

# Pathfinders Milwaukee, Inc.

Milwaukee, Wisconsin

Consolidated Financial Statements

Years ended December 31, 2016 and 2015



**WIPFLI**<sup>LLP</sup>  
CPAs and Consultants

# Pathfinders Milwaukee, Inc.

Years Ended December 31, 2016 and 2015

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## Independent Auditor's Report

Board of Directors  
Pathfinders Milwaukee, Inc.  
Milwaukee, Wisconsin

We have audited the accompanying consolidated financial statements of Pathfinders Milwaukee, Inc. (a nonprofit organization) which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Pathfinders Milwaukee, Inc., as of December 31, 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.

A handwritten signature in cursive script that reads "Wipfli LLP".

Wipfli LLP

Milwaukee, Wisconsin  
June 12, 2017

# Pathfinders Milwaukee, Inc.

## Consolidated Statements of Financial Position

December 31, 2016 and 2015

Assets	2016	2015
Current assets:		
Cash and cash equivalents	\$ 318,808	\$ 397,354
Grants receivable	458,382	444,249
Pledges receivable	37,684	35,520
Investment - Deferred compensation agreement	-	71,399
Prepaid expenses	1,010	12,284
Total current assets	815,884	960,806
Property and equipment:		
Land	26,700	26,700
Building and improvements	337,729	337,729
Furniture and equipment	289,286	289,286
Total property and equipment	653,715	653,715
Less - Accumulated depreciation	509,177	475,763
Property and equipment - Net	144,538	177,952
Other assets:		
Property held for sale	190,609	375,628
Unemployment reserve	36,629	36,601
Deposit	10,417	10,417
Total other assets	237,655	422,646
<b>TOTAL ASSETS</b>	<b>\$ 1,198,077</b>	<b>\$ 1,561,404</b>

# Pathfinders Milwaukee, Inc.

## Consolidated Statements of Financial Position (Continued)

December 31, 2016 and 2015

Liabilities and Net Assets	2016	2015
Current liabilities:		
Lines of credit	\$ 204,201	\$ 204,201
Current portion of capital lease obligation	15,799	14,986
Current portion of notes payable	23,720	39,895
Accounts payable	19,882	32,822
Accrued payroll and payroll taxes	114,749	106,410
Accrued vacation	45,622	44,675
Deferred compensation agreement	-	71,399
Deferred revenue	162,951	109,495
<b>Total current liabilities</b>	<b>586,924</b>	<b>623,883</b>
Long-term liabilities:		
Reserve for unemployment compensation claims	-	21,704
Obligation under capital lease agreement, less current portion	9,610	25,409
Notes payable, less current portion	145,760	223,609
<b>Total long-term liabilities</b>	<b>155,370</b>	<b>270,722</b>
<b>Total liabilities</b>	<b>742,294</b>	<b>894,605</b>
Net assets:		
Unrestricted	113,120	314,692
Temporarily restricted	342,663	352,107
<b>Total net assets</b>	<b>455,783</b>	<b>666,799</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,198,077</b>	<b>\$ 1,561,404</b>

See accompanying notes to consolidated financial statements.

**Pathfinders Milwaukee, Inc.**  
**Consolidated Statements of Activities**  
Years Ended December 31, 2016 and 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue:						
Contributions	\$ 457,327	\$ -	\$ 457,327	\$ 597,437	\$ -	\$ 597,437
Program service fees	141,405	-	141,405	174,887	-	174,887
Grants and contracts	2,313,754	342,663	2,656,417	2,028,441	352,107	2,380,548
Special events	99,848	-	99,848	123,520	-	123,520
Miscellaneous revenues	56,298	-	56,298	41,478	-	41,478
Gain on sale of property	44,147	-	44,147	146,300	-	146,300
Impairment loss on property held for sale	(105,000)	-	(105,000)	-	-	-
Net assets released from restrictions	352,107	(352,107)	-	421,748	(421,748)	-
<b>Total support and revenue</b>	<b>3,359,886</b>	<b>(9,444)</b>	<b>3,350,442</b>	<b>3,533,811</b>	<b>(69,641)</b>	<b>3,464,170</b>
Expenses:						
Program expenses	2,790,580	-	2,790,580	2,888,746	-	2,888,746
Fund-raising	254,326	-	254,326	222,430	-	222,430
Management and general	516,552	-	516,552	350,351	-	350,351
<b>Total expenses</b>	<b>3,561,458</b>	<b>-</b>	<b>3,561,458</b>	<b>3,461,527</b>	<b>-</b>	<b>3,461,527</b>
Change in net assets	(201,572)	(9,444)	(211,016)	72,284	(69,641)	2,643
Net assets at beginning of year	314,692	352,107	666,799	242,408	421,748	664,156
<b>Net assets at end of year</b>	<b>\$ 113,120</b>	<b>\$ 342,663</b>	<b>\$ 455,783</b>	<b>\$ 314,692</b>	<b>\$ 352,107</b>	<b>\$ 666,799</b>

See accompanying notes to consolidated financial statements.

# Pathfinders Milwaukee, Inc.

## Consolidated Statements of Cash Flows

Years Ended December 31, 2016 and 2015

	2016	2015
Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities:		
Change in net assets	\$ (211,016)	\$ 2,643
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by (used in) operating activities:		
Depreciation	33,414	33,835
Gain on sale of property	(44,147)	(146,300)
Impairment loss on property held for sale	105,000	-
Changes in operating assets and liabilities:		
Receivables	(16,297)	38,566
Prepaid expenses	11,274	(5,655)
Accounts payable	(12,940)	29,393
Accrued expenses	9,286	9,932
Other liabilities	31,752	73,825
Net cash (used in) provided by operating activities	(93,674)	36,239
Cash flows from investing activities:		
Reinvested income on restricted investments	(28)	(29)
Proceeds from the sale of property	124,166	195,977
Net cash provided by investing activities	124,138	195,948
Cash flows from financing activities:		
Principal payments under capital lease obligation	\$ (14,986)	\$ (14,213)
Principal payments on notes payable	(94,024)	(110,786)
Payments on line of credit - Net	-	(150,000)
Net cash used in financing activities	(109,010)	(274,999)
Net decrease in cash and cash equivalents	(78,546)	(42,812)
Cash and cash equivalents at beginning of year	397,354	440,166
Cash and cash equivalents at end of year	\$ 318,808	\$ 397,354
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid for interest	\$ 12,546	\$ 22,797

See accompanying notes to consolidated financial statements.

# Pathfinders Milwaukee, Inc.

## Notes to Consolidated Financial Statements

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### Note 1: Summary of Significant Accounting Policies

#### Organization Activity

Pathfinders Milwaukee, Inc. (“Pathfinders”) is a nonprofit organization which provides counseling, supportive services, and prevention and education programs along with a shelter and related services for runaway and homeless youth as part of its programs. Pathfinders also operates Southeastern Education Center which provides educational alternatives for troubled adolescents in a structured educational format.

Southeastern Youth and Family Services, Inc. (“Southeastern”) is a nonprofit organization whose mission is to assist children, at-risk adolescents and their families by strengthening life skills through counseling, residential child care, and educational service. Southeastern owns and formerly operated group homes located in Milwaukee and Waukesha Counties. The group homes provided specialized social, rehabilitative, and supportive treatment services in residential or educational environments, to adolescents and their families as a result of referrals by the court system.

Rosalie Manor Community and Family Services, Inc. (“Rosalie Manor”), a nonprofit organization, provides supportive services during pregnancy and after delivery to enhance parent-child relationships and help the parents identify and pursue personal career goals. Services also include a fatherhood program providing parenting education and related skills development as well as a teen pregnancy prevention education program.

#### Consolidated Financial Statements

The consolidated financial statements include the accounts of Pathfinders, Southeastern, and Rosalie Manor (collectively referred to as the “Organization”). Southeastern and Rosalie Manor are consolidated with Pathfinders since Pathfinders is the sole member of these entities. All significant inter-organizational transactions and accounts have been eliminated.

#### Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (“GAAP”).

#### Use of Estimates in the Preparation of Financial Statements

The preparation of the accompanying consolidated financial statements in conformity with GAAP requires management to make certain estimates and assumptions that directly affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.



# Pathfinders Milwaukee, Inc.

## Notes to Consolidated Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### Net Assets

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

*Unrestricted net assets* – Net assets that are not subject to donor-imposed stipulations or where donor-imposed stipulations are met in the year of contribution.

*Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that may or may not be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are transferred to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

*Permanently restricted net assets* – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. The Organization had no permanently restricted net assets at December 31, 2016 and 2015.

#### Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

#### Pledges Receivable

Unconditional pledges are recorded as receivables in the year pledged. Conditional pledges receivable are recognized only when the conditions on which they depend are substantially met. Pledges and other promises to give whose eventual uses are restricted by the donors are recorded as increases in temporarily restricted net assets. Unrestricted pledges to be collected in future periods are also recorded as an increase to temporarily restricted net assets and reclassified to unrestricted net assets when received, unless the donor's intention is to support current-period activities.

Pledges receivable expected to be collected in less than one year are reported at net realizable value. Pledges receivable that are expected to be collected in future years are recorded at the present value of estimated future cash flows on a discounted basis applicable to the years in which the promises were received. The amortization of the discount is recognized as contribution income over the duration of the pledge.

Management individually reviews all past due pledge receivable balances and estimates the portion, if any, of the balance that will not be collected. The carrying amounts of pledges receivable are reduced by allowances that reflect management's estimate of uncollectible amounts. At December 31, 2016 and 2015, the balances are considered to be fully collectible, and accordingly, no allowance for uncollectible balances has been recorded.

# Pathfinders Milwaukee, Inc.

## Notes to Consolidated Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### Investments - Deferred Compensation Agreement

Investment – Deferred compensation agreement is measured at fair value in the consolidated statements of financial position. Investment income or loss (including realized gains and losses on investments, interest, and dividends) earned on the deferred compensation agreement investment is not recognized as revenue to Pathfinders but is recorded directly as an increase to the deferred compensation payable.

#### Property and Equipment

Property and equipment with an acquisition cost of \$5,000 or more are recorded at cost and capitalized. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment acquired under capital lease agreements are amortized on the straight-line basis over the estimated useful life of the underlying asset. The estimated useful lives for the major classes of property are 40 years for building and improvements and 5 years for furniture and equipment.

Gifts of long-lived assets, such as land, buildings, or equipment, are reported as unrestricted support and are excluded from the change in net assets unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

The Organization reviews its investment in property and equipment periodically to determine potential impairment by comparing the carrying value of the property and equipment with the estimated future undiscounted cash flows expected to result from the use of the assets, including cash flows from disposition. Should the sum of the expected cash flows be less than the carrying value, the Organization would recognize an impairment loss at that time. The Organization determined that no evaluations of recoverability were necessary during the years ended December 31, 2016 and 2015.

#### Property Held for Sale

At December 31, 2016 and 2015, the Organization owns properties currently being actively marketed for sale totaling \$190,609 and \$375,628, respectively. The properties were formerly used for Southeastern's Noah House, Unity House, and Southeastern Education Center programs. The properties are valued at the lesser of historic cost, less depreciation, and fair value, determined by appraisals, less estimated selling costs. Upon classification as held for sale, the properties are no longer depreciated; instead they are reviewed periodically for impairment, with the carrying value of the property adjusted for any impairment losses. In 2016, the Organization recognized an impairment loss of \$105,000 on property formerly utilized for Southeastern Education Center programs.

Unity House, with a carrying value of \$80,019, was sold March 3, 2016, for net cash proceeds of \$113,605.

Southeastern Education Center, with a carrying value of \$190,609, was sold May 5, 2017, for net cash proceeds of \$180,440.

# Pathfinders Milwaukee, Inc.

## Notes to Consolidated Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### Unemployment Reserve

The Organization has elected reimbursement financing under provisions of the Wisconsin unemployment compensation laws. Unemployment claims are paid to the State of Wisconsin as incurred. The Organization has unemployment reserves established with an area financial institution of \$36,629 and \$36,601 at December 31, 2016 and 2015, respectively, to meet state funding requirements.

#### Deferred Revenue

Funds received but not earned as of the consolidated statement of financial position date have been classified as deferred revenue. Amounts will be recognized in future periods as qualifying expenses are incurred.

#### Fair Value Measurements

The Organization measures the fair value of their investments using a three-tier hierarchy which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The Organization determines fair value by:

- Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical asset or liabilities in active markets that the Organization 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 active 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.

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

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 used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

# Pathfinders Milwaukee, Inc.

## Notes to Consolidated Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

#### Grants and Contract Revenue

Federal, state, and local grants and contract revenue represent grants and contracts with various funding sources. In general, grant and contract revenue is recognized under the following methods:

*Cost reimbursement contracts* – Reimbursements are based on expenses incurred. The amount due from various funding sources is recognized in the accounting period when the expenses are incurred.

*Performance contracts* – Reimbursements are based on accomplishment of contract objectives without regard for expenditures. Performance revenue is recognized in the accounting period when the contracted services have been performed.

#### Allocation of Expenses

Indirect program expenses are allocated to program services. Supporting service expenses, net of supporting service revenues, are allocated to program services based on full-time employee's equivalents in each program.

#### Income Taxes

Pathfinders, Southeastern, and Rosalie Manor are nonprofit organizations as described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Organization is also exempt from state income tax on the related income.

In order to account for any uncertain tax positions, the Organization determines whether it is more likely than not that a tax position will be sustained upon examination on the technical merits of the position, assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more-likely-than-not recognition threshold, the benefit of that position is not recognized in the consolidated financial statements. The Organization has recorded no assets or liabilities related to uncertain tax positions.

# Pathfinders Milwaukee, Inc.

## Notes to Consolidated Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### Subsequent Events

The Organization has evaluated subsequent events through June 12, 2017, which is the date the financial statements were available to be issued.

### Note 2: Grants Receivable

Grants receivable balances include the following:

<i>As of December 31</i>	<b>2016</b>	<b>2015</b>
State of Wisconsin:		
Department of Health Services - HIV Prevention Services	\$ -	\$ 3,014
Department of Children and Families - Runaway Services Grant	6,093	830
Department of Justice:		
Victims of Crime Act	67,506	47,823
Sexual Assault Victim Services Grant	10,530	9,616
Violence Against Women Act	4,538	-
Milwaukee County	14,753	10,926
City of Milwaukee	6,075	9,508
United Way of Greater Milwaukee and Waukesha County, Inc.	317,898	321,149
Community Advocates	30,755	6,876
Aurora Family Services	-	34,073
Other	234	434
<b>Total grants receivable</b>	<b>\$ 458,382</b>	<b>\$ 444,249</b>

### Note 3: Investment - Deferred Compensation Agreement

Investments, stated at fair value include the following:

<i>As of December 31,</i>	<b>2016</b>	<b>2015</b>
Equity mutual funds	\$ -	\$ 71,399

### Note 4: Deferred Compensation Agreement

Pathfinders had a non-qualified deferred compensation agreement with a former President/CEO that required Pathfinders to defer a portion of the former employee's base salary. Income earned on the deferral was not recognized as revenue to Pathfinders but was recorded directly as an increase to the deferred compensation payable. The employee resigned his position in November 2013. The agreement provided that the deferred amount plus earnings become payable to the employee immediately following retirement or termination of employment. Assets in the plan were distributed to the former employee in 2016.

# Pathfinders Milwaukee, Inc.

## Notes to Consolidated Financial Statements

### Note 5: Notes Payable

Notes payable consisted of the following:

<i>As of December 31,</i>	<b>2016</b>	<b>2015</b>
Note payable to Pyramax Bank due in monthly installments of principal and interest of \$1,963 through May 2016. The note bears interest at 3.25%. The note was paid in full on March 3, 2016.	\$ -	\$ 9,643
Mortgage note payable to IFF Wisconsin, secured by real estate (Unity House and corporate office building), due in monthly installments of principal and interest of \$744 through May 2018. The note bears interest at 3.38% until May 2018, at which time the interest rate will be recalculated. The note was paid in full with the sale of Unity House on March 3, 2016.	-	61,418
Mortgage note payable to IFF Wisconsin, secured by real estate (Southeastern Education Center), due in monthly installments of principal and interest of \$2,424 through May 2018. The note bears interest at 3.38% until May 2018, at which time the interest rate will be recalculated. The note matures in June 2023. The note was paid in full with the sale of Southeastern Education Center on May 5, 2017.	169,480	192,442
Total notes payable	169,480	263,503
Less: Current portion	(23,720)	(39,895)
Notes payable, net of current portion	\$ 145,760	\$ 223,608

Scheduled principal payments on long-term debt at December 31, 2016, including current maturities, are summarized as follows:

<i>Years Ending December 31,</i>	
2017	\$ 23,720
2018	24,535
2019	25,377
2020	26,248
2021	27,149
Thereafter	42,451
Total	\$ 169,480

# Pathfinders Milwaukee, Inc.

## Notes to Consolidated Financial Statements

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### Note 6: Line of Credit

Pathfinders has a \$300,000 line of credit with an area financial institution. The line of credit bears interest at the prime rate (3.75% as of December 31, 2016) and matures in October 2016. The line of credit is secured by a general business security agreement and guarantees by Southeastern and Rosalie Manor. At December 31, 2016 and 2015, total outstanding balances on the line of credit were \$204,201.

### Note 7: Temporarily Restricted Net Assets

Donor restrictions of temporarily restricted net assets are summarized as of December 31 as follows:

<i>As of December 31,</i>	<b>2016</b>	<b>2015</b>
Pathfinders Youth Shelter	\$ 246,648	\$ 283,649
Prevention Education Program - Healthy Girls	71,250	37,500
Pledges receivable	24,765	30,958
<b>Total temporarily restricted net assets</b>	<b>\$ 342,663</b>	<b>\$ 352,107</b>

Net assets were released from restrictions by incurring expenses, satisfying the restricted purpose or by occurrence of other events specified by donors. Net assets released from restrictions were as follows:

<i>Years Ended December 31,</i>	<b>2016</b>	<b>2015</b>
Pathfinders Youth Shelter	\$ 283,649	\$ 283,650
Prevention Education Program - Healthy Girls	37,500	40,000
Strategic planning	-	256
WHEDA Transitional Housing Program	-	3,189
Suspension Supervision Program	-	700
Collections on pledges receivable	30,958	93,953
<b>Net assets released from restrictions</b>	<b>\$ 352,107</b>	<b>\$ 421,748</b>

### Note 8: Deferred Revenue

Deferred revenue consisted of funds received from the following sources but not earned:

<i>As of December 31,</i>	<b>2016</b>	<b>2015</b>
Milwaukee Public Schools	\$ 56,261	\$ 32,495
Greater Milwaukee Foundation	50,000	25,000
Helen Bader Foundation	50,000	50,000
Other	6,690	2,000
<b>Total deferred revenue</b>	<b>\$ 162,951</b>	<b>\$ 109,495</b>

# Pathfinders Milwaukee, Inc.

## Notes to Consolidated Financial Statements

### Note 9: Fair Value Measurements

Equity mutual funds are valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

Information regarding assets and liabilities measured at fair value on a recurring basis is as follows:

	Total Assets and Liabilities at Fair Value	Recurring Fair Value Measurements Using		
		Quoted Market Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>As of December 31, 2015</i>				
Assets:				
Equity mutual funds	\$ 71,399	\$ 71,399	\$ -	\$ -
			\$ -	\$ -
Liabilities:				
Deferred compensation agreement	\$ 71,399	\$ 71,399	\$ -	\$ -

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Organization also has assets that under certain conditions are subject to measurement at fair value on a non-recurring basis. These assets include property held for sale measured at the lower of carrying value or market, less costs to sell and had a fair value below carrying value at December 31, 2016:

	Total Assets at Fair Value	Nonrecurring Fair Value Measurements Using		
		Quoted Market Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>As of December 31, 2016</i>				
Property held for sale	\$ 190,609	\$ -	\$ 190,609	\$ -



# Pathfinders Milwaukee, Inc.

## Notes to Consolidated Financial Statements

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### Note 10: Retirement Plan

The Organization has a 403(b) Plan covering substantially all full time employees. All employees are eligible to make contributions to the plan. Employees must have completed twenty-four months of service and work at least 20 hours a week to meet eligibility requirements to receive employer contributions. The employer will make a \$50 monthly contribution per employee and an additional matching contribution, up to \$50 of the employee's deferral per month. The employer contribution was \$33,511 and \$34,516 for the years ended December 31, 2016 and 2015, respectively.

### Note 11: Contingencies

The Organization is subject to legal proceedings and claims that arise in the ordinary course of business. While any proceeding or litigation has an element of uncertainty, management of the Organization believes that the outcome of any pending or threatened actions will not have a material adverse effect on the financial condition of the Organization.

### Note 12: Leases

#### Operating Leases

Pathfinders leases office space through an operating lease which expires in December 2021. The lease requires monthly payments of \$11,275 through December 31, 2016, and increases by 2% annually for each year thereafter. Pathfinders has three one year lease extension options at the end of the lease term.

Pathfinders leases space for its educational center through an operating lease which expires in June 2021. The lease requires monthly payments of \$6,667. Pathfinders has a five year lease extension option. Pathfinders may terminate the lease early if Milwaukee Public Schools does not renew Pathfinders' contract for the educational center.

Rent expense for the years ended December 31, 2016 and 2015 totaled \$221,496 and \$223,072, respectively.

#### Capital Leases

Pathfinders leases telephone equipment under a lease which is classified as a capital lease. The lease requires monthly payments of \$1,397 until August 2018. For the years ended December 31, 2016 and 2015, amortization expense totaled \$14,785, and is included in depreciation expense. Assets held under capital lease obligations are included in furniture and equipment in the consolidated statement of financial position and are as follows:

<i>As of December 31,</i>	<b>2016</b>	<b>2015</b>
Telephone equipment	\$ 88,712	\$ 88,712
Less: Accumulated amortization	(66,871)	(52,086)
<b>Assets held under capital lease obligation, net of accumulated amortization</b>	<b>\$ 21,841</b>	<b>\$ 36,626</b>

# Pathfinders Milwaukee, Inc.

## Notes to Consolidated Financial Statements

### Note 12: Leases (Continued)

#### Minimum Leases Payments

Future minimum lease payments on the non-cancelable leases are as follows:

<i>Years Ending December 31,</i>	<b>Operating Leases</b>	<b>Capital Leases</b>
2017	\$ 215,304	\$ 16,766
2018	215,304	9,780
2019	215,304	-
2020	215,304	-
2021	175,304	-
<hr/>		
Total minimum lease payments	1,036,520	26,546
Less: Amount representing interest		(1,137)
<hr/>		
Present value of minimum lease payments		25,409
Less: Current portion of capital lease obligation		(15,799)
<hr/>		
Long-term portion of capital lease obligation		\$ 9,610

### Note 13: Concentration of Risk

#### Bank Deposits

The Organization maintains its cash with local financial institutions. Balances on deposit are insured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits. Balances in excess of FDIC limits are uninsured. Management has not experienced any losses with the accounts and management believes the Organization is not exposed to any significant risk on cash and cash equivalents.

#### Government and Grants

The Organization receives grants from various government agencies whose programs rely on the availability of funding from federal or state governments. Concentrations in grant and contract revenue are as follows:

<i>Years Ended December 31,</i>	<b>2016</b>	<b>2015</b>
U.S. Department of Health and Human Services	10%	13%
State of Wisconsin Department of Justice	16%	10%
Milwaukee Public Schools	26%	30%
United Way of Greater Milwaukee	24%	29%
Other funding sources	24%	18%