

**NEW PATHWAYS FOR YOUTH, INC.  
(A Nonprofit Organization)**

**FINANCIAL STATEMENTS**

**June 30, 2018**



**Wallace Plese + Dreher**  
CERTIFIED PUBLIC ACCOUNTANTS + CONSULTANTS

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
New Pathways for Youth, Inc.  
Phoenix, Arizona

We have audited the accompanying financial statements of New Pathways for Youth, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Pathways for Youth, Inc. as of June 30, 2018, 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.

### **Report on Summarized Comparative Information**

We have previously audited the New Pathways for Youth, Inc. 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 26, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Wallace, Plese + Dreher, S. S. P.*

Scottsdale, Arizona  
October 11, 2018

# NEW PATHWAYS FOR YOUTH, INC.

## STATEMENT OF FINANCIAL POSITION June 30, 2018 (with comparative totals as of June 30, 2017)

	2018	2017
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,029,086	\$ 778,782
Promises to give, net	62,167	220,159
Prepaid expenses	19,171	9,554
Investments	5,672	2,000
Total current assets	1,116,096	1,010,495
PROMISES TO GIVE, net - less current portion	38,250	23,000
PROPERTY, FURNITURE, AND EQUIPMENT, net	314,994	315,079
Total assets	\$ 1,469,340	\$ 1,348,574
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 5,032	\$ 10,794
Credit cards payable	7,771	4,352
Accrued expenses	48,357	48,781
Total current liabilities	61,160	63,927
<b>NET ASSETS</b>		
Unrestricted	1,285,116	1,032,812
Temporarily restricted	123,064	251,835
Total net assets	1,408,180	1,284,647
Total liabilities and net assets	\$ 1,469,340	\$ 1,348,574

*See Notes to Financial Statements*

# NEW PATHWAYS FOR YOUTH, INC.

## STATEMENT OF ACTIVITIES Year ended June 30, 2018 (with comparative totals for the year ended June 30, 2017)

	Unrestricted	Temporarily Restricted	Total	
			2018	2017
Revenues and support				
Contributions and grants	\$ 1,202,831	\$ 52,546	\$ 1,255,377	\$ 1,080,144
Contributions in-kind	143,106	-	143,106	132,978
Special events	446,298	-	446,298	409,828
Government grants	-	-	-	34,301
Investment income	179	-	179	1,012
Other income	-	-	-	6,360
Net assets released from restriction	181,317	(181,317)	-	-
Total revenues and support	<u>1,973,731</u>	<u>(128,771)</u>	<u>1,844,960</u>	<u>1,664,623</u>
Expenses				
Program services	1,269,791	-	1,269,791	1,216,512
Management and general	172,095	-	172,095	109,287
Fundraising	279,541	-	279,541	216,864
Total expenses	<u>1,721,427</u>	<u>-</u>	<u>1,721,427</u>	<u>1,542,663</u>
Change in net assets	252,304	(128,771)	123,533	121,960
Net assets, beginning of year	<u>1,032,812</u>	<u>251,835</u>	<u>1,284,647</u>	<u>1,162,687</u>
Net assets, end of year	<u>\$ 1,285,116</u>	<u>\$ 123,064</u>	<u>\$ 1,408,180</u>	<u>\$ 1,284,647</u>

*See Notes to Financial Statements*

# NEW PATHWAYS FOR YOUTH, INC.

## STATEMENT OF FUNCTIONAL EXPENSES Year ended June 30, 2018 (with comparative totals for the year ended June 30, 2017)

	Supporting Services			Total	
	Program Services	Management and General	Fundraising	2018	2017
Salaries	\$ 703,907	\$ 50,420	\$ 167,441	\$ 921,768	\$ 789,270
Employee benefits	50,161	3,770	11,155	65,086	71,749
Payroll taxes	54,690	3,857	12,695	71,242	60,369
Contract services	105,425	79,197	15,782	200,404	211,658
Office expenses	205,478	13,091	1,786	220,355	201,522
Information technology	19,540	1,449	2,106	23,095	15,332
Occupancy	12,845	1,297	1,269	15,411	16,197
Travel	15,503	25	12	15,540	7,954
Conferences, conventions, and meetings	7,750	-	-	7,750	2,015
Depreciation	8,557	430	573	9,560	10,186
Insurance	19,004	311	311	19,626	16,750
Facility and equipment expenses	15,030	3,209	322	18,561	14,940
Training and education	13,761	15,039	477	29,277	26,540
Fundraising expenses	27,577	-	58,150	85,727	83,542
Advertising	3,068	-	-	3,068	2,631
Bad Debt	-	-	7,173	7,173	-
Volunteer expenses	7,495	-	289	7,784	12,008
<b>TOTAL EXPENSES</b>	<b><u>\$ 1,269,791</u></b>	<b><u>\$ 172,095</u></b>	<b><u>\$ 279,541</u></b>	<b><u>\$ 1,721,427</u></b>	<b><u>\$ 1,542,663</u></b>

*See Notes to Financial Statements*

# NEW PATHWAYS FOR YOUTH, INC.

## STATEMENT OF CASH FLOWS Year ended June 30, 2018 (with comparative totals for the year ended June 30, 2017)

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 123,533	\$ 121,960
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
In-kind asset donations	(16,172)	-
Depreciation	9,560	10,186
Amortization of multiyear promises to give discount	-	(1,997)
Change in allowance for multiyear promises to give	(810)	(2,352)
Changes in assets and liabilities:		
Promises to give	143,552	130,931
Prepaid expenses	(9,617)	(5,760)
Accounts payable and accrued expenses	(2,767)	(5,111)
Net cash provided by operating activities	247,279	247,857
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of property and equipment	10,000	-
Purchase of property and equipment	(6,975)	-
Net cash provided by investing activities	3,025	-
Net increase in cash and cash equivalents	250,304	247,857
Cash and cash equivalents		
Beginning	778,782	530,925
Ending	\$ 1,029,086	\$ 778,782

*See Notes to Financial Statements*

**NEW PATHWAYS FOR YOUTH, INC.**  
**Notes to Financial Statements**  
**Year ended June 30, 2018**  
**(with comparative totals for the year ended June 30, 2017)**

**NOTE 1**  
**NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES**

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**Nature of business:**

New Pathways for Youth, Inc. (the Organization) was organized November 16, 1987. The Organization has positively impacted the lives of more than 6,500 at-risk youth, with dramatic and demonstrable success. In its first year, the Organization provided mentoring services to 40 youth from the Greater Phoenix area. Today, there are over 500 youth served annually.

The Organization has served youth experiencing poverty and four times the adversity of other youth—adversities such as parent incarceration, abuse and neglect, substance abuse, and high school dropout. Through 1:1 mentoring in a connected community of other mentors and youth and evidence based personal development and life skills retreats and workshops, this unique approach creates breakthrough in self destructive thoughts that lead to actions that allow youth to fulfill their potential. The program gives youth the tools to ensure college and career readiness so they are able to create the future they want for themselves- to be successful, productive, and driven adults with a future free of poverty, adversity, and difficulty.

Our program is anchored in intentional, evidence-based tools and practices to ensure the greatest outcomes for our youth. Our unique approach includes:

- 1:1 Mentoring in a Connected Community of Other Mentors and Youth
- Evidence Based Personal Development and Life Skills Retreats and Workshops
- Case Management and Match Support
- Goal Setting Projects
- College and Career Planning Sessions and Workshops
- Mentor Coaching and Support
- Parent Workshops and Referrals

Stable, nurturing relationships with caring adults can prevent and reverse the damaging effects of toxic stress that the youth have experienced, allowing them to tap into their unique gifts and talents and putting them on a path towards success for their future. Through annual third-party evaluation, we measure and evaluate the following short-, mid-, and long-term outcomes that lead to our youth's success in college and career.

Short-Term

- Increased Sense of Belonging
- Improved Trust in a Caring Adult
- Improved School Attitude
- Improved Peer and Family Attitudes
- Decreased Delinquent Values



**NEW PATHWAYS FOR YOUTH, INC.**  
**Notes to Financial Statements**  
**Year ended June 30, 2018**  
**(with comparative totals for the year ended June 30, 2017)**

**NOTE 1 (Continued)**  
**NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES**

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Mid-Term

- Improved Connection to Positive Adults
- Improved Social Skills
- Improved Leadership Skills
- Decreased Delinquent Behavior and Peers
- Improved Family Functioning
- Improved School Performance

Long-Term

- Post-Secondary Academic and/or Vocational Success

This year, 100% of the high school seniors in the program graduated high school (unaudited) and 86% are pursuing post-secondary education and training (unaudited).

Over the 30-year history, the Organization has transformed the lives of nearly 6,500 youth through the evidence-based curriculum which leverages the powerful combination of education, employment, and relationships to disrupt habits that lead to generational poverty. The programs create a 1:30 return on investment (unaudited) by preventing the future need for more costly social and criminal justice services.

**A summary of significant accounting policies follows:**

**Method of accounting:**

The Organization's policy is to prepare 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); consequently, revenues and gains are recognized when earned and expenses and losses are recognized when incurred.

**Use of estimates:**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the period. Actual results could differ from those estimates.

**NEW PATHWAYS FOR YOUTH, INC.**  
**Notes to Financial Statements**  
**Year ended June 30, 2018**  
**(with comparative totals for the year ended June 30, 2017)**

**NOTE 1 (Continued)**  
**NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES**

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**Basis of presentation:**

The financial statements report amounts separately by class of net assets:

- Unrestricted amounts are those currently available at the discretion of the board for use in the Organization's general operations, in accordance with its by-laws.
- Temporarily restricted amounts are those which are restricted by donors for specific operating purposes which expire by passage of time or are fulfilled by actions of the Organization.
- Permanently restricted amounts are those assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by the Organization's actions. The restrictions stipulate that resources be maintained permanently but permit expending the income generated in accordance with the provisions of the agreements. There were no permanently restricted assets as of June 30, 2018 and 2017.

All contributions are considered available for unrestricted use unless specifically restricted by the donor or subject to other legal restrictions. Restricted contributions whose restrictions are met in the same period, are recorded as unrestricted support.

**Contribution and revenue recognition:**

Contributions are recognized when cash, securities or other assets, unconditional promises to give, or notifications of a beneficial interest are received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Revenue is recognized when earned. Program service fees and payments, under cost-reimbursable contracts received in advance, are deferred to the applicable period in which the related services are performed or expenditures are incurred.

**Donated services and in-kind contributions:**

Donated professional services are reflected as contributions in the accompanying financial statements at their respective fair values of the services received if they require a specialized skill, are provided by someone possessing that skill, and would have been paid for by the Organization. Contributed goods are recorded at fair value at the date of donation.

**NEW PATHWAYS FOR YOUTH, INC.**  
**Notes to Financial Statements**  
**Year ended June 30, 2018**  
**(with comparative totals for the year ended June 30, 2017)**

**NOTE 1 (Continued)**  
**NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES**

**Summarized comparative information:**

The financial statements include certain prior year summarized comparative information for the year ended June 30, 2017 in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

**Cash and cash equivalents:**

The Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less, if any, to be a cash equivalent.

**Promises to give:**

Unconditional promises to give are recognized as revenues in the period the promise is received and as assets, decreases of liabilities or expenses, depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give that are to be collected within one year are recorded at net realizable value. The Organization uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

**Property, furniture, and equipment:**

All acquisitions of property, furniture, and equipment in excess of \$5,000 and all expenses for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Land, buildings, and furniture and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property, plant, and equipment are reported as restricted contributions until the assets are placed in service or funds expended in accordance with donor restrictions. Depreciation is computed using the straight-line method over the following estimated useful lives:

	Years
Buildings and improvements	10-40
Furniture and equipment	5

**Investments:**

Investments consist of 400 shares of a privately held real estate investment trust valued at estimated fair value.

**Advertising:**

The Organization expenses all advertising costs as incurred.

**NEW PATHWAYS FOR YOUTH, INC.**  
**Notes to Financial Statements**  
**Year ended June 30, 2018**  
**(with comparative totals for the year ended June 30, 2017)**

**NOTE 1 (Continued)**  
**NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES**

**Functional expenses:**

The costs of providing program, administrative expenses, and fundraising are reported on a functional basis. Costs are allocated between program and support services on an actual basis, where available or based upon reasonable methods. The Organization considers mentoring and after school programs indistinguishable and therefore is not able to allocate program costs.

**Income taxes:**

Since formation, the entity has been exempt under Section 501(c)(3) of the United States Internal Revenue Code. Accordingly, no provision for income taxes has been reflected in the accompanying financial statements. The Organization has evaluated its tax positions; management believes all tax positions taken would be upheld under an examination.

**Reclassifications:**

Certain reclassifications have been made to the prior years' financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported net assets or changes in net assets.

**Subsequent events:**

Management has evaluated subsequent events through October 11, 2018, which is the date the financial statements were available to be issued.

**NOTE 2**  
**PROMISES TO GIVE**

Promises to give consists of the following at June 30:

	<b>2018</b>	2017
Unrestricted promises	\$ <b>11,663</b>	\$ 30,182
Restricted to program services for next year	<b>43,750</b>	163,750
Restricted to capital campaign	<b>53,100</b>	59,850
Gross promises to give	<b>108,513</b>	253,782
Unamortized discount	<b>(1,010)</b>	(1,010)
Allowance for doubtful accounts	<b>(7,086)</b>	(9,613)
Promises to give, net	<b>\$ 100,417</b>	\$ 243,159

**NEW PATHWAYS FOR YOUTH, INC.**  
**Notes to Financial Statements**  
**Year ended June 30, 2018**  
**(with comparative totals for the year ended June 30, 2017)**

**NOTE 2 (Continued)**  
**PROMISES TO GIVE**

Amounts due in:

Less than one year	\$	70,263
One to five years		<u>38,250</u>
		<u>\$ 108,513</u>

During the year ended June 30, 2014, the Organization started a Capital and Strategic Growth Campaign in which many of the Organization's board of directors pledged contributions through March 2021. The value of promises to give is determined using present value techniques that consider historical trends of collection, the type of donor, general economic conditions, and market interest rate assumptions for individuals and foundations. The discount rate used was 1.7%. Promises to give includes \$53,100 and \$59,850 from current and former board members at June 30, 2018 and 2017, respectively.

**NOTE 3**  
**PROPERTY, FURNITURE, AND EQUIPMENT**

The Organization has the following property, furniture, and equipment at June 30:

	<u>2018</u>	<u>2017</u>
Land	\$ 150,486	\$ 150,486
Building and improvements	286,279	276,804
Construction in progress	16,953	16,953
Office equipment and furniture	<u>48,855</u>	<u>48,855</u>
	<b>502,573</b>	493,098
Less accumulated depreciation	<u>(187,579)</u>	<u>(178,019)</u>
	<u>\$ 314,994</u>	<u>\$ 315,079</u>

**NOTE 4**  
**LINE OF CREDIT**

The Organization has a revolving line of credit with Bank of America, providing for a maximum borrowing of \$200,000. The line expires April 7, 2019. Interest is payable monthly at a rate of 1.75 percentage points over Prime Rate (5.00% at June 30, 2018). Borrowings under the line of credit are collateralized by substantially all assets of the Organization. There was no balance on the line of credit at June 30, 2018 and 2017.

**NEW PATHWAYS FOR YOUTH, INC.**  
**Notes to Financial Statements**  
**Year ended June 30, 2018**  
**(with comparative totals for the year ended June 30, 2017)**

**NOTE 5**  
**TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are restricted for the following at June 30:

	<b>2018</b>	<b>2017</b>
Time and program	\$ <b>76,296</b>	\$ 199,167
Capital campaign	<b>46,768</b>	52,668
	<b>\$ 123,064</b>	\$ 251,835

**NOTE 6**  
**CONCENTRATIONS**

The Organization maintains its cash in deposit accounts which, at times, may exceed federally insured limits. Management believes the Organization is not exposed to any significant credit risk on cash.

At June 30, 2018, 40% of promises to give was due from two donors and at June 30, 2017, 53% of promises to give was due from one donor.

**NOTE 7**  
**FAIR VALUE MEASUREMENTS**

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

**NEW PATHWAYS FOR YOUTH, INC.**  
**Notes to Financial Statements**  
**Year ended June 30, 2018**  
**(with comparative totals for the year ended June 30, 2017)**

**NOTE 7 (Continued)**  
**FAIR VALUE MEASUREMENTS**

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Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset 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 used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2018 and 2017.

*Investments:* 400 shares of a privately held real estate investment trust valued at fair value which are estimated using significant unobservable inputs.

Fair value for investments is not readily determinable; therefore, the investments have been classified as Level 3. The fair value of the Organization's investments were \$5,672 and \$2,000 at June 30, 2018 and 2017, respectively.