

PATHWAYS TO HOUSING PA, INC.
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024
(WITH COMPARATIVE TOTALS FOR
THE YEAR ENDED JUNE 30, 2023)



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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, 2024, 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, 2024, 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.

Change in Accounting Principle

As described in Note 1 to the consolidated financial statements, in 2024, Pathways to Housing PA, Inc. has adopted new accounting guidance for credit losses (FASB ASC 326). The guidance requires companies to estimate expected credit losses for all financial instruments and provides specific considerations in determining these estimates, as well as modifying certain terminology. Our opinion is not modified with respect to this matter.

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.

Report on Summarized Comparative Information

We have previously audited Pathways to Housing PA, Inc.'s June 30, 2023 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated January 29, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited consolidated 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.

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

CliftonLarsonAllen LLP

King of Prussia, Pennsylvania
April 21, 2025

PATHWAYS TO HOUSING PA, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2024
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2023)

	2024	2023
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,295,618	\$ 1,948,411
Client Cash - Restricted	172,437	271,594
Accounts Receivable:		
Government	2,612,213	1,730,077
Contracts, Net	863,880	638,437
Other	185,270	206,676
Inventory	502,203	228,068
Prepaid Expenses and Other	102,598	593,647
Total Current Assets	<u>6,734,219</u>	<u>5,616,910</u>
PROPERTY AND EQUIPMENT		
Furniture, Fixtures, and Equipment	801,407	792,502
Leasehold Improvements	488,183	468,580
Software	45,831	45,831
Construction In Progress	422,923	292,230
Total	<u>1,758,344</u>	<u>1,599,143</u>
Less: Accumulated Depreciation	<u>1,068,852</u>	<u>934,979</u>
Total Property and Equipment	<u>689,492</u>	<u>664,164</u>
RIGHT OF USE ASSETS	<u>1,590,222</u>	<u>1,980,861</u>
Total Assets	<u><u>\$ 9,013,933</u></u>	<u><u>\$ 8,261,935</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 636,835	\$ 349,070
Accrued Expenses	551,884	413,910
Accrued Payroll and Payroll Taxes	762,586	640,459
Deferred Revenue	813,514	332,242
Due to Clients	172,437	271,594
Lease Liabilities, Current Portion	400,375	406,209
Total Current Liabilities	<u>3,337,631</u>	<u>2,413,484</u>
LEASE LIABILITIES, NET OF CURRENT PORTION	1,241,526	1,611,603
PRE-DEVELOPMENT LOANS	<u>335,746</u>	<u>230,000</u>
Total Liabilities	4,914,903	4,255,087
NET ASSETS		
Without Donor Restrictions	3,478,792	3,828,283
With Donor Restrictions	620,238	178,565
Total Net Assets	<u>4,099,030</u>	<u>4,006,848</u>
Total Liabilities and Net Assets	<u><u>\$ 9,013,933</u></u>	<u><u>\$ 8,261,935</u></u>

See accompanying Notes to Consolidated Financial Statements.

PATHWAYS TO HOUSING PA, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2023)

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Community Behavioral Health	\$ 9,519,104	\$ -	\$ 9,519,104	\$ 7,045,478
U.S. Department of Housing and Urban Development	6,796,951	-	6,796,951	6,263,610
City of Philadelphia Department of Behavioral Health	1,476,772	-	1,476,772	1,347,833
Other Contracts	672,201	-	672,201	1,043,614
Client Income	472,709	-	472,709	511,579
Foundation Grants	1,017,594	910,000	1,927,594	627,974
Contributions	118,942	-	118,942	117,056
In-Kind Contributions	1,000,191	-	1,000,191	1,131,841
Other Income and Fees	889,017	-	889,017	933,663
Loss on Disposal	-	-	-	(78,988)
Net Assets Released from Restrictions	468,327	(468,327)	-	-
Total Support and Revenue	22,431,808	441,673	22,873,481	18,943,660
EXPENSES				
Program	18,889,670	-	18,889,670	18,314,916
Management and General	3,537,784	-	3,537,784	2,946,822
Fundraising	353,845	-	353,845	357,295
Total Expenses	22,781,299	-	22,781,299	21,619,033
CHANGE IN NET ASSETS	(349,491)	441,673	92,182	(2,675,373)
Net Assets - Beginning of Year	3,828,283	178,565	4,006,848	6,682,221
NET ASSETS - END OF YEAR	<u>\$ 3,478,792</u>	<u>\$ 620,238</u>	<u>\$ 4,099,030</u>	<u>\$ 4,006,848</u>

See accompanying Notes to Consolidated Financial Statements.

PATHWAYS TO HOUSING PA, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2024
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2023)

	2024						2023	
	Housing First	Furniture Bank	Good Haul	Total Program	Management and General	Fundraising	Total	Total
Payroll and Payroll Related Expenses	\$ 6,767,676	\$ 713,522	\$ 224,573	\$ 7,705,771	\$ 2,066,590	\$ 265,422	\$ 10,037,783	\$ 9,179,044
Bad Debt Expense	-	-	-	-	271,585	-	271,585	62,379
Client Gross Rent Expense	6,057,844	-	-	6,057,844	-	-	6,057,844	5,409,765
Client Housing Expenses	2,132,495	1,013	-	2,133,508	1,987	-	2,135,495	2,042,296
Clinical Expenses	8,984	-	-	8,984	-	-	8,984	-
Conferences and Meetings	58,306	1,104	123	59,533	37,831	22,543	119,907	129,167
Contract Service Payments and Professional Fees	167,015	12,042	5,874	184,931	280,486	12,042	477,459	709,816
Depreciation	117,738	-	-	117,738	16,135	-	133,873	124,179
Program Expenses - FB (Incl. Delivery Expense)	2,330	1,008,990	11,469	1,022,789	-	-	1,022,789	1,446,314
In-Kind Professional Services	-	-	-	-	-	-	-	45,842
Insurance	349,207	2,500	1,250	352,957	36,857	-	389,814	297,073
Miscellaneous	1,461	1,080	28	2,569	259,440	5,247	267,256	482,376
Occupancy Costs	480,588	77,476	22,800	580,864	65,859	-	646,723	566,235
Office Expenses	232,454	35,366	10,041	277,861	481,057	48,324	807,242	712,940
Other Client Expenses	324,297	-	-	324,297	-	-	324,297	360,310
Vehicle Costs	38,734	19,408	1,882	60,024	19,957	267	80,248	51,297
Total Functional Expenses	<u>\$ 16,739,129</u>	<u>\$ 1,872,501</u>	<u>\$ 278,040</u>	<u>\$ 18,889,670</u>	<u>\$ 3,537,784</u>	<u>\$ 353,845</u>	<u>\$ 22,781,299</u>	<u>\$ 21,619,033</u>

See accompanying Notes to Consolidated Financial Statements.

PATHWAYS TO HOUSING PA, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2024
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2023)

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 92,182	\$ (2,675,373)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	133,873	124,179
Bad Debt	271,585	62,379
Loss on Disposal	-	78,988
(Increase) Decrease in:		
Prepaid Expenses and Other	491,049	(78,227)
Accounts Receivable	(1,357,758)	2,514,174
Inventory	(274,135)	21,768
Right of Use Assets	390,639	(1,980,861)
Increase (Decrease) in:		
Accounts Payable	287,765	(36,707)
Accrued Expenses	137,974	372,824
Accrued Payroll and Payroll Taxes	122,127	978
Due to Clients	(99,157)	118,097
Deferred Revenue	481,272	310,283
Lease Liabilities	(375,911)	2,017,812
Net Cash Provided by Operating Activities	<u>301,505</u>	<u>850,314</u>
CASH FLOWS USED BY INVESTING ACTIVITIES		
Purchase of Property and Equipment	(159,201)	(305,404)
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		
Pre-Development Loans	<u>105,746</u>	<u>50,000</u>
NET INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	248,050	594,910
Cash, Cash Equivalents, and Restricted Cash – Beginning of Year	<u>2,220,005</u>	<u>1,625,095</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH – END OF YEAR	<u><u>\$ 2,468,055</u></u>	<u><u>\$ 2,220,005</u></u>

See accompanying Notes to Consolidated Financial Statements.

PATHWAYS TO HOUSING PA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

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 interorganizational 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, 2024

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, 2023, 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.

Contract Receivables

The allowance for credit loss is maintained to recognize potential losses in Pathways contract accounts receivable. Management continually monitors accounts receivables for collectability. An allowance for credit loss is based upon management's judgment and is established based on review of the types of individual accounts, collection history, and other pertinent factors. At June 30, 2024, the amount of the overall allowance for credit loss was \$81,368.

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, 2024 amounted to \$502,203.

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 TO HOUSING PA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (Continued)

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.

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.

PATHWAYS TO HOUSING PA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Grants and Contributions – 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 and amounted to \$1,013,514 as of June 30, 2024. Pathways has been awarded cost-reimbursable grants of \$2,661,560 that have not been recognized at June 30, 2024 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, 2024

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 credit losses, the functional expense allocation, and the useful lives of fixed assets. Actual results could differ from those estimates.

Leases

Pathways leases office facilities, residential apartments, vehicles, and program locations. Pathways determines if an arrangement is a lease at inception. Operating and finance leases are included in right-of-use (ROU) assets, other current liabilities, and lease liabilities on the statement of financial position.

ROU assets represent Pathways' right to use an underlying asset for the lease term and lease liabilities represent Pathways' obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Some leases do not provide an implicit rate so Pathways uses a discount rate comparable to the U.S. Department of the Treasury, Daily Treasury Par Yield Curve Rates based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that Pathways will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Pathways has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

PATHWAYS TO HOUSING PA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in Accounting Principle

Pathways to Housing PA, Inc. has adopted ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifieds the measurement of expected credit losses. Pathways adopted this new guidance utilizing the modified retrospective transition method. The adoption of this Standard did not have a material impact on Pathways' consolidated financial statements but did change how the allowance for credit losses is determined.

Subsequent Events

In preparing these consolidated financial statements, Pathways has evaluated events and transactions for potential recognition or disclosures through April 21, 2025, 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, 2024, accounts receivable – government are comprised of the following:

	<u>Amount</u>
City of Philadelphia Department of Behavioral Health	\$ 360,846
City of Philadelphia Office of Homeless Services	1,246,811
U.S. Department of Housing and Urban Development	902,915
City of Philadelphia Department of Behavioral Health Office of Addiction Services	24,444
ActionWellness	48,171
Other	29,026
Total Accounts Receivable - Government	<u>\$ 2,612,213</u>

PATHWAYS TO HOUSING PA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

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 (8.50% as of June 30, 2024). There were no borrowings on this line of credit during the year ended June 30, 2024. The line expires April 30, 2025 and can be renewed on an annual basis. As of June 30, 2024, there was no outstanding balance on this line.

Pre-Development Loans

On October 20, 2021, Pathways Housing Wellness Corp entered into a loan agreement. \$180,000 of the funds were disbursed to Pathways in December 2021. Upon hitting certain milestones, \$50,000 in additional funds were disbursed during the fiscal year ended June 30, 2023. 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. As of the year ended June 30, 2024, the outstanding balance on this loan was \$230,000. Subsequent to year-end on November 21, 2024, the loan agreement was increased to \$1,000,000 with a blended rate of 5.1% accrued and paid at maturity. The maturity date was also extended to December 10, 2025.

In October 2023, Pathways Housing Wellness Corp entered into an additional loan agreement for an amount up to \$330,000. Upon submission of a written disbursement request form, the lender will disburse additional funds. 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 maturity date of October 31, 2025. As of June 30, 2024, \$105,746 of the funds were disbursed to Pathways.

Principal maturities of the pre-development loans subsequent to June 30, 2024 is as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2025	\$ 230,000
2026	105,746
Total	<u>\$ 335,746</u>

Subsequent to year-end, \$492,300 additional funds from the pre-development loans were disbursed to the Organization.

PATHWAYS TO HOUSING PA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 5 NET ASSETS

As of June 30, 2024, net assets with donor restrictions are restricted as to purpose and available for the following:

	Amount
Furniture Bank Supported Employment and Operations	\$ 55,834
Integrated Care Clinic	164,404
Housing Affordability and Enhancement	200,000
Housing Expansion	200,000
Total	<u>\$ 620,238</u>

Net assets released from restrictions amounted to \$468,327 for the year ended June 30, 2024.

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, 2024 was \$201,672.

NOTE 7 SELF INSURANCE

Pathways self-insures their Medical/Rx employee benefit plan offering through Independence Administrators and Highmark Stop Loss. There were 82 employees covered in FY24. The deductible on any individual/member claim is \$55,000. There is no maximum stop-loss protection limit for any specific or aggregate claims.

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, 2024, this amount represented approximately 78% of total support and revenue. The total receivable from contracts with federal, state and city governmental agencies as of June 30, 2024 was approximately 93% of total accounts receivable.

PATHWAYS TO HOUSING PA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

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, 2024:

	Amount
Cash and Cash Equivalents	\$ 2,295,618
Accounts Receivable - Government	2,612,213
Accounts Receivable - Contracts	863,880
Accounts Receivable - Other	185,270
Total Financial Assets at Year-End	5,956,981
Less: Net Assets with Donor Restrictions	(620,238)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 5,336,743</u>

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	\$ 8,908,243
Client Rent Contributions	462,788
Client Utilities Contributions	9,921
Referral Fees	166,807
Bed Fees	153,912
Membership Fees	4,929
Training Fees	172,132
Delivery Fees	71,820
Good Haul Revenue	178,134
Other General Revenue	70,522
Total	<u>\$ 10,199,208</u>

PATHWAYS TO HOUSING PA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 11 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

The following table shows Pathways' contract assets as of the beginning and ending of year ending June 30, 2024:

	Ending	Beginning
Accounts Receivable:		
Client	\$ 6,012	\$ 6,074
Training Fees	20,562	-
Furniture Bank	47,797	-
CBH	789,509	632,363
Total Accounts Receivable	<u>\$ 863,880</u>	<u>\$ 638,437</u>

There were no contract liabilities at the beginning or ending of the year ended June 30, 2024.

NOTE 12 IN-KIND CONTRIBUTIONS

In-kind donations amounted to \$1,000,191 for the year ended June 30, 2024, 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, 2024.

Item	Amount
Area Rugs	\$ 19,364
Art Work	57,080
Bookshelves	15,440
Box Springs and Frames	35,044
Desks	34,953
Dining Chairs and Soft Chairs	124,188
Dining Tables and Occasional Tables	217,964
Dressers	115,245
Lamps	63,853
Mirrors	26,150
Mattresses	53,837
Pop-up Shop- Small Items	40,930
Sofas/Loveseats	193,959
Wardrobes	2,184
Total	<u>\$ 1,000,191</u>

PATHWAYS TO HOUSING PA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 13 LITIGATION

As of the year ended June 30, 2024, Pathways to Housing PA, Inc. is involved in certain wage and hour litigation proceedings. This litigation resulted in a settlement that was unfavorable to Pathways. As of June 30, 2024, \$414,000 has been accrued for within the consolidated financial statements for this matter. This payment was made on November 12, 2024.

NOTE 14 LEASES – ASC 842

Pathways to Housing PA, Inc. determines if an arrangement is a lease at inception. Right-of-Use (ROU) assets represent Pathways' right to use an underlying asset for the lease term and lease liabilities represent the Pathways' obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that Pathways will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

Pathways has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or ROU assets on the consolidated statement of financial position.

Pathways to Housing PA, Inc. has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

Pathways to Housing PA, Inc. leases space and vehicles for program services and administrative support. The following table provides quantitative information concerning the Organization's leases:

Lease Costs:

Operating Lease Costs	\$ 336,772
Finance Lease Costs	<u>133,922</u>
Total Lease Costs	<u><u>\$ 470,694</u></u>

Weighted-Average Remaining Lease Term -	
Operating Leases (In Years)	4.5 Years
Weighted-Average Remaining Lease Term -	
Finance Leases (In Years)	3.0 Years
Weighted-Average Discount Rate - Operating Leases	3.50%
Weighted-Average Discount Rate - Finance Leases	6.78%

PATHWAYS TO HOUSING PA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 14 LEASES – ASC 842 (CONTINUED)

A maturity analysis of annual undiscounted cash flows for lease liabilities as of June 30, 2024, is as follows:

<u>Years Ending June 30.</u>	<u>Finance</u>	<u>Operating</u>
2025	\$ 123,124	\$ 336,370
2026	120,134	324,370
2027	100,183	272,608
2028	14,819	278,060
2029	1,035	211,658
Total Lease Payments	<u>359,295</u>	<u>1,423,066</u>
Less: Interest	<u>35,377</u>	<u>105,083</u>
Present Value of Lease Liabilities	<u>\$ 323,918</u>	<u>\$ 1,317,983</u>

PATHWAYS TO HOUSING PA, INC.
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2024

	Pathways to Housing PA, Inc.	Pathways Housing Wellness Corporation	Eliminations	Total
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 1,279,693	\$ 1,015,925	\$ -	\$ 2,295,618
Client Cash - Restricted	172,437	-	-	172,437
Accounts Receivable:				
Government	2,612,213	-	-	2,612,213
Contracts, Net	863,880			863,880
Other	185,270	-	-	185,270
Due From Related Party	286,198	150,000	(436,198)	-
Inventory	502,203	-	-	502,203
Prepaid Expenses and Other	75,944	26,654	-	102,598
Total Current Assets	<u>5,977,838</u>	<u>1,192,579</u>	<u>(436,198)</u>	<u>6,734,219</u>
PROPERTY AND EQUIPMENT				
Furniture, Fixtures, and Equipment	801,407	-	-	801,407
Leasehold Improvements	488,183	-	-	488,183
Software	44,331	1,500		45,831
Construction In Progress	-	422,923		422,923
Total	<u>1,333,921</u>	<u>424,423</u>	<u>-</u>	<u>1,758,344</u>
Less: Accumulated Depreciation	<u>1,068,852</u>	<u>-</u>	<u>-</u>	<u>1,068,852</u>
Total Property and Equipment	<u>265,069</u>	<u>424,423</u>	<u>-</u>	<u>689,492</u>
RIGHT OF USE ASSETS	<u>1,590,222</u>	<u>-</u>	<u>-</u>	<u>1,590,222</u>
Total Assets	<u>\$ 7,833,129</u>	<u>\$ 1,617,002</u>	<u>\$ (436,198)</u>	<u>\$ 9,013,933</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable	\$ 635,190	\$ 1,645	\$ -	\$ 636,835
Accrued Expenses	525,004	26,880	-	551,884
Accrued Payroll and Payroll Taxes	762,586	-	-	762,586
Deferred Revenue	13,514	800,000	-	813,514
Due to Related Party	150,000	286,198	(436,198)	-
Due to Clients	172,437	-	-	172,437
Lease Liabilities, Current Portion	400,375	-	-	400,375
Total Current Liabilities	<u>2,659,106</u>	<u>1,114,723</u>	<u>(436,198)</u>	<u>3,337,631</u>
LEASE LIABILITIES	<u>1,241,526</u>	<u>-</u>	<u>-</u>	<u>1,241,526</u>
PRE-DEVELOPMENT LOANS	<u>-</u>	<u>335,746</u>	<u>-</u>	<u>335,746</u>
Total Liabilities	<u>3,900,632</u>	<u>1,450,469</u>	<u>(436,198)</u>	<u>4,914,903</u>
NET ASSETS				
Without Donor Restrictions	3,312,259	166,533	-	3,478,792
With Donor Restrictions	<u>620,238</u>	<u>-</u>	<u>-</u>	<u>620,238</u>
Total Net Assets	<u>3,932,497</u>	<u>166,533</u>	<u>-</u>	<u>4,099,030</u>
Total Liabilities and Net Assets	<u>\$ 7,833,129</u>	<u>\$ 1,617,002</u>	<u>\$ (436,198)</u>	<u>\$ 9,013,933</u>

PATHWAYS TO HOUSING PA, INC.
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024

	Pathways to Housing PA, Inc.	Pathways Housing Wellness Corporation	Eliminations	Total
SUPPORT AND REVENUE				
Community Behavioral Health	\$ 9,519,104	\$ -	\$ -	\$ 9,519,104
U.S. Department of Housing and Urban Development	6,796,951	-	-	6,796,951
City of Philadelphia Department of Behavioral Health	-	-	-	-
Other Contracts	1,476,772	-	-	1,476,772
Client Income	672,201	-	-	672,201
Foundation Grants	472,709	-	-	472,709
Contributions	1,727,594	350,000	(150,000)	1,927,594
In-Kind Donations	118,942	-	-	118,942
Other Income and Fees	1,000,191	-	-	1,000,191
	889,017	-	-	889,017
Total Support and Revenue	<u>22,673,481</u>	<u>350,000</u>	<u>(150,000)</u>	<u>22,873,481</u>
EXPENSES				
Program	18,878,398	11,272	-	18,889,670
Management and General	3,664,947	22,837	(150,000)	3,537,784
Fundraising	353,845	-	-	353,845
Total Expenses	<u>22,897,190</u>	<u>34,109</u>	<u>(150,000)</u>	<u>22,781,299</u>
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	(223,709)	315,891	-	92,182
Net Assets - Beginning of Year	<u>4,156,206</u>	<u>(149,358)</u>	<u>-</u>	<u>4,006,848</u>
NET ASSETS - END OF YEAR	<u>\$ 3,932,497</u>	<u>\$ 166,533</u>	<u>\$ -</u>	<u>\$ 4,099,030</u>

PATHWAYS TO HOUSING PA, INC.
CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2024

	Pathways to Housing PA, Inc.				Pathways Housing Wellness Corporation				Total Consolidated
	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising	Total	
Payroll and Payroll Related Expenses	\$ 7,705,771	\$ 2,066,590	\$ 265,422	\$ 10,037,783	\$ -	\$ -	\$ -	\$ -	\$ 10,037,783
Bad Debt Expense	-	271,585	-	271,585	-	-	-	-	271,585
Client Gross Rent Expense	6,057,844	-	-	6,057,844	-	-	-	-	6,057,844
Client Housing Expenses	2,133,508	1,987	-	2,135,495	-	-	-	-	2,135,495
Clinical Expenses	8,984	-	-	8,984	-	-	-	-	8,984
Conferences and Meetings	59,533	37,831	22,543	119,907	-	-	-	-	119,907
Contract Service Payments and Professional Fees	173,659	280,486	12,042	466,187	11,272	-	-	11,272	477,459
Depreciation	117,738	16,135	-	133,873	-	-	-	-	133,873
Program Expenses - FB (Includes Delivery Exp)	1,022,789	-	-	1,022,789	-	-	-	-	1,022,789
Insurance	352,957	30,123	-	383,080	-	6,734	-	6,734	389,814
Miscellaneous	2,569	243,337	5,247	251,153	-	16,103	-	16,103	267,256
Occupancy Costs	580,864	65,859	-	646,723	-	-	-	-	646,723
Office Expenses	277,861	481,057	48,324	807,242	-	-	-	-	807,242
Other Client Expenses	324,297	-	-	324,297	-	-	-	-	324,297
Vehicle Costs	60,024	19,957	267	80,248	-	-	-	-	80,248
Total Expenses	<u>\$ 18,878,398</u>	<u>\$ 3,514,947</u>	<u>\$ 353,845</u>	<u>\$ 22,747,190</u>	<u>\$ 11,272</u>	<u>\$ 22,837</u>	<u>\$ -</u>	<u>\$ 34,109</u>	<u>\$ 22,781,299</u>

PATHWAYS TO HOUSING PA, INC.
CONSOLIDATING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2024

	Pathways to Housing PA, Inc.	Pathways Housing Wellness Corporation	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in Net Assets	\$ (223,709)	\$ 315,891	\$ -	\$ 92,182
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:				
Depreciation	133,873	-	-	133,873
Bad Debt	271,585	-	-	271,585
(Increase) Decrease in:				
Prepaid Expenses and Other	517,503	(26,454)	-	491,049
Accounts Receivable	(1,357,758)	-	-	(1,357,758)
Due From Related Party	75,169	-	(75,169)	-
Inventory	(274,135)	-	-	(274,135)
Client Cash - Restricted	-	-	-	-
Right of Use Assets	390,639	-	-	390,639
Increase (Decrease) in:				
Accounts Payable	302,854	(15,089)	-	287,765
Accrued Expenses	130,737	7,237	-	137,974
Accrued Payroll and Payroll Taxes	122,127	-	-	122,127
Due to Related Party	-	(75,169)	75,169	-
Due to Clients	(99,157)	-	-	(99,157)
Deferred Revenue	(18,728)	500,000	-	481,272
Lease Liabilities	(375,911)	-	-	(375,911)
Net Cash Provided by (Used in) Operating Activities	(404,911)	706,416	-	301,505
CASH FLOWS USED BY INVESTING ACTIVITIES				
Purchase of Property and Equipment	(28,508)	(130,693)	-	(159,201)
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES				
Pre-Development Loan	-	105,746	-	105,746
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(433,419)	681,469	-	248,050
Cash, Cash Equivalents, and Restricted Cash – Beginning of Year	1,885,549	334,456	-	2,220,005
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH – END OF YEAR	<u>\$ 1,452,130</u>	<u>\$ 1,015,925</u>	<u>\$ -</u>	<u>\$ 2,468,055</u>

