

PATHWAYS TO HOUSING PA, INC.
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR
THE YEAR ENDED JUNE 30, 2021)



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Pathways to Housing PA, Inc.
Philadelphia, Pennsylvania

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Pathways to Housing PA, Inc. (a nonprofit corporation), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Pathways to Housing PA, Inc., as of June 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of Pathways to Housing PA, Inc. 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 opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Pathways to Housing PA, Inc.'s ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Consolidated Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 GAAS 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 consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Pathways to Housing PA, Inc.'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Pathways to Housing PA, Inc.'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.

Change in Accounting Principle

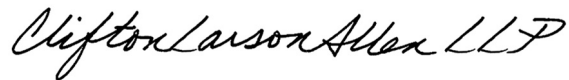
During the year ended June 30, 2022, Pathways to Housing PA, Inc. adopted Accounting Standards Update (ASU) No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Adoption of this standard did not have a significant impact on the consolidated financial statements, with the exception of increased disclosure. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited Pathways to Housing PA, Inc.'s June 30, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 28, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position, consolidating statement of activities, consolidating statement of functional expenses, and consolidating statement of cash flows are presented for additional analysis and are not a required part of the consolidated basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.



CliftonLarsonAllen LLP

King of Prussia, Pennsylvania
March 31, 2023

PATHWAYS TO HOUSING PA, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2021)

ASSETS	2022	2021
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,471,598	\$ 3,060,247
Client Cash - Restricted	153,497	169,795
Accounts Receivable:		
Government, Net	4,664,810	2,053,797
Other, Net	486,933	797,494
Inventory	249,836	172,935
Prepaid Expenses and Other	537,448	670,678
Total Current Assets	7,564,122	6,924,946
PROPERTY AND EQUIPMENT		
Furniture, Fixtures, and Equipment	695,242	637,695
Leasehold Improvements	433,522	393,331
Construction In Progress	243,963	-
Total	1,372,727	1,031,026
Less: Accumulated Depreciation	810,800	593,183
Total Property and Equipment	561,927	437,843
 Total Assets	 \$ 8,126,049	 \$ 7,362,789
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 385,777	\$ 417,834
Accrued Expenses	63,114	112,397
Accrued Payroll and Payroll Taxes	639,481	491,679
Deferred Revenue	21,959	78,476
Due to Clients	153,497	169,795
Total Current Liabilities	1,263,828	1,270,181
 PRE-DEVELOPMENT LOAN	 180,000	 50,000
 PAYCHECK PROTECTION PROGRAM LOAN	 -	 1,193,300
Total Liabilities	1,443,828	2,513,481
NET ASSETS		
Without Donor Restrictions	6,312,232	4,634,307
With Donor Restrictions	369,989	215,001
Total Net Assets	6,682,221	4,849,308
 Total Liabilities and Net Assets	 \$ 8,126,049	 \$ 7,362,789

See accompanying Notes to Consolidated Financial Statements.

PATHWAYS TO HOUSING PA, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Community Behavioral Health	\$ 7,942,774	\$ -	\$ 7,942,774	\$ 7,500,941
U.S. Department of Housing and Urban Development	5,646,748	-	5,646,748	5,112,874
City of Philadelphia Department of Behavioral Health	2,610,251	-	2,610,251	2,107,487
Other Contracts	620,913	-	620,913	609,963
Client Income	615,021	-	615,021	619,342
Foundation Grants	261,208	415,449	676,657	231,611
Contributions	135,712	-	135,712	72,638
In-Kind Donations	951,010	-	951,010	697,875
Other Income and Fees	644,473	-	644,473	418,339
Net Assets Released from Restrictions	260,461	(260,461)	-	-
Total Support and Revenue	<u>19,688,571</u>	<u>154,988</u>	<u>19,843,559</u>	<u>17,371,070</u>
EXPENSES				
Program	16,707,988	-	16,707,988	14,828,477
Management and General	2,164,154	-	2,164,154	1,931,701
Fundraising	331,804	-	331,804	329,155
Total Expenses	<u>19,203,946</u>	<u>-</u>	<u>19,203,946</u>	<u>17,089,333</u>
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	484,625	154,988	639,613	281,737
OTHER INCOME				
Paycheck Protection Program Loan Forgiveness	<u>1,193,300</u>	<u>-</u>	<u>1,193,300</u>	<u>-</u>
CHANGE IN NET ASSETS	1,677,925	154,988	1,832,913	281,737
Net Assets - Beginning of Year	<u>4,634,307</u>	<u>215,001</u>	<u>4,849,308</u>	<u>4,567,571</u>
NET ASSETS - END OF YEAR	<u>\$ 6,312,232</u>	<u>\$ 369,989</u>	<u>\$ 6,682,221</u>	<u>\$ 4,849,308</u>

See accompanying Notes to Consolidated Financial Statements.

PATHWAYS TO HOUSING PA, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2021)

	2022						2021	
	Housing First	Furniture Bank	Good Haul	Total Program	Management and General	Fundraising	Total	Total
Payroll and Payroll Related Expenses	\$ 5,584,949	\$ 460,560	\$ 35,672	\$ 6,081,181	\$ 1,622,487	\$ 225,616	\$ 7,929,284	\$ 7,629,312
Bad Debt Expense	-	-	-	-	38,149	-	38,149	7,418
Client Gross Rent Expense	5,019,177	-	-	5,019,177	-	-	5,019,177	4,928,822
Client Housing Expenses	1,902,327	14,986	-	1,917,313	-	-	1,917,313	1,265,113
Clinical Expenses	21,121	-	-	21,121	-	-	21,121	51,555
Conferences and Meetings	32,603	1,255	1,432	35,290	74,374	3,235	112,899	25,222
Contract Service Payments and Professional Fees	515,875	-	2,100	517,975	187,665	46,249	751,889	599,043
Depreciation	187,151	-	-	187,151	26,114	4,352	217,617	197,159
Program Expenses - FB (Includes Delivery Exp)	52	1,154,857	-	1,154,909	-	-	1,154,909	881,836
Insurance	201,447	9,500	-	210,947	25,900	4,316	241,163	189,435
Miscellaneous	-	2,005	-	2,005	18,201	-	20,206	19,486
Occupancy Costs	419,657	72,846	-	492,503	68,721	11,453	572,677	460,919
Office Expenses	492,817	11,204	249	504,270	102,543	36,583	643,396	495,912
Other Client Expenses	516,047	85	72	516,204	-	-	516,204	321,346
Vehicle Costs	11,942	35,153	847	47,942	-	-	47,942	16,755
Total Expenses	\$ 14,905,165	\$ 1,762,451	\$ 40,372	\$ 16,707,988	\$ 2,164,154	\$ 331,804	\$ 19,203,946	\$ 17,089,333

See accompanying Notes to Consolidated Financial Statements.

PATHWAYS TO HOUSING PA, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2021)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,832,913	\$ 281,737
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	217,617	197,159
Bad Debt	38,149	7,418
Forgiveness on Paycheck Protection Program Loan	(1,193,300)	-
(Increase) Decrease in:		
Prepaid Expenses	133,230	(144,251)
Accounts Receivable	(2,338,601)	(653,075)
Inventory	(76,901)	(4,976)
Increase (Decrease) in:		
Accounts Payable	(32,057)	104,159
Accrued Expenses	(49,283)	(23,552)
Accrued Payroll and Payroll Taxes	147,802	50,213
Due to Clients	(16,298)	(43,093)
Deferred Revenue	(56,517)	(116,073)
Net Cash Used by Operating Activities	(1,393,246)	(344,334)
CASH FLOWS USED BY INVESTING ACTIVITIES		
Purchase of Property and Equipment	(341,701)	(108,753)
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		
Pre-Development Loan	130,000	-
Net Cash Provided by Financing Activities	130,000	-
NET DECREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(1,604,947)	(453,087)
Cash, Cash Equivalents, and Restricted Cash – Beginning of Year	3,230,042	3,683,129
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH – END OF YEAR	\$ 1,625,095	\$ 3,230,042
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for Interest	\$ -	\$ 2,540

See accompanying Notes to Consolidated Financial Statements.

PATHWAYS TO HOUSING PA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Pathways to Housing PA, Inc. (Pathways) is a nonprofit corporation formed under the laws of the Commonwealth of Pennsylvania. Pathways operates with the belief that housing is a basic human right for all people. Pathways provides housing and non-fidelity Assertive Community Treatment Services to people who have experienced chronic homelessness and have behavioral health and multiple other disabilities. Pathways' prioritized highly vulnerable clients are referred by the City of Philadelphia; therefore, the organization operates under the Medical Assistance guidelines for admission criteria. The Housing First Model has proved to be successful in housing people that have not been able to maintain housing with other agencies. In addition to housing placement, Pathways' clients are provided with support services such as case management, mental health counseling, addiction treatment services, medical services, vocational training, household and money management assistance, life skills training, and advocacy services. In December 2014, Pathways opened the Philadelphia Furniture Bank providing furnishings to those in need, primarily individuals and families moving out of homelessness, who are referred to Pathways by member agencies.

Pathways is primarily funded through contracts with governmental agencies such as the United States Department of Housing and Urban Development, City of Philadelphia Department of Behavioral Health and Intellectual Disability Services, City of Philadelphia Office of Homeless Services, and Community Behavioral Health (the City's medical assistance payor for behavioral health services).

On June 3, 2021, Pathways Housing Wellness Corporation (the Corporation) was established. The Corporation was brought into existence for the purpose of rebuilding lost homes within the Philadelphia community into moderate sized multi-family units that would fit into the landscape of the neighborhood. Pathways to Housing PA, Inc. is the sole member of Pathways Housing Wellness Corporation.

Principles of Consolidation

The consolidated financial statements of Pathways include the accounts of Pathways to Housing PA, Inc. and Pathways to Housing Wellness Corporation. All significant inter-organizational transactions have been eliminated in these consolidated financial statements.

Basis of Presentation

The consolidated financial statements of Pathways have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

PATHWAYS TO HOUSING PA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prior Year Summarized Information

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles in the United States of America. Accordingly, such information should be read in conjunction with Pathways' consolidated financial statements for the year ended June 30, 2021, from which the summarized information was derived.

Cash and Cash Equivalents

All highly liquid investments with original maturities of three months or less are considered to be cash equivalents. Cash and cash equivalents include demand deposit accounts.

Client Cash-Restricted/Due to Clients

Pathways, as part of Social Security's Representative Payment Program, provides financial management for the Social Security payments made to beneficiaries who are incapable of managing their payments. Restricted cash represents these funds that are held on behalf of Pathways clients. Pathways manages these resources to help create a stable living environment and ensure that the basic needs of food, shelter, clothing, and medical care are met.

Accounts Receivable and Allowance for Doubtful Accounts

The allowance for doubtful accounts is maintained to recognize potential losses in Pathways accounts receivable. Management continually monitors accounts receivables for collectability. An allowance for doubtful accounts is based upon management's judgment and is established based on review of the types of individual accounts, collection history, and other pertinent factors. In addition, an allowance is provided for other accounts when a significant pattern of uncollectibility has occurred. When all collection efforts have been exhausted, the accounts are written off. At June 30, 2022, the amount of the overall allowance for accounts receivable was \$56,374.

Inventory

The Inventory for the Philadelphia Furniture Bank consists of slightly used furniture received from for-profit entities, nonprofit organizations, and individuals. The inventory value is based on estimates from various donation value guides. This furniture is provided to those in need, primarily individuals and families moving out of homelessness, who are referred to Pathways by member agencies. Ending inventory as of June 30, 2022 amounted to \$249,836.

PATHWAYS TO HOUSING PA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are purchased and stated at cost. Donated property is recorded at fair value. Depreciation is provided on the straight-line method over the estimated useful lives of the related assets as follows:

Furniture, Fixtures, and Equipment	3 to 8 Years
Leasehold Improvements	Term of Lease

Pathways capitalizes property and equipment acquisitions with a cost exceeding \$2,500. The cost of maintenance and repairs is charged to expense as incurred whereas significant renewals and betterments are capitalized.

Net Assets

Pathways classifies resources for accounting and reporting purposes into separate net asset classes based on the absence or existence of donor-imposed restrictions. In the accompanying consolidated financial statements, net assets that have similar characteristics have been combined into similar categories. A description of the asset categories is as follows:

Without Donor Restrictions – Net assets not subject to donor-imposed restrictions or stipulations as to purpose or use. Net assets without donor restrictions include operating funds. The board of directors has the ability to designate net assets without donor restrictions for specified purposes.

With Donor Restrictions – Net assets that are subject to donor-imposed restrictions or stipulations that require the principal to be invested in perpetuity and the income to be used to support Pathways objectives in accordance with the wishes of the donor.

All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Revenue Recognition

Fee for Service – Fee for service revenue is recognized at the time the service is rendered and is based upon the billing rate and the allowable number of service units provided to the clients. The performance obligation under these contracts is a delivery of specified service at the pre-determined published price. Rates are established by the governmental agency and are subject to change. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered. Services completed and billed where the payment is not yet received are recorded as receivables. Funds received in advance of the service performed are recorded as deferred revenue in the consolidated statement of financial position.

PATHWAYS TO HOUSING PA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Client Income – Client Income represents each client’s contribution to their housing rental expenses and represents 30% of their annual income net of allowable adjustments. Client income is recorded when earned to the extent that the related expenses have been incurred.

Grants and Contributions – Most of the grants and contributions received by Pathways are considered to be nonexchange transactions. Pathways recognizes these transactions in accordance with Accounting Standards Update (ASU) No. 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*.

Pathways reviews each transaction to evaluate whether the grants and contributions received are conditional or unconditional. Both barriers and right of return/release need to exist in order to designate a contribution as conditional. Once designated, the revenue is recognized when the conditions are met.

Unconditional grants and contributions are recorded as those with donor restrictions or without donor restrictions depending on the existence of donor-imposed restrictions, typically limiting purpose or timing of the grant or contribution. Grants and contributions that are restricted by the donor are reported as an increase in net assets without donor restriction if the restriction expires in the reporting period in which these grants and contributions are recognized.

A portion of Pathways’ revenue is derived from cost-reimbursable contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when Pathways has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as liabilities in the consolidated statement of financial position. Pathways has been awarded cost-reimbursable grants of \$1,919,923 that have not been recognized at June 30, 2022 because qualifying expenditures have not yet been incurred.

Functional Allocation of Expenses

The costs of supporting the program and other activities have been summarized on a functional basis in the consolidated statement of functional expenses. Specifically identifiable costs are assigned directly to the respective program and/ or supporting function.

The consolidated financial statements report certain costs that are attributable to one or more programs or supporting functions. These costs have been allocated by management based on reasonable allocation methods. Payroll and the associated payroll related costs are allocated based on time spent. Conference and meetings, Contract Service Payments and Professional Fees, Insurance and Office Expense are allocated based on specifically identifiable costs and head count between program, management and general and fundraising. Occupancy and depreciation costs are allocated based on head count between program, management and general and fundraising.

PATHWAYS TO HOUSING PA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status

Pathways and Pathways Housing Wellness Corporation are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Informational tax returns are subject to review and examination by federal, state, or local authorities. Pathways is not aware of any activities that would jeopardize its tax-exempt status.

Pathways and Pathways Housing Wellness Corporation follow the guidance in the income tax standard regarding the recognition and measurement of uncertain tax positions. The guidance clarifies the accounting for uncertainty in income taxes recognized in an entity's consolidated financial statements. The guidance further prescribes recognition and measurement of tax provisions taken or expected to be taken on a tax return that are not certain to be realized. The application of this standard had no impact on the consolidated financial statements.

Management's Judgments and Accounting Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. The most significant management estimates and assumptions relate to determination of the allowance for doubtful accounts, the functional expense allocation, and the useful lives of fixed assets. Actual results could differ from those estimates.

Change in Accounting Principle

Pathways has adopted ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the consolidated statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. Adoption of this standard did not have a significant impact on the consolidated financial statements, with the exception of increased disclosure.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board issued ASU No. 2016-02, *Leases*. The ASU establishes guidance that will result in a more faithful representation of the rights and obligations arising from leases by requiring lessees to recognize the lease assets and lease liabilities that arise from leases in the consolidated statement of financial position and to disclose qualitative and quantitative information about lease transactions. The new guidance will result in fewer opportunities for organizations to structure leasing transactions to achieve a particular accounting outcome on the consolidated statement of financial position and will improve the understanding and comparability of lessees' financial commitments regardless of the manner they choose to finance the assets used in their businesses. The provisions of ASU No. 2016-02 are effective for fiscal years beginning after December 15, 2021. Pathways is assessing the impact this standard will have on its consolidated financial statements.

PATHWAYS TO HOUSING PA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

In preparing these consolidated financial statements, Pathways has evaluated events and transactions for potential recognition or disclosures through March 31, 2023, the date the consolidated financial statements were available to be issued.

NOTE 2 CONCENTRATION OF CREDIT RISK

Cash and cash equivalents potentially subject Pathways to a concentration credit risk. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. At times, cash in bank deposit accounts may exceed FDIC insurable limits.

NOTE 3 ACCOUNTS RECEIVABLE – GOVERNMENT

As of June 30, 2022, accounts receivable – government are comprised of the following:

	Amount
City of Philadelphia Department of Behavioral Health	\$ 1,462,963
Community Behavioral Health	707,208
City of Philadelphia Office of Homeless Services	1,522,167
U.S. Department of Housing and Urban Development	805,689
City of Philadelphia Department of Behavioral Health Office of Addiction Services	49,097
ActionWellness	56,595
Other	61,091
Total Accounts Receivable - Government, Net	\$ 4,664,810

NOTE 4 DEBT

Line of Credit

Pathways has a revolving line of credit of \$1,000,000 with a commercial bank. The line is collateralized by the business assets of Pathways and bears interest at the bank's prime rate (5.25% as of June 30, 2022). There were no borrowings on this line of credit during the year ended June 30, 2022. The line expires August 9, 2023 and can be renewed on an annual basis. As of June 30, 2022, there was no outstanding balance on this line.

Paycheck Protection Program Loan

On May 7, 2020, Pathways entered a Term Note with a bank pursuant to the Paycheck Protection Program (the PPP) of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) administered by the U.S. Small Business Administration (SBA). The principal amount of the Note is \$1,193,300.

PATHWAYS TO HOUSING PA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 4 DEBT (CONTINUED)

Paycheck Protection Program Loan (Continued)

On July 9, 2021, Pathways received notification from the Bank that the SBA approved loan forgiveness in the amount of \$1,193,300. The amount of forgiveness was included as non-operating income for the year ended June 30, 2022.

The SBA may review funding eligibility and usage of funds in compliance with the program based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on Pathways' financial position.

Pre-Development Loan

On October 20, 2021, Pathways Housing Wellness Corp entered into a loan agreement. The funds were disbursed to Pathways in December 2021. The loan is for predevelopment construction costs including architectural and consulting fees. The loan carries a 6% interest rate to be accrued and paid at the earlier of closing of construction financing or the maturity date of December 10, 2024.

For the year ended June 30, 2022, the outstanding balance on this loan was \$180,000.

Principal maturities of the pre-development loan subsequent to June 30, 2022 is as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ -
2024	180,000
Total	<u>\$ 180,000</u>

NOTE 5 NET ASSETS

As of June 30, 2022, net assets with donor restrictions are restricted as to purpose and available for the following:

	<u>Amount</u>
Furniture Bank Supported Employment and Operations	\$ 20,000
Outreach	117,949
Integrated Care Clinic	15,000
Good Haul	217,040
Total	<u>\$ 369,989</u>

NOTE 6 EMPLOYEE BENEFIT PLAN

Pathways maintains a 401k Plan covering all eligible employees who have completed three months of service. Employees may contribute a percentage of their gross wages to the plan. Pathways makes a "nonelective" contribution of 3% of gross salary for all eligible employees regardless if they contribute or not. Total contributions for the year ended June 30, 2022 were \$166,804.

PATHWAYS TO HOUSING PA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 7 OPERATING LEASE COMMITMENTS

Residential Apartments

Pathways leases approximately 478 residential apartments throughout the City of Philadelphia that serve as the housing units for the clients of the program. The various one-year leases have expiration dates throughout fiscal year 2022. Residential rental expense for the year ended June 30, 2022 totaled \$5,019,177.

Office Facilities

Pathways conducts its operations from facilities that are leased under a seven-year operating lease with an expiration date in 2029. There is one five-year renewal option under the contract that allow Pathways to lease the facility until 2034. Rental and occupancy expense for the year ended June 30, 2022 totaled \$412,734.

Furniture Bank Program

In October 2014, Pathways opened the Philadelphia Furniture Bank Program. The Philadelphia Furniture Bank program facilitates the collection and distribution of gently used donated furniture to individuals and families moving out of homelessness.

In June 2019, the Philadelphia Furniture Bank Program relocated and entered into a four-year operating lease with an expiration date in 2023. There is one three-year renewal option on the contract that allows Pathways to lease the facility until 2026. Rental and occupancy expense for the year ended June 30, 2022 totaled \$69,969.

Vehicles

During fiscal year 2022, Pathways entered into leases for various vehicles in order to assist with client transportation and overall programmatic functions. As of June 30, 2022, Pathways had entered into 19 individual leases.

Aggregate minimum annual rental payments under residential apartments, office facilities, vehicles, and furniture bank leases at June 30, 2022 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 2,312,629
2024	426,854
2025	434,491
2026	422,545
2027	341,780
Thereafter	489,718
Total	<u><u>\$ 4,428,017</u></u>

NOTE 8 CONCENTRATION OF REVENUES

Pathways operating revenue is primarily generated through contracts with federal, state and city governmental agencies. For the year ended June 30, 2022, this amount represented approximately 82% of total support and revenue. The total receivable from contracts with federal, state and city governmental agencies as of June 30, 2022 was approximately 90% of total accounts receivable.

PATHWAYS TO HOUSING PA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 9 CONTRACTUAL ADJUSTMENTS

The contracts under which Pathways conducts its programs contain provisions defining costs, which are allowable and reimbursable within the program. Program billings are subject to audit by various governmental funding sources. Audits of these billings may result in adjustments for disallowances. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined to date.

NOTE 10 LIQUIDITY

The below table reflects Pathways financial assets available for general expenditure, that is, without donor or other restriction limiting their use, within one year as of June 30, 2022:

	Amount
Cash and Cash Equivalents	\$ 1,471,598
Accounts Receivable - Government	4,664,810
Accounts Receivable - Other	486,933
Total Financial Assets at Year-End	6,623,341
Less: Net Assets with Donor Restrictions	(369,989)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$ 6,253,352

As part of Pathways to Housing PA, Inc.'s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition to financial assets available to meet general expenditures over the next 12 months, Pathways operates with a Board approved budget. In the event of an unanticipated liquidity need, Pathways could draw upon its line of credit.

NOTE 11 REVENUE FROM CONTRACTS WITH CUSTOMERS

The following table shows the Pathways' revenue subject to ASC 606 disaggregated according to the timing of the transfer of goods or services:

Revenue Recognized at a Point in Time:	
CBH	\$ 7,942,774
Client Rent Contributions	594,573
Client Utilities Contributions	20,448
Referral Fees	240,052
Training Fees	182,904
Delivery Fees	41,995
Total	\$ 9,022,746

PATHWAYS TO HOUSING PA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 11 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

The following table shows Pathways' contract assets:

Accounts Receivable:	
Accounts Receivable, Net - Client	\$ 5,870
Accounts Receivable- CBH	707,208
Total Accounts Receivable	<u>\$ 713,078</u>

There were no contract liabilities as of June 30, 2022.

NOTE 12 IN-KIND DONATIONS

In-kind contributions of furniture amounted to \$951,010 for the year ended June 30, 2022, and is included in the consolidated statement of activities. Pathways receives various forms of donated materials, facilities and services that are considered contributions of nonfinancial assets including donated goods, donated supplies, and donated clothing. These contributions are reported at their estimated fair value on the date of receipt and reported as expenses when utilized. Estimated fair value is based upon estimates of fair market or wholesale values that would be received from selling goods in their principal market considering their condition and utility for use at the time the goods are contributed for program use. The following is a summary of the in-kind contributions received by Pathways during the year ended June 30, 2022.

Item	Amount
Area Rugs	\$ 11,550
Art Work	4,405
Bookshelves	25,260
Desks	42,405
Dining Chairs	38,300
Dining Table	99,160
Dressers	87,375
Full/Double Box Springs	26,200
Full/Double Mattresses	138,776
Lamps	26,623
Mirrors	21,150
Occasional Table	64,750
Pop-up Shop- Small Items	9,015
Sofas/Loveseats	146,556
Soft Chairs	49,270
Standard Frame	25,350
Standard Frame, Center Support	2,139
Twin Box Springs	24,890
Twin Mattresses	105,028
Wardrobes	2,808
Total	<u>\$ 951,010</u>

PATHWAYS TO HOUSING PA, INC.
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022

ASSETS	Pathways to Housing PA, Inc.	Pathways Housing Wellness Corporation	Eliminations	Total
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 1,148,338	\$ 323,260	\$ -	\$ 1,471,598
Client Cash - Restricted	153,497	-	-	153,497
Accounts Receivable:				
Government, Net	4,664,810	-	-	4,664,810
Other, Net	486,933	-	-	486,933
Due From Related Party	387,223	-	(387,223)	-
Inventory	249,836	-	-	249,836
Prepaid Expenses and Other	537,448	-	-	537,448
Total Current Assets	<u>7,628,085</u>	<u>323,260</u>	<u>(387,223)</u>	<u>7,564,122</u>
PROPERTY AND EQUIPMENT				
Furniture, Fixtures, and Equipment	695,242	-	-	695,242
Leasehold Improvements	433,522	-	-	433,522
Construction In Progress	-	243,963	-	243,963
Total	<u>1,128,764</u>	<u>243,963</u>	<u>-</u>	<u>1,372,727</u>
Less: Accumulated Depreciation	<u>810,800</u>	<u>-</u>	<u>-</u>	<u>810,800</u>
Total Property and Equipment	<u>317,964</u>	<u>243,963</u>	<u>-</u>	<u>561,927</u>
 Total Assets	 <u>\$ 7,946,049</u>	 <u>\$ 567,223</u>	 <u>\$ (387,223)</u>	 <u>\$ 8,126,049</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable	\$ 385,777	\$ -	\$ -	\$ 385,777
Accrued Expenses	63,114	-	-	63,114
Accrued Payroll and Payroll Taxes	639,481	-	-	639,481
Deferred Revenue	21,959	-	-	21,959
Due to Related Party	-	387,223	(387,223)	-
Due to Clients	153,497	-	-	153,497
Total Current Liabilities	<u>1,263,828</u>	<u>387,223</u>	<u>(387,223)</u>	<u>1,263,828</u>
PRE-DEVELOPMENT LOAN	<u>-</u>	<u>180,000</u>	<u>-</u>	<u>180,000</u>
Total Liabilities	1,263,828	567,223	(387,223)	1,443,828
NET ASSETS				
Without Donor Restrictions	6,312,232	-	-	6,312,232
With Donor Restrictions	369,989	-	-	369,989
Total Net Assets	<u>6,682,221</u>	<u>-</u>	<u>-</u>	<u>6,682,221</u>
 Total Liabilities and Net Assets	 <u>\$ 7,946,049</u>	 <u>\$ 567,223</u>	 <u>\$ (387,223)</u>	 <u>\$ 8,126,049</u>

**PATHWAYS TO HOUSING PA, INC.
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

	Pathways to Housing PA, Inc.	Pathways Housing Wellness Corporation	Eliminations	Total
SUPPORT AND REVENUE				
Community Behavioral Health	\$ 7,942,774	\$ -	\$ -	\$ 7,942,774
U.S. Department of Housing and Urban Development	5,646,748	-	-	5,646,748
City of Philadelphia Department of Behavioral Health	2,610,251	-	-	2,610,251
Other Contracts	620,913	-	-	620,913
Client Income	615,021	-	-	615,021
Foundation Grants	676,657	-	-	676,657
Contributions	135,712	-	-	135,712
In-Kind Donations	951,010	-	-	951,010
Other Income and Fees	644,473	-	-	644,473
Total Support and Revenue	<u>19,843,559</u>	<u>-</u>	<u>-</u>	<u>19,843,559</u>
EXPENSES				
Program	16,707,988	-	-	16,707,988
Management and General	2,164,154	-	-	2,164,154
Fundraising	331,804	-	-	331,804
Total Expenses	<u>19,203,946</u>	<u>-</u>	<u>-</u>	<u>19,203,946</u>
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	639,613	-	-	639,613
OTHER INCOME				
Paycheck Protection Program Loan Forgiveness	<u>1,193,300</u>	<u>-</u>	<u>-</u>	<u>1,193,300</u>
CHANGE IN NET ASSETS	1,832,913	-	-	1,832,913
Net Assets - Beginning of Year	<u>4,849,308</u>	<u>-</u>	<u>-</u>	<u>4,849,308</u>
NET ASSETS - END OF YEAR	<u>\$ 6,682,221</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,682,221</u>

PATHWAYS TO HOUSING PA, INC.
CONSOLIDATING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2022

	Pathways to Housing PA, Inc.	Pathways Housing Wellness Corporation	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in Net Assets	\$ 1,832,913	\$ -	\$ -	\$ 1,832,913
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:				
Depreciation	217,617	-	-	217,617
Bad Debt	38,149	-	-	38,149
Forgiveness on Paycheck Protection Program Loan	(1,193,300)	-	-	(1,193,300)
(Increase) Decrease in:				
Prepaid Expenses	133,230	-	-	133,230
Accounts Receivable	(2,338,601)	-	-	(2,338,601)
Due From Related Party	(387,223)	-	387,223	-
Inventory	(76,901)	-	-	(76,901)
Increase (Decrease) in:				
Accounts Payable	(32,057)	-	-	(32,057)
Accrued Expenses	(49,283)	-	-	(49,283)
Accrued Payroll and Payroll Taxes	147,802	-	-	147,802
Due to Related Party	-	387,223	(387,223)	-
Due to Clients	(16,298)	-	-	(16,298)
Deferred Revenue	(56,517)	-	-	(56,517)
Net Cash Provided by (Used in) Operating Activities	(1,780,469)	387,223	-	(1,393,246)
CASH FLOWS USED BY INVESTING ACTIVITIES				
Purchase of Property and Equipment	(97,738)	(243,963)	-	(341,701)
CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES				
Pre-Development Loan	(50,000)	180,000	-	130,000
Net Cash Provided by (Used in) Financing Activities	(50,000)	180,000	-	130,000
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH				
	(1,928,207)	323,260	-	(1,604,947)
Cash, Cash Equivalents, and Restricted Cash – Beginning of Year	3,230,042	-	-	3,230,042
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH – END OF YEAR	<u>\$ 1,301,835</u>	<u>\$ 323,260</u>	<u>\$ -</u>	<u>\$ 1,625,095</u>