4 - INVESTMENTS

Investments, stated at fair value, as of May 31:

	<u>2023</u>		<u>2022</u>	
	Cost	Fair Value	Cost	Fair Value
Mutual Funds	\$ 2,840,335	\$ 2,606,915	\$ 2,146,737	\$ 2,540,589
Money market	147,733	147,733	191,978	191,978
Total	<u>\$ 2,988,068</u>	<u>\$ 2,754,648</u>	<u>\$ 2,338,715</u>	<u>\$ 2,732,567</u>

**PEOPLE ATTEMPTING TO HELP (PATH)
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2023 AND 2022**

NOTE 4 - INVESTMENTS - CONTINUED

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

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 98,369	\$ 129,710
Realized and unrealized (losses) gains	(81,608)	(299,922)
Investment fees and expenses	<u>(29,549)</u>	<u>(29,115)</u>
Total investment (loss) income	<u>\$ (12,788)</u>	<u>\$ (199,327)</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 8 and 9).

	<u>2023</u>	<u>2022</u>
Investments with Donor Restrictions		
Ornelas Endowment	\$ 1,356,819	\$ 1,442,880
Board Designated Funds		
Faith in our Future ("FIOF")	<u>1,397,829</u>	<u>1,289,687</u>
Total Investments	<u>\$ 2,754,648</u>	<u>\$ 2,732,567</u>

NOTE 5 - CORONAVIRUS RELIEF

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security (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 (PPP). The loans are potentially forgivable if certain conditions are met.

The Organization elected to apply for and received a PPP loan totaling \$150,600 for the year ended May 31, 2020, and received full forgiveness during the 2021 fiscal year.

On December 27, 2020, President Trump signed into law the Consolidated Appropriations Act (CAA). The CAA, among other things, clarifies certain provisions of the CARES Act, provides for second loan draws under the PPP and extends and modifies refundable payroll tax credits. The Organization elected to apply for and received a second PPP loan, totaling \$157,100 for the year ended May 31, 2021, and received full forgiveness during the year ended May 31, 2022.

Additionally, the Organization determined that it has met all the qualifications to claim the Employee Retention Credit (ERC), the refundable payroll tax credit. As of May 31, 2023, the Organization had filed and accrued for the refund payroll credits in the amount of \$204,215. Subsequent to year end, the ERC was collected in full.

**PEOPLE ATTEMPTING TO HELP (PATH)
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2023 AND 2022**

NOTE 6 - 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 2023 and 2022:

	Path					Total
	Endowment Fund	Kid Reach Fund	Baker Endowment	RMA Fund	Building Fund	
Beginning balance June 1, 2022	\$ 151,359	\$ 4,336	\$ 647,882	\$ 152,396	\$ 669,591	\$ 1,625,564
Distributions	-	-	-	-	(58,885)	(58,885)
Realized gains/losses	8,066	231	(1,992)	(7,168)	32,726	31,863
Unrealized gains/losses	(11,952)	(343)	(24,202)	7,768	(53,626)	(82,355)
Investment interest	3,200	92	22,621	4,334	13,482	43,729
Other expenses	(1,766)	(51)	(11,773)	(2,242)	(7,361)	(23,193)
Balance May 31, 2023	<u>\$ 148,907</u>	<u>\$ 4,265</u>	<u>\$ 632,536</u>	<u>\$ 155,088</u>	<u>\$ 595,927</u>	<u>\$ 1,536,723</u>

	Path					Total
	Endowment Fund	Kid Reach Fund	Baker Endowment	RMA Fund	Building Fund	
Beginning balance June 1, 2021	\$ 163,884	\$ 4,694	\$ 705,030	\$ 173,729	\$ 725,007	\$ 1,772,344
Distributions	-	-	-	-	-	-
Realized gains/losses	4,574	131	34,523	11,754	20,236	71,218
Unrealized gains/losses	(18,113)	(519)	(106,455)	(33,876)	(80,131)	(239,094)
Investment interest	3,013	86	27,660	3,612	13,330	47,701
Other expenses	(1,999)	(56)	(12,876)	(2,823)	(8,851)	(26,605)
Balance May 31, 2022	<u>\$ 151,359</u>	<u>\$ 4,336</u>	<u>\$ 647,882</u>	<u>\$ 152,396</u>	<u>\$ 669,591</u>	<u>\$ 1,625,564</u>

NOTE 7 - 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.

**PEOPLE ATTEMPTING TO HELP (PATH)
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2023 AND 2022**

NOTE 7 - FAIR VALUE MEASUREMENT - CONTINUED

The following table sets forth by level, within the fair value hierarchy, the Organization's investment assets at fair value as of May 31, 2023 and 2022:

<u>2023</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	\$ 1,536,723	\$ -	\$ -	\$ 1,536,723
Money market	147,733	147,733	-	-
Mutual funds	2,606,915	2,606,915	-	-
Total	<u>\$ 4,291,371</u>	<u>\$ 2,754,648</u>	<u>\$ -</u>	<u>\$ 1,536,723</u>

<u>2022</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	\$ 1,625,564	\$ -	\$ -	\$ 1,625,564
Money market	191,978	191,978	-	-
Mutual funds	2,540,589	2,540,589	-	-
Total	<u>\$ 4,358,131</u>	<u>\$ 2,732,567</u>	<u>\$ -</u>	<u>\$ 1,625,564</u>

NOTE 8 - RESTRICTIONS ON NET ASSETS

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

	<u>2023</u>	<u>2022</u>
Assistance	\$ 150,188	\$ 247,781
PATH Community Homes	35,634	58,760
Ornelas Endowment	1,500,000	1,500,000
Beneficial Interests*	906,310	903,179
	<u>\$ 2,592,132</u>	<u>\$ 2,709,720</u>

*Restricted balances differ from total balances due to the terms of the related endowment, as described in Note 9.

NOTE 9 - 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.

**PEOPLE ATTEMPTING TO HELP (PATH)
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2023 AND 2022**

NOTE 9 - ENDOWMENT FUNDS - CONTINUED

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 one-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.

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, 2023 and 2022, PATH received no distributions from the endowment. The endowment is currently at a fair market value of \$632,537. 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 of May 31, 2023, \$32,537 is considered unrestricted 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 GAAP, 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 funds are managed according to the holding Organization's guidelines.

**PEOPLE ATTEMPTING TO HELP (PATH)
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2023 AND 2022**

NOTE 9 - ENDOWMENT FUNDS - CONTINUED

INTERPRETATION OF RELEVANT LAW

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.

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.

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 10 - EMPLOYEE BENEFIT PLAN

PATH has a simple retirement plan (the 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 \$18,448 in 2023 and \$18,721 in 2022.

**PEOPLE ATTEMPTING TO HELP (PATH)
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2023 AND 2022**

NOTE 11 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization’s financial assets as of May 31, 2023 and 2022, 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, 2023 and 2022 are as follows:

	2023	2022
Financial assets at year-end	\$ 5,435,657	\$ 5,292,333
Less those unavailable for general expenditure within one year due to:		
Donor-restricted for PCH	35,634	58,760
Donor-restricted for Assistance	150,188	247,781
Donor-restricted investments	1,500,000	1,500,000
Donor-restricted beneficial interests	906,310	903,179
	2,592,132	2,709,720
Financial assets available to meet cash needs for general expenditure within one year	\$ 2,843,525	\$ 2,582,613

NOTE 12 - OTHER INCOME

PATH assisted Smith County in distributing funds received from the Emergency Rental Assistance Program. PATH worked to pair up individuals in need for Smith County and for their work they received a portion of the administrative fee totaling \$351,641 that was recognized in other income during the year ended May 31, 2022.

NOTE 13 - 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, 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. Accounts receivable are monitored on an ongoing basis and management believes they do not represent a significant credit risk.

NOTE 14 - 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.

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, 2023, and 2022, the estimated outstanding contingent liability is \$579,873 and \$632,630, 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.

**PEOPLE ATTEMPTING TO HELP (PATH)
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2023 AND 2022**

NOTE 15 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through September 7, 2023, the date on which the financial statements were available to be issued.

**GOVERNMENTAL COMPLIANCE
SECTION**



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, 2023 and 2022, 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 September 7, 2023.

Report on 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on 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*.

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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
September 7, 2023

**PEOPLE ATTEMPTING TO HELP (PATH)
SUMMARY OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED MAY 31, 2023**

None.