

PATHWAYS TO HOUSING PA, INC.
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025
(WITH COMPARATIVE TOTALS FOR
YEAR ENDED JUNE 30, 2024)



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PATHWAYS TO HOUSING PA, INC.
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YEAR ENDED JUNE 30, 2025

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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, 2025, 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, 2025, and the changes in their net assets and their 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:

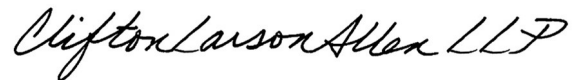
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures 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.

Board of Directors
Pathways to Housing PA, Inc.

Report on Summarized Comparative Information

We have previously audited Pathways to Housing PA, Inc.'s June 30, 2024 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated April 21, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

King of Prussia, Pennsylvania
December 12, 2025

PATHWAYS TO HOUSING PA, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2025
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2024)

ASSETS	2025	2024
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 3,023,026	\$ 2,295,618
Client Cash - Restricted	117,639	172,437
Accounts Receivable:		
Government, Net	1,457,164	2,612,213
Contracts, Net	1,120,610	863,880
Pre-Development Costs	1,135,223	-
Other	515,835	185,270
Inventory	824,356	502,203
Prepaid Expenses and Other	395,279	102,598
Total Current Assets	8,589,132	6,734,219
PROPERTY AND EQUIPMENT, NET	201,933	689,492
RIGHT-OF-USE ASSETS	2,327,286	1,590,222
Total Assets	\$ 11,118,351	\$ 9,013,933
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 705,619	\$ 636,835
Accrued Expenses	109,279	551,884
Accrued Payroll and Payroll Taxes	878,681	762,586
Deferred Revenue	1,067,122	813,514
Due to Clients	117,639	172,437
Pre-Development Loans, Current Portion	1,251,785	-
Lease Liabilities, Current Portion	500,207	400,375
Total Current Liabilities	4,630,332	3,337,631
LEASE LIABILITIES, NET OF CURRENT PORTION	1,951,748	1,241,526
PRE-DEVELOPMENT LOANS	400,001	335,746
Total Liabilities	6,982,081	4,914,903
NET ASSETS		
Without Donor Restrictions	3,358,846	3,478,792
With Donor Restrictions	777,424	620,238
Total Net Assets	4,136,270	4,099,030
Total Liabilities and Net Assets	\$ 11,118,351	\$ 9,013,933

See accompanying Notes to Consolidated Financial Statements.

PATHWAYS TO HOUSING PA, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2024)

	2025			2024
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Community Behavioral Health	\$ 10,590,456	\$ -	\$ 10,590,456	\$ 9,519,104
U.S. Department of Housing and Urban Development	8,066,364	-	8,066,364	6,796,951
City of Philadelphia Department of Behavioral Health	1,302,515	-	1,302,515	1,476,772
Other Contracts	811,897	-	811,897	672,201
Client Income	505,169	-	505,169	472,709
Foundation Grants	517,514	611,078	1,128,592	1,927,594
Contributions	385,234	50,000	435,234	118,942
In-Kind Contributions	767,558	-	767,558	1,000,191
Other Income and Fees	885,505	-	885,505	889,017
Interest Income	38,676	-	38,676	-
Net Assets Released from Restrictions	503,892	(503,892)	-	-
Total Support and Revenue	<u>24,374,780</u>	<u>157,186</u>	<u>24,531,966</u>	<u>22,873,481</u>
EXPENSES				
Program	21,074,930	-	21,074,930	18,889,670
Management and General	3,090,670	-	3,090,670	3,537,784
Fundraising	329,126	-	329,126	353,845
Total Expenses	<u>24,494,726</u>	<u>-</u>	<u>24,494,726</u>	<u>22,781,299</u>
CHANGE IN NET ASSETS	(119,946)	157,186	37,240	92,182
Net Assets - Beginning of Year	<u>3,478,792</u>	<u>620,238</u>	<u>4,099,030</u>	<u>4,006,848</u>
NET ASSETS - END OF YEAR	<u>\$ 3,358,846</u>	<u>\$ 777,424</u>	<u>\$ 4,136,270</u>	<u>\$ 4,099,030</u>

See accompanying Notes to Consolidated Financial Statements.

PATHWAYS TO HOUSING PA, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2025
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2024)

	2025						2024	
	Housing First	Furniture Bank	Good Haul	Total Program	Management and General	Fundraising	Total	Total
Payroll and Payroll Related Expenses	\$ 7,157,623	\$ 1,665,998	\$ 246,815	\$ 9,070,436	\$ 1,465,836	\$ 213,422	\$10,749,694	\$10,037,783
Bad Debt Expense	-	-	-	-	156,136	-	156,136	271,585
Client Gross Rent Expense	6,778,291	-	-	6,778,291	-	-	6,778,291	6,057,844
Client Housing Expenses	2,170,647	-	-	2,170,647	2,031	248	2,172,926	2,135,495
Clinical Expenses	6,140	-	-	6,140	286	-	6,426	8,984
Conferences and Meetings	28,030	1,901	546	30,477	75,197	16,815	122,489	119,907
Contract Service Payments and Professional Fees	582,394	9,665	3,662	595,721	378,337	9,015	983,073	477,459
Depreciation	85,589	-	-	85,589	28,594	4,399	118,582	133,873
Program Expenses - FB (Incl. Delivery Expense)	-	622,867	17,619	640,486	-	-	640,486	1,022,789
Insurance	346,560	80,665	11,950	439,175	71,657	10,334	521,166	389,814
Miscellaneous	17,773	2,187	10,060	30,020	100,072	5,662	135,754	267,256
Occupancy Costs	528,507	123,014	18,224	669,745	100,176	15,759	785,680	646,723
Office Expenses	180,684	50,571	19,113	250,368	651,808	47,647	949,823	807,242
Other Client Expenses	281,642	50	-	281,692	431	5,825	287,948	324,297
Vehicle Costs	4,511	16,097	5,535	26,143	60,109	-	86,252	80,248
Total Functional Expenses	\$ 18,168,391	\$ 2,573,015	\$ 333,524	\$21,074,930	\$ 3,090,670	\$ 329,126	\$24,494,726	\$22,781,299

See accompanying Notes to Consolidated Financial Statements.

PATHWAYS TO HOUSING PA, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2025
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2024)

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 37,240	\$ 92,182
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	118,582	133,873
Amortization of Right-of-Use Assets	101,373	108,460
Noncash Lease Expense	67,293	7,345
Bad Debt	156,136	271,585
(Increase) Decrease in:		
Prepaid Expenses and Other	(292,681)	491,049
Accounts Receivable	(300,682)	(1,357,758)
Inventory	(322,153)	(274,135)
Increase (Decrease) in:		
Accounts Payable	68,784	287,765
Accrued Expenses	(442,605)	137,974
Accrued Payroll and Payroll Taxes	116,095	122,127
Due to Clients	(54,798)	(99,157)
Deferred Revenue	253,608	481,272
Net Cash Provided (Used) by Operating Activities	(493,808)	402,582
 CASH FLOWS USED BY INVESTING ACTIVITIES		
Purchase of Property and Equipment	(53,946)	(159,201)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Pre-Development Loans	1,316,040	105,746
Finance Lease Liability Payments	(95,676)	(101,077)
Net Cash Provided by Financing Activities	1,220,364	4,669
 NET INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	672,610	248,050
Cash, Cash Equivalents, and Restricted Cash – Beginning of Year	2,468,055	2,220,005
 CASH, CASH EQUIVALENTS, AND RESTRICTED CASH – END OF YEAR	\$ 3,140,665	\$ 2,468,055
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for Interest	\$ 49,694	\$ -
 SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING ACTIVITIES		
Equipment Received in Exchange for Finance Lease	\$ 176,334	\$ 36,701

See accompanying Notes to Consolidated Financial Statements.

PATHWAYS TO HOUSING PA, INC.
NOTES TO CONSOLIDATED STATEMENTS
JUNE 30, 2025

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.

In September 2024, 17th Street Community I, LLC was established to facilitate the offering of low-income housing tax credits to promote additional funding for the housing development activities of the Corporation. The Corporation is the sole member of 17th Street Community I GP, LLC. This entity had no activity during the year ended June 30, 2025.

In September 2024, 17th Street Community Phase I, LP was established to facilitate the offering of low-income housing tax credits to promote additional funding for the housing development activities of the Corporation. The two partners are the Corporation (99.99%) and 17th Street Community I GP, LLC (0.01%). This entity had no activity during the year ended June 30, 2025.

Principles of Consolidation

The consolidated financial statements of Pathways include the accounts of Pathways to Housing PA, Inc., Pathways to Housing Wellness Corporation, and 17th Street Community I GP, LLC. All significant interorganizational transactions have been eliminated in these consolidated financial statements.

PATHWAYS TO HOUSING PA, INC.
NOTES TO CONSOLIDATED STATEMENTS
JUNE 30, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2024, 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 and money market sweep 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, 2025, the amount of the overall allowance for credit loss was \$75,534.

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, 2025 amounted to \$824,356.

Property and Equipment

Property and equipment are purchased and stated at cost. Donated property is recorded at fair value.

PATHWAYS TO HOUSING PA, INC.
NOTES TO CONSOLIDATED STATEMENTS
JUNE 30, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (Continued)

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 \$5,000. 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 STATEMENTS
JUNE 30, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

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 – 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 \$1,067,122 as of June 30, 2025. Pathways and the Corporation have been awarded cost-reimbursable grants of \$3,556,558 that have not been recognized at June 30, 2025 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 STATEMENTS
JUNE 30, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status

Pathways and the 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 the 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 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.

Reclassifications

Certain amounts in the prior period presented have been reclassified to conform to the current period consolidated financial statement presentation. These reclassifications have no effect on previously reported change in net assets.

PATHWAYS TO HOUSING PA, INC.
NOTES TO CONSOLIDATED STATEMENTS
JUNE 30, 2025

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 December 12, 2025, the date the consolidated financial statements were available to be issued. See Note 16 for disclosure of subsequent events.

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. As of June 30, 2025, the cash balance that exceeded federally insured limits was \$2,833,924.

NOTE 3 ACCOUNTS RECEIVABLE – GOVERNMENT

As of June 30, 2025, accounts receivable – government are comprised of the following:

City of Philadelphia Department of Behavioral Health	\$ 281,914
City of Philadelphia Office of Homeless Services	330,913
U.S. Department of Housing and Urban Development	731,259
City of Philadelphia Department of Behavioral Health Office of Addiction Services	24,444
ActionWellness	62,037
Other	36,076
Total Accounts Receivable - Government	1,466,643
Less: Allowance for Doubtful Accounts	(9,479)
Total Accounts Receivable - Government, Net	\$ 1,457,164

NOTE 4 ACCOUNTS RECEIVABLE – PRE-DEVELOPMENT COSTS

Accounts receivable pre-development represents costs incurred by Pathways Housing Wellness Corporation for projects in the predevelopment stage. As of June 30, 2025, the balance is comprised of the following:

<u>Development</u>	
17th Street Community Phase I	\$ 919,029
17th Street Community Phase II	216,194
Total	\$ 1,135,223

Subsequent to year-end, on September 9, 2025, accounts receivable predevelopment costs related to 17th Street Community Phase I were reimbursed to the Corporation based on the satisfaction of predevelopment loans. See Note 16 for more details.

PATHWAYS TO HOUSING PA, INC.
NOTES TO CONSOLIDATED STATEMENTS
JUNE 30, 2025

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30, 2025:

Furniture, Fixtures, and Equipment	\$ 807,063
Leasehold Improvements	536,473
Software	45,831
Subtotal	1,389,367
Less: Accumulated Depreciation	(1,187,434)
Property and Equipment, Net	\$ 201,933

NOTE 6 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 (7.50% as of June 30, 2025). The line expires April 30, 2026 and can be renewed on an annual basis. As of June 30, 2025, there was no outstanding balance on this line.

Pre-Development Loans

In October 2021, the Corporation entered into a loan agreement of which \$180,000 of the funds were disbursed to Pathways in December 2021. The loan was for pre-development construction costs including architectural and consulting fees. The loan carried 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. On December 18, 2024, the loan was amended to increase the principal loan amount to \$1,000,000, with an interest rate of 5.1% per annum. Payment of principal and interest will be due upon the earlier of the closing of construction financing or December 10, 2025. As of the year ended June 30, 2025, the outstanding principal balance on this loan was \$998,000 and accrued interest was \$51,637. On September 9, 2025, the principal balance and outstanding accrued interest on this loan was satisfied as part of closing of 17th Street Community Phase I, L.P. See Note 16.

In October 2023, the Corporation entered into an additional loan agreement for an amount up to \$330,000. 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, 2025, \$253,785 of the funds were disbursed to the Corporation. On October 6, 2025, the maturity date of this loan was extended to April 30, 2026.

In September 2024, the Corporation entered into a loan agreement for \$300,000. The loan is for predevelopment construction costs including architectural and consulting fees. The loan carries a 2% interest rate to be accrued and paid at the maturity date of September 30, 2026. As of the year ended June 30, 2025, the outstanding principal balance on this loan was \$300,000 and accrued interest was \$14,701. On September 9, 2025, the principal balance and outstanding accrued interest on this loan was satisfied as part of closing of 17th Street Community Phase I, L.P. See Note 16.

PATHWAYS TO HOUSING PA, INC.
NOTES TO CONSOLIDATED STATEMENTS
JUNE 30, 2025

NOTE 6 DEBT (CONTINUED)

In September 2024 and June 2025, the Corporation entered into two separate loan agreements, each for \$50,000, with the same lender. The loans are for predevelopment construction costs including architectural and consulting fees. Each loan carries a 3% interest rate to be accrued and paid at the maturity date of September 17, 2026 and June 16, 2027, respectively. As of the year ended June 30, 2025, the outstanding balance of each loan was \$50,000. On September 9, 2025, the principal balance and outstanding accrued interest on this loan was satisfied as part of closing of 17th Street Community Phase I, L.P. See Note 16.

Principal maturities of the pre-development loans subsequent to June 30, 2025 is as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2026	\$ 1,251,786
2027	400,000
Total	<u>\$ 1,651,786</u>

NOTE 7 NET ASSETS

As of June 30, 2025, net assets with donor restrictions are restricted as to purpose and available for the following:

Furniture Bank Supported Employment and Operations	\$ 136,050
Integrated Care Clinic	60,539
Work First	178,750
Housing Affordability and Enhancement	200,000
Housing Expansion	152,085
Restricted Due to Timing	50,000
Total	<u>\$ 777,424</u>

Net assets released from purpose restrictions during the year ended June 30, 2025, consisted of the following:

Furniture Bank Supported Employment and Operations	\$ 144,783
Integrated Care Clinic	224,944
Work First	86,250
Housing Expansion	47,915
Total	<u>\$ 503,892</u>

NOTE 8 EMPLOYEE BENEFIT PLAN

Pathways maintains a 401(k) Plan covering all eligible employees who have completed at least 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, 2025 were \$226,467.

PATHWAYS TO HOUSING PA, INC.
NOTES TO CONSOLIDATED STATEMENTS
JUNE 30, 2025

NOTE 9 SELF INSURANCE

Pathways self-insures its Medical/Rx employee benefit plan offering through Independence Administrators and Highmark Stop Loss. There were 83 employees covered during the year ended June 30, 2025. 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 10 CONCENTRATION OF REVENUES

Pathways' operating revenue is primarily generated through contracts with federal, state, and city governmental agencies. For the year ended June 30, 2025, grants from one specific funder represented approximately 24% of total support and revenue. The total receivable from the above-mentioned funder as of June 30, 2025 was approximately 23% of total accounts receivable.

NOTE 11 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 12 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:	
Community Behavioral Health	\$ 10,590,456
Client Rent Contributions	488,919
Client Utilities Contributions	16,250
Referral Fees	200,635
Bed Fees	115,040
Membership Fees	19,069
Training Fees	15,699
Delivery Fees	63,953
Good Haul Revenue	215,597
Other General Revenue	83,718
Total	<u>\$ 11,809,336</u>

PATHWAYS TO HOUSING PA, INC.
NOTES TO CONSOLIDATED STATEMENTS
JUNE 30, 2025

NOTE 12 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

The following table shows Pathways' contract assets as of the beginning and ending of year ending June 30, 2025:

	<u>Ending</u>	<u>Beginning</u>
Accounts Receivable:		
Client	\$ 7,557	\$ 6,012
Training Fees	-	20,562
Furniture Bank	329,830	47,797
Community Behavioral Health	781,611	789,509
Good Haul	1,612	-
Total Accounts Receivable	<u>\$ 1,120,610</u>	<u>\$ 863,880</u>

There were no contract liabilities at the beginning or ending of the year ended June 30, 2025.

NOTE 13 IN-KIND CONTRIBUTIONS

In-kind donations amounted to \$767,558 for the year ended June 30, 2025, and are 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, 2025.

<u>Item</u>	<u>Amount</u>
Area Rugs	\$ 6,603
Art Work	52,500
Bookshelves	6,750
Box Springs and Frames	75,520
Desks	39,875
Dining Chairs and Soft Chairs	89,256
Dining Tables and Occasional Tables	184,432
Dressers	83,700
Lamps	86,100
Mirrors	33,950
Pop-up Shop- Small Items	12,720
Sofas/Loveseats	96,048
Wardrobes	104
Total	<u>\$ 767,558</u>

PATHWAYS TO HOUSING PA, INC.
NOTES TO CONSOLIDATED STATEMENTS
JUNE 30, 2025

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, vehicles, and copiers for program services and administrative support. The following table provides quantitative information concerning the Organization's leases:

Lease Costs:	
Operating Lease Costs	\$ 528,286
Finance Lease Costs	
Amortization of Right-of-Use Assets	101,373
Interest on Lease Liabilities	23,025
Total Lease Costs	<u>\$ 652,684</u>
Other Information:	
Operating Cash Flows from Operating Leases	456,711
Operating Cash Flows from Finance Leases	23,025
Financing Cash Flows from Finance Leases	95,676
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	1,146,821
Right-of-Use Assets Obtained in Exchange for New Finance Lease Liabilities	176,334
Weighted-Average Remaining Lease Term - Operating Leases	4.7 Years
Weighted-Average Remaining Lease Term - Finance Leases	3.1 Years
Weighted-Average Discount Rate - Operating Leases	5.83%
Weighted-Average Discount Rate - Finance Leases	7.48%

PATHWAYS TO HOUSING PA, INC.
NOTES TO CONSOLIDATED STATEMENTS
JUNE 30, 2025

NOTE 14 LEASES – ASC 842 (CONTINUED)

A maturity analysis of annual undiscounted cash flows for lease liabilities as of June 30, 2025, is as follows:

<u>Year Ending June 30,</u>	<u>Finance</u>	<u>Operating</u>
2026	\$ 137,010	\$ 494,174
2027	120,246	470,199
2028	56,800	512,131
2029	44,211	471,704
2030	18,309	288,188
Thereafter	-	238,500
Total Lease Payments	<u>376,576</u>	<u>2,474,896</u>
Less: Interest	<u>44,553</u>	<u>354,964</u>
Present Value of Lease Liabilities	<u>\$ 332,023</u>	<u>\$ 2,119,932</u>

NOTE 15 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, 2025:

Cash and Cash Equivalents	\$ 3,023,026
Accounts Receivable - Government	1,457,164
Accounts Receivable - Contracts	1,120,610
Accounts Receivable - Other	515,835
Total Financial Assets at Year-End	<u>6,116,635</u>
Less: Net Assets With Donor Restrictions	<u>(777,424)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 5,339,211</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.

PATHWAYS TO HOUSING PA, INC.
NOTES TO CONSOLIDATED STATEMENTS
JUNE 30, 2025

NOTE 16 SUBSEQUENT EVENTS

Corporation Project Development

On September 9, 2025, the Corporation withdrew from 17th Street Community Phase I, L.P. and two unrelated entities, CREA 17th Street Community Corridor – Phase I, LLC (99.989%) and CREA SLP, LLC (0.001%), were admitted to the partnership. Pre-development loans, including accrued interest, in the amount of \$1,425,138 were satisfied by the Corporation upon settlement. In addition, accounts receivable pre-development costs were also reduced by \$1,425,138 on this date. The Corporation is the developer of 17th Street Community Phase I, L.P. and earned \$340,000 in developer fee revenue as of September 9, 2025.

On September 11, 2025, the Corporation entered into an agreement with The Homeless Assistance Fund, Inc. for a loan in the amount of \$50,000 to finance predevelopment activity related to 17th Street Community Phase II. Interest accrues at 3% per annum and the loan matures on the earlier of the second anniversary of the loan agreement date or the full payment of the balance of principal and accrued interest prior to the maturity date.

On October 22, 2025, 17th Street Community Phase Two, L.P. was established to facilitate the offering of low-income housing tax credits to promote additional funding for the housing development activities of the Corporation. The two partners are the Corporation (99%) and 17th Street Community Two GP, LLC (1%). The Corporation is the sole member of 17th Street Community Two GP, LLC.

Other

Subsequent to year end, the U.S. Department of Housing and Urban Development experienced delays in the Continuum of Care Notice of Funding Opportunity process, which may affect the timing of Permanent Supportive Housing grant renewals and related cash receipts. Based on information currently available, management anticipates that Permanent Supportive Housing funding levels may be awarded at amounts that are significantly lower than prior periods. Management continues to monitor communications from the U.S. Department of Housing and Urban Development and the local Continuum of Care.



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