

PATHWAYS FOR LITTLE FEET
AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 and 2009

**PATHWAYS FOR LITTLE FEET
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Pathways for Little Feet
8 Greenway Plaza, Suite 1000
Houston, Texas 77046

We have audited the accompanying statements of financial position of Pathways for Little Feet (a non-profit organization) as of December 31, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 States 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pathways for Little Feet as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Reimer, McGuinness & Associates, P.C.

Houston, Texas
February 28, 2011

**PATHWAYS FOR LITTLE FEET
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2010 and 2009**

	2010	2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents - Unrestricted	10,373	11,682
Cash and cash equivalents - Perpetual Family Fund	189,040	193,250
Contributions receivable	-	15,000
Adoption assistance loans receivable (Note 2)	285,346	171,552
Less: Allowance for doubtful accounts	<u>(29,350)</u>	<u>(7,675)</u>
Total Perpetual Family Fund	<u>445,036</u>	<u>372,127</u>
Total Current Assets	<u>455,409</u>	<u>383,809</u>
FIXED ASSETS		
Computer and equipment	<u>1,751</u>	<u>1,751</u>
Total Fixed Assets	<u>1,751</u>	<u>1,751</u>
Less: Accumulated depreciation	<u>(1,050)</u>	<u>(700)</u>
Fixed Assets, Net	<u>701</u>	<u>1,051</u>
 TOTAL ASSETS	 <u><u>\$ 456,110</u></u>	 <u><u>\$ 384,860</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accrued expenses	\$ 5,000	\$ 5,200
Payroll taxes payable	<u>241</u>	<u>112</u>
Total Current Liabilities	<u>5,241</u>	<u>5,312</u>
 TOTAL LIABILITIES	 5,241	 5,312
NET ASSETS		
Unrestricted net assets	10,373	9,573
Temporarily restricted net assets	430,495	359,975
Permanently restricted net assets	<u>10,000</u>	<u>10,000</u>
Total Net Assets	<u>450,869</u>	<u>379,548</u>

See independent auditors' report and notes to the financial statements

**PATHWAYS FOR LITTLE FEET
STATEMENTS OF ACTIVITIES
FOR YEARS ENDING DECEMBER 31, 2010 and 2009**

	2010	2009
UNRESTRICTED NET ASSETS		
Unrestricted revenues and gains		
Individual contributions	\$ 165,218	\$ 90,620
Interest income	618	1,235
Realized and unrealized gains (losses)	-	17,017
TOTAL UNRESTRICTED REVENUES AND GAINS	<u>165,836</u>	<u>108,872</u>
Net assets released from restrictions		
Restrictions satisfied by payments/transfers	<u>(87,589)</u>	<u>(5,942)</u>
TOTAL UNRESTRICTED REVENUES AND GAINS AND OTHER SUPPORT	78,247	102,930
EXPENSES		
General and administrative	44,759	46,891
Fundraising	56,599	46,107
Program expenses		
Adoption assistance	<u>109,866</u>	<u>65,240</u>
TOTAL EXPENSES	<u>211,224</u>	<u>158,238</u>
DECREASE IN UNRESTRICTED NET ASSETS	(132,977)	(55,308)
TEMPORARILY RESTRICTED NET ASSETS		
Restricted Revenues and Gains		
Individual contributions	23,507	84,854
Foundations	93,200	60,000
Net Assets Released from Restriction		
Restrictions satisfied by payments/transfers	<u>87,589</u>	<u>5,942</u>
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	204,296	150,796
INCREASE IN NET ASSETS	71,319	95,488
NET ASSETS, BEGINNING OF YEAR	<u>379,548</u>	<u>284,060</u>
NET ASSETS AT END OF YEAR	<u>\$ 450,867</u>	<u>\$ 379,548</u>

See independent auditors' report and notes to the financial statements

**PATHWAYS FOR LITTLE FEET
STATEMENTS OF CASH FLOWS
FOR YEARS ENDING DECEMBER 31, 2010 and 2009**

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 71,319	\$ 95,488
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	350	350
Decrease in operating assets		
Contributions receivable	15,000	250
Increase (decrease) in operating liabilities		
Accrued expenses	(200)	(800)
Payroll taxes payable	129	(3,348)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>86,598</u>	<u>91,940</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Transfers to Operating Account	-	54,909
Realized (gains)/losses	-	(17,017)
Adoption loans made to families	(181,868)	(115,200)
Increase in allowance for uncollectible accounts	21,675	7,675
Repayments of adoption loans	68,076	40,085
NET CASH USED BY INVESTING ACTIVITIES	<u>(92,117)</u>	<u>(29,548)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,519)	62,392
BEGINNING CASH AND CASH EQUIVALENTS	<u>204,932</u>	<u>142,540</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 199,413</u>	<u>\$ 204,932</u>

See independent auditors' report and notes to the financial statements

PATHWAYS FOR LITTLE FEET
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 and 2009

NOTE 1-NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNT POLICIES

Pathways for Little Feet, Inc. (the Organization) is a 501(c) (3) not-for-profit charitable organization that provides interest-free loans (through the **Perpetual Family Fund**) to qualified families already in the process of adopting, and helps adopted children adjust to their new families through the Pathways Institute. Families who apply for a loan must prove financial need. Pathways' ability to provide a loan is based upon the needs of the couple, as well as the resources available. Each couple must submit to a rigorous qualification process that includes completion and submission of an application, all required financial documentation, and an approved home study. Families are reviewed on a case-by-case basis. Once approval has been granted, the couple signs a Loan Agreement stating that they will repay the loan in full. The monies repaid to Pathways for Little Feet are then redeployed to assist subsequent families with their adoptions. The Organization's vision is to create a world in which every child is a permanent member of a loving family. Pathways for Little Feet's mission is to help families adopt children through financial assistance.

Support and Expenses

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support, if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activity as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support. The Organization reports gifts of goods and equipment as unrestricted support 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, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. Expenses are recorded when incurred in accordance with the accrual basis of accounting.

Donated Services, Goods, and Facilities

Donated professional services and or property and equipment, if any, are reflected in the statement of activities at their fair value. Materials and other assets received as donations are recorded and reflected in the accompanying financial statements at their fair values at the date of receipt.

PATHWAYS FOR LITTLE FEET
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 and 2009

**NOTE 1-NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking and money market accounts and other short-term investments of a liquid nature with maturities of less than 90 days. At year end and throughout the year, the organization's cash balances were deposited in several bank accounts. Management believes that the Organization is not exposed to any significant credit risk on cash and cash equivalents.

Allowance for Doubtful Accounts

Adoption loans receivable are periodically evaluated for collectability, and an allowance and corresponding bad debt expense is recorded when warranted.

Advertising Costs

Advertising costs are expensed as incurred. For 2010 advertising and marketing costs were \$18,890. For 2009 advertising and marketing costs were \$3,500.

Income Taxes

The Organization is a 501(c) (3) non-profit corporation, whose revenue is derived from contributions, fees and other fundraising activities and is not subject to federal or state income taxes.

Subsequent Events

Subsequent events have been evaluated through February 28, 2011 which is the date the financial statements were issued.

PATHWAYS FOR LITTLE FEET
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2010 and 2009

NOTE 2-ADOPTION ASSISTANCE LOANS RECEIVABLE

The Organization provides interest-free loans to qualified families. At December 31, 2010, there were 64 outstanding loans of \$285,345. Since inception, the Organization has made about 83 loans helping 100 children to join 81 families. These loans are accounted for at cost and are evaluated periodically for impairment. The average loan amount is approximately \$5,100. Accounts receivable at December 31, 2010 and 2009, were as follows:

	2010	2009
Due in one year or less	\$ 75,608	\$ 38,808
Due in greater than one year	209,738	132,744
	<u>285,346</u>	<u>171,552</u>
Less allowance for doubtful accounts	(29,350)	(7,675)
Net adoption loans outstanding	<u>\$ 255,996</u>	<u>\$ 163,877</u>

NOTE 3-FIXED ASSETS

It is the Organization's policy to capitalize property and equipment over \$1,500. Lesser amounts are expensed. Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions, unless the donor has restricted the donated asset to 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. Without 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, as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method. The following estimated useful lives, by type of asset are:

Furniture and equipment	5-15 years
Computer equipment	3 years

NOTE 4-RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the **Perpetual Family Fund** of which 100 percent of each donor's contribution is used to make adoption loans to bring children into loving families. As families repay the loans, the funds are loaned again, and the money re-circulates down through the years. Since inception, the founders have paid all general and administrative costs, allowing all other contributions to be used strictly in the Perpetual Family Fund to provide adoption loans for building families.

PATHWAYS FOR LITTLE FEET
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 and 2009

NOTE 4-RESTRICTED NET ASSETS (continued)

Beginning June 1, 2010, unless otherwise designated by the donor, up to 20 percent of their general contribution will cover team costs, marketing, research, consulting, and carrying out the objective of Vision 2014, helping 1,000 children join loving families. Following is a summary of the Perpetual Family Fund for the year ending 2009:

	2010	2009
Cash and cash equivalents	\$ 174,499	\$ 181,098
Adpotion loans outstanding	255,996	163,877
Contributions receivable	-	15,000
	<u> </u>	<u> </u>
Perpetual Family Fund balance	<u>\$ 430,495</u>	<u>\$ 359,975</u>

Permanently restricted assets consist of an **Endowment Fund**, whose earnings are unrestricted to support the operations of the Organization.

NOTE 5-CONCENTRATIONS AND COMMITMENTS

During 2010 and 2009, 55% and 38%, respectively, of the contributions received were made by one donor. This donor is also the founder of the Organization. The Organization is expanding its fundraising efforts to decrease this concentration. In addition, as of year-end 2010, loans for seven families for a total of \$33,000 have been approved but not yet funded. For year-end 2009, loans for two families for a total of \$8,000 had been approved but not yet funded.

NOTE 6-OPERATING LEASE AGREEMENT

The Organization has a one year lease agreement with AmREIT Realty Investment Corporation and leases its office space. This agreement is expected to be renewed on an annual basis.

NOTE 7-FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefiting from them.

NOTE 8-RELATED PARTY TRANSACTIONS

The Organization's landlord, AmREIT Realty Investment Corporation, is an entity controlled by the Founder. Rental expense was \$15,721 and \$13,519 for 2010 and 2009, respectively. There are no payments due to related parties at year end.