



NEW PATHWAYS, INC.
(A Non-Profit Corporation)

Audited Financial Statements
Years ended June 30, 2016 and 2015

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT

FINANCIAL STATEMENTS

Statement of Financial Position

Statement of Activities and Changes in Net Assets

Statement of Functional Expenses

Statement of Cash Flows

NOTES TO FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
STRUCTURE

Kneisl & Associates, Ltd.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
New Pathways, Inc
Cambridge, Minnesota

We have audited the accompanying financial statements of **New Pathways, Inc** (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016 and 2015 and related statements of activities 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United State of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

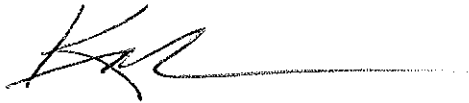
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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, Inc** as of June 30, 2016 and 2015, 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.

A handwritten signature in black ink, appearing to be 'Kneisl', followed by a horizontal line extending to the right.

Kneisl & Associates Ltd

Forest Lake, MN

October 7, 2016

NEW PATHWAYS, INC
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2016 AND 2015

	June 30, 2016	June 30, 2015
ASSETS		
CURRENT ASSETS		
Cash equivalents	\$ 132,501	\$ 71,675
Grants and other receivables	31,679	23,657
Total current assets	164,180	95,332
PROPERTY AND EQUIPMENT		
Buildings & land	238,663	228,916
Furniture & fixtures	21,745	21,745
Vehicles	37,318	37,318
	297,726	287,979
Less accumulated depreciation	(125,341)	(106,630)
Total property - net	172,385	181,349
TOTAL ASSETS	336,565	276,681
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	1,486	1,171
Accrued payroll	22,421	18,977
Total current liabilities	23,907	20,148
NET ASSETS		
Unrestricted net assets	280,980	232,847
Temporarily restricted	31,678	23,686
Total net assets	312,658	256,533
TOTAL LIABILITIES AND NET ASSETS	\$ 336,565	\$ 276,681

The accompanying notes are an integral part of these financial statements

NEW PATHWAYS, INC
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016				2015	
	Unrestricted	Temporarily restricted			Total	Total
		Cambridge	Brainerd	Normandy & Heritage		
PUBLIC SUPPORT AND REVENUE						
Public support						
Program support	\$ 7,841	\$ 141,843	\$ 97,167	\$ 9,716	\$ 256,567	\$ 258,986
Individuals & corporations	5,500	56,734	25,148	-	87,382	63,923
Foundations grants		17,313	8,194	6,526	32,033	19,427
Fundraisers - net of expenses		28,248	14,261		42,509	29,998
Interest Income	147				147	-
In Kind Contributions		25,093	16,848		41,941	39,487
Total public support	13,488	269,231	161,618	16,242	460,578	411,821
Net Assets Released from Restriction	439,098	(267,864)	(161,518)	(9,716)	-	-
Total support	452,586	1,367	100	6,526	460,578	411,821
EXPENSES						
Program expenses						
Program - Cambridge	196,787	-	-	-	196,787	204,527
Program - Brainerd	159,250	-	-	-	159,250	174,662
Program - Normandy	22,344	-	-	-	22,344	15,124
Total program expenses	378,381				378,381	394,313
Support services						
Management and general	18,422	-	-	-	18,422	20,895
Fundraising	7,650	-	-	-	7,650	7,983
Total support services	26,072	-	-	-	26,072	28,878
Total expenses	404,453	-	-	-	404,453	423,191
CHANGE IN NET ASSETS	48,133	1,367	100	6,526	56,125	(11,370)
NET ASSETS - BEGINNING	232,847	16,400	7,286	-	256,533	267,903
NET ASSETS - ENDING	\$ 280,980	\$ 17,767	\$ 7,386	\$ 6,526	\$ 312,658	\$ 256,533

The accompanying notes are an integral part of these financial statements

NEW PATHWAYS, INC
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	Program services			Supporting Services		Totals	Totals
	Cambridge	Brainerd	Normandy Heritage	Mgmt	Fundrsgr	2016	2015
Salaries and wages	111,607	102,846	14,520	\$ 12,832	6,450	248,256	\$ 253,210
Payroll taxes and fringes	13,604	14,023	2,363	2,116	1,200	33,306	42,247
Total salaries and fringes	125,211	116,869	16,883	14,948	7,650	281,562	295,457
						-	
Family supplies & transp	6,667	4,033	75			10,775	19,333
Program costs - in kind	25,093	16,847				41,940	39,487
Advertising & Promotion	608	415				1,023	1,270
Professional fees	3,047	1,854	2,030	1,059		7,991	7,815
Communications	4,021	2,487	9	481		6,998	7,279
Occupancy	5,872	4,491		557		10,919	14,856
Office, printing & board	6,893	2,812	674	539		10,918	12,191
Travel & training- staff & vol	872	1,244	49	580		2,746	3,864
Insurance - business	5,561	2,430	2,624	257		10,871	8,087
Total exps before depre	183,846	153,481	22,344	18,422	7,650	385,743	409,638
Depreciation	12,941	5,769	-			18,710	13,553
Total expenses	196,787	159,250	22,344	18,422	7,650	404,453	423,191

The accompanying notes are an integral part of these financial statements

NEW PATHWAYS, INC
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	56,125	(11,370)
Adjustments to reconciled net assets		
Depreciation	18,710	13,553
loss on asset disposition		-
Changes in assets & liabilities:		
(increase) decrease in receivable	(8,022)	(16,271)
increase (decrease) in accruals	3,759	(13,301)
Net cash (used)from operations	70,572	(27,389)
CASH FLOWS FROM INVESTING ACTIVITIES		
Equipment additions	9,747	2,410
Net cash used by investing activities	9,747	2,410
NET INCREASE (DECREASE) IN CASH	60,825	(29,799)
CASH - BEGINNING	71,676	101,475
CASH - ENDING	132,501	71,676

The accompanying notes are an integral part of these financial statements

NEW PATHWAYS, INC
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND PROGRAM SERVICES

The Organization was incorporated in 1999 and provides assistance to families to develop skills and find housing. Families are served in the Minnesota counties of Isanti, Chisago, Crow Wing, Aitkin, Cass, Kanabec, Mille Lacs, Pine, Morrison, Wadena and Todd. The Organization works with local churches in these counties to provide temporary shelters and other assistance to these families.

BASIS OF ACCOUNTING

The organization uses the accrual basis of accounting.

CONTRIBUTIONS AND REVENUE RECOGNITION

Contributions are recognized as revenue when they are received or unconditionally pledged. Unconditional pledges are recorded as income in the year in which verified evidence of the pledges is received. Pledges payable in future periods are considered time-restricted. These pledges are recorded as temporarily restricted receivables, at their present value, until they are paid.

Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets. When the restriction expires i.e. when a stipulated time ends or purpose is accomplished, the restricted assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets.

GRANTS RECEIVABLE

Receivables consist of amounts due from individuals and program supporters. No allowance for doubtful accounts has been provided. Receivables are written off directly after they are considered uncollectable.

ESTIMATES

The preparation of the 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 amounts could differ from those estimates.

CASH EQUIVALENTS

The Organization considers all highly liquid investments available for current use with an initial maturity of less than three months to be cash equivalents

NEW PATHWAYS, INC
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY AND EQUIPMENT

The Organization records property with estimated useful lives of over one year as fixed assets. Depreciation is computed using the straight-line method over estimated useful life of 3 – 7 years. The cost of maintenance is charged to income as incurred and significant improvements are capitalized. Donated equipment is recorded at fair market value at time of donation.

CONCENTRATIONS

The Organization maintains its cash in non-interest bearing accounts at a financial institution and at various times the balance may exceed the federal deposit insurance amount.

The Organization has received funding from HUD in the amount of \$192,591 and \$192,591 for the years ended June 30, 2016 and 2015, respectively. This represents 40% of the Organizations total support.

SUBSEQUENT EVENTS

The Organization was evaluated for material subsequent events through October 11, 2016, the date the financial statements were available for issuance.

INCOME TAXES

The organization is exempt from taxes under Internal Revenue Code Section 501 (c) (3). As such, all contributions to the organizations qualify as a charitable deduction by the donor.

NOTE 2 – RESTRICTIONS ON NET ASSETS

Funds are considered restricted if the grantor imposes requirements that the funds be used within a certain time or within a certain geographic area. Service revenue remitted by counties pursuant to a service agreement are also treated as temporarily restricted. The amount of net assets temporarily restricted is \$ 31,679 and \$23,656 at June 30, 2016 and 2015, respectively.

NEW PATHWAYS, INC
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 3 – FUNCTIONAL ALLOCATION OF EXPENSES

The cost of programs and supporting services has been summarized on a functional basis. Salaries and related expenses are allocated to program and services based on the actual time spent on each program. The remaining expenses are specifically allocated whenever practical, and when this is impractical, are allocated on the best estimate of management.

NOTE 4– DONATED SERVICES AND EQUIPMENT

The organization recorded in-kind contributions of \$ 41,941 and \$39,478 for the years ended June 30, 2016 and 2015. These contributions are comprised of clothing and other goods.

The organization receives significant amounts of donated services from substantial numbers of unpaid volunteers who assist in the program services of the organization. The values of these services are not recognized as contributions.

NOTE 5– PENSION PLAN

The organization provided a retirement plan for the benefit of eligible employees. The amount contributed to the plan was \$2,200 and \$975 for years ended June 30, 2016 and 2015, respectively.

NOTE 6 – LEASES

The organization leased a site in Brainerd Minnesota. The site is leased from a non related party. This 120 month lease will expire March, 2017. The Organization is required to maintain insurance and use the property for providing services to homeless families. Rent expense for the years ended June 30, 2016 and 2015 was \$1 and \$ 1, respectively.

Kneisl & Associates, Ltd.
Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
STRUCTURE**

To the Board of Directors
New Pathways, Inc

We have audited the financial statements of **New Pathways, Inc.** as of and for the year ended June 30, 2016, and have issued our report thereon dated October 12, 2016

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit of the financial statements of the organization for the period ended June 30, 2016, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

The management of the organization is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and the transactions are executed in accordance with managements' authorization and recorded properly to permit the preparation of financial statements in accordance with the income tax basis. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no material matters involving the internal control structure that we consider to be material weaknesses as defined above.

This report is intended for the information of the organization.


KNEISL & ASSOCIATES, LTD.
October 12, 2016